

## 1. The purpose of this negotiation & current situation of Blue

Our business conditions are not ideal, and we are seeking a new chance to rehabilitate and develop our business. This is our motive to engage in the two projects with Red: We believe these two projects can bring us sources of stable revenue and a new growing field. However, we would like to put more weight on the negonium project, because the negonium is crucial to maintain Blue's resource business which recorded a large deficit in 2015, and we do not wish to withdraw from the resource business.

## 2. Overall strategy

We will try to have a good mutual understanding with Red and comfort them by explaining the ultimate goal of both Red and Blue is the same: Successfully mining negonium as much as possible and commercializing them with added value, obtaining Geopark status by 2025, and attracting as many people as possible from all over the place.

We will also accentuate our strong competitive points: the reasons Red wants us for their projects. For the entire negotiation, we will ask their concerns and try to make our offers look reasonable and profitable for both companies.

## 3. The unincorporated joint venture of negonium project

- ▶ **Overall goal:** Gain as much negonium as possible, 40% of total negonium output.
- ▶ **Bottom line:** Gain 20% of total negonium output.
- ▶ **Overall strategy:**

First, we will confirm that both Red and Blue have the same goal: 1) Mining negonium as much as possible, 2) commercializing negonium, and 3) raising the negonium's market value. Before moving on to specific numbers, we will ask Red's plan to commercialize negonium and show our ideas for commercializing, such as using negonium to develop the solar battery generator, and raising a market value in order to lessen risks of this project.

We believe there might be a different interpretation of the investment in kind for the negonium project, whether the investment in kind is included within the total expenses for research and feasibility study or it is evaluated outside of the total cost that must be paid in cash. Since we are prepared for both possible interpretations, we will try to have the same idea with Red upon the investment in kind in the first stage, so that we can negotiate more smoothly and efficiently.

► **Details by issue** (the number of star indicates the degree of importance):

## **1. Valuation of the technology ★★★**

We will insist and persuade Red that this technology must be evaluated as investment in kind with various reasons. As one of the reasons, we will explain that licensing the technology will cost Red a lot in the long-term perspective. After all, because this valuation of the technology is the best way to maximize our negonium share while minimizing risks of this project, we want our technology to be evaluated as much as possible.

- **Goal:** The technology is evaluated as US\$ 15 million investment in kind, with non-exclusive right.
- **First:** The technology is evaluated as US\$ 25 million investment in kind, with a two-year exclusive right for negonium only.
- **Bottom:** License the technology to the joint venture with US\$ 2 million per year for license fee. However, when we need to agree on licensing the technology, we need Red to agree to pay for the license fee and give Blue negonium needed for development of solar battery development.

## **2. Amounts to be invested (in cash) ★★**

The maximum amount of investment in cash is \$30 million, and we would not hesitate to invest all to achieve our aimed negonium share. However, we would like to maximize the valuation of investment in kind before we decide to invest all amount of \$30 million, so that we would be able to save cash.

- **Goal:** Contribute to achieve 40% of negonium share.
- **Bottom:** Up to \$30 million.

## **3. Sales of the products ★**

The importance of this issue is relatively low for us, which means we can be flexible upon this point and will use this as a weapon to gain an advantage in this negotiation. We will imply that any required sales to Red would be difficult to make them feel we made a huge

concession on this issue. However, at any rate, we will keep at least 20% of our negonium share with discretionary power.

- **Goal:** Maximize the premium price while keeping 20% of negonium share with discretionary usage.
- **First:** Reject to sale to Red
- **Bottom:** Sale 30% of our negonium share to Red with 30% premium or 20% with 20% premium or 10% with 10% premium.

#### [BATNA]

Red might not be the only compnay who would possess a source of negonium: there is a possibility that the seabed near the coast of Arbitria may also contain negonium deposits. We will show Red that we would engage in other negonium project if the negonium is found in Arbitria or other places in the future. We will use BATNA when Red insists that the technology cannot be evaluated as investment in kind.

## 4. The national park project of Negoland (“Geopark project”)

### ► Overall Goal:

To be actively involved in the Geopark Project, since it has the potential to contribute to further development of Blue’s tourism business.

### 1. Whether to make donations ★

- **Goal:** Maintaining a good relationship with Red and present a good image of Blue to the public.
- **Bottom:** Donate up to US\$ 10,000 per year.
- **Strategy:** Since Blue is currently trying to cut expenditures, we cannot make donations too easily. However, given the value of a good relationship with Red and a good public image, we would like to make a donation for the Geopark Project. In exchange for the donation, we will ask Red to clearly report the usage of our donation

to the public and show Blue's name on Geopark-related advertisements. The duration of our donation would be until the Geopark reaches the break-even point.

## **2. Whether to extend the cooperation ★★★**

- **Goal:** To integrate the Negoland national park and the Abu-Nea district and attract as many people as possible to maximize our profit.
- **First:** Invest US\$ 250 million for the project
- **Bottom:** a) Invest up to US\$200 million if the national park is NOT integrated with Abu-Nea district, up to US\$400 million if integrated. b) Get Red to agree on advertising us as a sponsor.
- **Strategy:** First, we will confirm that the common interest with Red is to attract as many people as possible. We will suggest our ideas on investment for mutual benefit. Then, we will show Red that it would be a huge loss for both Red and Blue if we do not integrate the national park with the Abu-Nea district as a way to greatly increase the visitors. We will also ask Red to promote our contribution through advertisements in returns of our investment and presenting ideas for facilities which address environmental impact, such as using solar batteries.

## **3. Additional ideas for luring tourists to the area ★★**

- **Goal:** To acquire further business chances and contribute to sustainable development
- **Strategy:** We will offer ideal images of the Geopark in terms of entertainment, education and sustainability with the criteria of Geopark status in order to show our devotion. We are also going to suggest ideas which only collaboration of Red and Blue can actualize with the synergy effect to make Red feel that Red definitely needs Blue's cooperation.

Ex. Sustainable Sea Food Restaurant ⇒ Marine products of Red and Blue

### **[BATNA]**

When Red requests us to invest more than US\$400 million, we will use BATNA, saying that we would work on having our own Geopark, rather than investing to Red's Geopark project.