

I. Overall Strategy

1. What Blue is

Our business conditions are not ideal. In particular, the Metals & Energies sector, which has been the main business of our company, has been declining. Revenue of this sector decreased by 56% from 2012. Moreover, net income decreased by 89% from 2012. We recorded a large deficit in 2015. However, we do not intend to withdraw from the resource business. On the other hand, the Machinery & Infrastructure sector has been performing well. We are considering making new investments to develop our business, and business relating to tourism is one of the key sectors.

Accordingly, it is necessary for us to strengthen the Machinery & Infrastructure sector while rebuilding the Metals & Energies.

2. Overview

In this negotiation, it is important for us to conclude the agreement for Negonium Project that is beneficial for us. Negonium could be a new core of our resource business and we would like to be successful in the negonium mining project. Also, the Geopark Project has the potential to contribute to the further development of our tourism business, and we would like to work on it positively. So we would like to secure profit by compromising the Geopark Project. Specifically, we want to gain the stable and large profit by Negonium, while we cooperate with Red in Geopark Project.

3. How we proceed with the negotiation

We will start the negotiation by answering to the three questions concerning the national park asked by Red during the last negotiation. We will not easily reach an agreement on these topics at this stage, because we are hoping to negotiate these topics together with the negonium project. If we get stuck at the Geopark project, we will move on to negotiate the negonium project. When we negotiate the negonium project, we will use our concession in the geopark project as a bargaining chip to achieve our goals in the negonium project.

II. Project National Park Development

4. The goal of this negotiation

Our goal is to achieve connecting two areas: the Negoland national park and the existing resort area in Arbitria, while investing actively to the development and constructions which may bring Blue profit.

5. Priority of each topic and overall strategies

Important topics for us are (2) Ideas for luring tourists to the area, and (3) Building facilities for tourism development. This is because these topics determine our initial investment to this development project. These topics are related to each other since the idea to lure tourist will influence the facilities we build. We will describe this in more detail below. (1) Donations is less important compared to other two topics.

6. Strategy for each topic

(1) Donations for national park enhancements

【STRATEGIES】

We would like to decide whether Blue donates to Red or not and how much Blue donate by looking into what Red is thinking about. Blue only has a vague picture about how Red locates Blue's donations in a whole negotiation. For Blue, donations are small in gain, so **Blue basically will not donate to Red.** However, if there is a great merit as a return gift for Blue, Blue will make donations. Thus, it is important for Blue to get information from Red about donations.

【BOTTOM】

Donate to Red (the maximum amount is \$10,000 each year)

(2) Ideas for luring tourists to the area

【STRATEGIES】

Blue would like to suggest the geotourism plan which includes traveling to Negoland Mountain, Nego Lake, Lake Arbitria. In negotiation, Blue will show detailed business plan to Red. **We would like Red to understand the great meaning of creating a connection between Negoland national park and resorts area in Arbitria.** By doing so, Blue will persuade to construct facilities which are beneficial for Blue.

【IDEA】

Blue would like to suggest Red an idea of **Geotourism, a sightseeing tour enjoying transboundary geographical features.** To achieve this, Red and Blue should cooperate for the application of geopark as an integral area including lake Arbitria. Geotourism project will bring Blue a lot of merits: an expansion in scale of geopark, a broad publicity and advertisements, and luring a number of tourists. These merits will positively contribute to the designation to Geopark.

(3) Building facilitates for tourism development

【STRATEGIES】

Blue puts a priority on construction of ⑤&⑥, because Blue's tourism business will gain about US\$500 million net profit over a 10-year period, if we succeed in the integrated development of the Negoland national park, Lake Arbitria and Aub-Nea district. Thus, **Blue will firstly suggest the construction of ⑤&⑥** and get Red's understanding and an agreement by emphasizing that ⑤&⑥ will help the realization of the geotourism idea and Blue will invest more if we construct ⑤&⑥. If Red refuses to construct both ⑤&⑥, construction of one of them is fine. In a case that the national park project completes within the domestic construction (①~④), Blue's maximum amount of investment would be **US\$200 million.**

【Advertisements】

Blue would like Red to list up the name of Blue on the advertisements about the National Park as a supporting company, so that Blue will be publicly known for contributing to a development of the park.

【BOTTOM】

Blue are ready to make an initial investment of up to **US\$200 million** for this tourism related project, but if we could reach an agreement that could be beneficial to our existing tourism relating business, the amount of investment could be increased to **US\$400 million**. The amount Blue can invest is estimated by calculating and dividing the maximum amount of investment on the basis of the ratio of the initial cost.

(Unit: US\$1million, B = Blue)

What we construct	Initial cost	Estimation of B's cost	B's maximum amount of investment
① One Large Size Hotel	50	16	200
② One Middle Size Hotel	20	6.4	
③ Fixed-route Bus Line (Negollia~Park)	50	16	
④ Railway (Negolia~Park)	500	160	
⑤ Railway (Lake Arbitria, Abu-Nea~Park)	400	160	200
⑥ Road (Lake Arbitria, Abu-Nea~Park)	100	40	

※ This is only a rough estimation, so in negotiation.

III. Project Negonium

7. The goal of this negotiation

- ① To maximize the Blue's allocation of Negonium, while to minimize the the risk to be borne by Blue, for instance, investment by cash, additional payment and so on.

8. Priority of Topics and Overall Strategy

In this project, what is important for us is to continue to earn more than a certain level of return on investment amount. In this negotiation, our key mission in the negotiation with Red is to maximize returns while minimizing risks. Then, we want to get as much allocation as possible, while keeping as much investment as possible by cash. On the other hand, Blue and Red have agreed that, as a general rule, the investment ratio utilized at this stage will be applied even after the full-scale operation commences. Thus, it is necessary for us to revise the agreement or have Red highly estimate the valuation of our technology.

9. Strategy for Each Topic

(1) Amounts to be invested in the Project

【Strategy】

We would like to hold down the investment by cash as much as possible. Specifically, by negotiating with other negotiating items or development projects in Negoland National Park, it is necessary to revise the principle that Negonium produced will be distributed at the share of ownership ratio, or to obtain high evaluation of our technology as spot investment. Meanwhile, we would like to respond to the responsible project participation that Red Company is seeking. Therefore, we may promise commitment to the project in a method other than investment by cash. Specifically, the agreement not to withdraw from the project for a certain period is included in the contract, and so on.

By the way, if additional investment is necessary, the upper limit is 20 million US dollars. Therefore,

after consulting with Red Corporation about the possibility of additional investment, we would like to decide final cash contribution amount.

【Bottom Line】

The capital contribution by cash is US \$ 30 million and the capital contribution of additional cost is upper limit of 20 million USD. It is necessary to ensure 20% of the distribution ratio of Negonium.

【BATNA】

In case the amount of additional investment borne by the Company exceeds 20 million US dollars, we get agreement to withdraw from Negonium resource development.

(2) Valuation of Blue’s Technology

【Strategy】

Taking into consideration the purpose of "suppressing investment by cash and acquiring a high distribution ratio of Negonium", this topic is very important for us. On the other hand, from the viewpoint of dilution of ownership, for Red Company, it is expected that this item is not an easy concession item. Therefore, I would like to withdraw Red's concessions in this topic by conceding the above-mentioned commitment guarantee or selling destination of output or Negoland National Park development project.

【Bottom Line】

If Red do not evaluate the technology of Blue Corporation as a spot investment, we will conclude the Lisence Agreement with Red to pay a license fee of US \$ 2 million a year.

(3) Sale of the Products

【Strategy】

We will compromise on this topic in order to get other topics. However, given the availability and rarity of Negonium, an easy compromise is not allowed. Therefore, in principle, it is necessary to ask the market price to be added according to the specified supply rate. However, if Red Corporation's big concessions are obtained regarding the allocation ratio of Negonium to the contribution by cash, it may not be based on this principle. Even in that case, the specified supply is up to 30% .

【Bottom Line】

30% of the allocated Negonium is promised to sell to Red Company or a company in Negoland at a price of 30% of the market price when red company requests it.

10. Offers

To summarize the above, we will make the following proposals on the amount of investment by cash, the evaluation of Blue's technology and the allocation ratio of output.

	Investment by Cash	Valuation of Technology	Allocation of Negonium
Ideal Line	2000million USD	2000million USD	40%
Middle Line	1000million USD	500~1000million USD	24% ~27%
Bottom Line	2000million USD	-(Lisence Contract)	20%