Twentieth Intercollegiate Negotiation Competition Problem

(October 144 version)

1. Negoland is a constitutional monarchy with a population of approximately 200 million. Until around 1980, the domestic political situation of Negoland was unstable due partly to the conflict between different racial groups. However, since 1980, its political situation has been stable, owing to the efforts made by the new King who assumed the throne and promoted dialog between those racial groups. With this change, investments from overseas have increased, and Negoland's economy has grown rapidly in the last 30 years. GDP in 2020 was approximately 3 trillion USD. Further economic growth is expected, and people's lives are rapidly becoming more enriched.

2. The climate of Negoland is warm, and suited to various types of agriculture and fishery. Due to an abundance of natural food ingredients in Negoland, a traditional dietary culture has developed different from western food culture, represented by so called "Nego Food," which emphasizes a relatively light and delicate taste. The main food is rice. Alcoholic beverages consumed with meals are traditionally beer or Nego Sake, a brew made from rice. Nego Sake is said to be similar to Japanese Sake.

3. With economic development after 1980, western culture and its dietary lifestyle have spread throughout Negoland. Primarily in urban areas, many western restaurants opened and have become popular, including French, Italian and Spanish cuisine, from super high-end restaurants to relatively ordinary ones. As a result, wine's popularity has also increased. Production of wine in Negoland is not very active, and most wine consumed in Negoland is imported from overseas. Countries from which Negoland imported wine in the last ten years have been mostly the same: France (25%), Italy (20%), Spain (15%), the United States (10%), and Australia (10%) are the top five wine exporters to Negoland.

4. Hiromi Red is known as the representative chef of Negoland. Hiromi Red started a French Restaurant called "Restaurant Red" in 1980 at the age of 30. The restaurant was highly rated at that time. Thereafter, Hiromi Red opened French restaurants with different concepts one after another, all of which were highly rated. In 1987, Hiromi Red established Red Corp. as a company to operate the restaurant business. Since then, Red Corp. did not limit itself to operate restaurants serving purely French cuisine, but kept developing various restaurants in new genres including those serving Nego cuisine, Italian cuisine, and a mix of French and Nego cuisine. These restaurants were all successful. Red Corp. has also developed its restaurant business in

other countries including the United States, European countries, and Meditoria, and Hiromi Red is highly rated as a first-class chef in these areas too.

5. From 1990, Red Corp. also started a wine business utilizing a strong network of people Hiromi Red had developed. This wine business of Red Corp. was to sell wine imported from overseas to wine lovers. Initially, it started as a small-scale wine specialty store, but with increasing popularity of wine in Negoland, it acquired many customers, and in no time, Red Corp. opened wine specialty stores in the main cities in Negoland. These stores have since expanded to sell not only wine, but also food, dishes, and beverages sold in Red's hotels and restaurants. The company also started Internet sales (only residents in Negoland may purchase through the Internet sales) in 2005, which gained many users.

6. Furthermore, from 2000, Red Corp. also advanced into the hotel business. It purchased small to medium-sized hotels in resort areas which were not performing well and introduced know-how for delicious food and hospitality gathered from its restaurant business. The concept of Red Corp.'s hotels is that people can enjoy the extraordinary environment in a resort while enjoying delicious food in a relaxing environment.

7. In 2005, Red Corp. started to produce Nego Sake for sale at its own restaurants, hotels, and shops. Nego Sake of Red Corp. has a refreshing taste and is similar to white wine, and has won a reputation that it goes very well with not only Nego food but also western food.

8. As the business of Red Corp. expands, Hiromi Red rapidly enjoyed increased publicity. Hiromi Red appears and actively speaks on TV and in magazines, and has established the status as the biggest influencer in the culinary world in Negoland. People in the culinary world in Negoland say that if you get approval from Hiromi Red, your success is guaranteed and that the food boom in Negoland depends on what Hiromi Red says. The reputation of Hiromi Red is also known in the United States and Europe, and Hiromi Red has strong ties with chefs and people in the food and beverage industry. An outline of Red Corp. is set out in Exhibit 1.

9. Arbitria is a republic with a population of approximately 30 million. The primary industries, such as agriculture and mining, are utilizing large tracts of land, and tertiary industries such as tourism, finance, and IT are active. The GDP in 2020 was approximately 1.5 trillion USD.

10. As Arbitria was historically influenced by England, the food culture of Arbitria is based on British food culture. However, as Arbitria has been actively accepting immigrants from many countries,

various food cultures have been brought into the country by those immigrants. Current Arbitrian food is a western-style food primarily based on British food with south European, Asian, east European, and middle eastern elements.

11. In Arbitria, people prefer to drink wine as it goes well with Arbitrian food. Wine is imported from nations in the Old World, such as France, Italy, Spain, and Germany, as well as the New World such as the United States, Australia, and Chile. In addition, Arbitria has been making a strong effort to produce its own wine. Wine production in Arbitria began in earnest in the 1980s. Inspired wine producers who learned winemaking in Europe put great effort into wine production utilizing the country's good weather. Particularly good Arbitrian wine is produced in the Abufornia area. Abufornia's weather is similar to that of North-central California in the United States, and vintage is said not to have much effect on its success or failure. Various wines are produced in the Abufornia area. For instance, red wine, mainly Cabernet Sauvignon, is produced in Abu Valley, and red wine, mainly Pinot Noir, and white wine, mainly Chardonnay, are produced in the Abu Noma area. Arbitrian wine has been recognized as wine comparable to wine in the New World, such as that of the United States, Australia, and Chile.

12. Blue Inc. is a major beverage producer in Arbitria, established in 1900. Blue Inc. produces and sells soft drinks, beer and wine, and in Arbitria, it has a 30% share for soft drinks and 20% share for beer. For wine, Blue Inc. owns good quality vineyards in Abu Valley, where it conducts the entire winemaking process, from cultivation of wine grapes to fermentation and aging. Its share of the wine market in Arbitria is 15%. Blue Inc. only produces red wine and does not produce white wine.

13. The very best wine of Blue Inc. is sold under the name "Blue One". "Blue One" was first produced with the aim of producing wine that is superior to the best Bordeaux, by inviting a winemaker, Bob Orange, who accumulated his experience at five famous châteaux in France in 1999, taking advantage of the rich environment in Abu Valley, investing money, and utilizing the latest scientific technology. Only 1,000 cases of "Blue One" are produced annually (a case contains 12 bottles of 750ml.). "Blue One" uses only the very best quality Cabernet Sauvignon selected from grapes harvested in the best terroir from Blue Inc.'s vineyards, and thus it is difficult to produce in any greater quantity. Other than "Blue One," Blue Inc. produces second label wine sold at around 40USD at retail and third label wine sold at around 20USD at retail.

14. "Blue One" won the first-place award at the worldwide wine tasting event held in Paris in 2015, and that honor triggered the spread of the reputation of "Blue One" around the world. Thereafter,

in 2017, a leading wine critic, Ms. Emily Baker, who is well known worldwide along with Robert Parker, granted 98 Baker Points to Blue One. (The Baker Point is a trusted wine-scoring scale similar to Parker Points, and criteria for the points are also the same as for the Parker Points.) After Baker granted this exceptional score, the reputation of "Blue One" has become unshakable, and it has earned a rating similar to that of "Opus One" in California. Recently, in response to the growing interest in the SDGs, Blue Inc. has also been focusing on energy and water conservation and waste reduction, declaring its goal to be recognized as an environmentally friendly winemaker. An outline of Blue Inc. is set out in Exhibit 2.

15. Red Corp. also started a restaurant business serving Arbitrian food in Negoland in 2008. However, customers voiced their opinions that the marriage of food and wine was not perfect. Hiromi Red then visited Arbitria and looked for Arbitrian wine that would be most suited for Red Corp.'s restaurants. Then Hiromi Red encountered Blue Inc.'s wine. Hiromi Red was impressed with "Blue One," but thought that other wines of Blue were also very delicious and would go very well with Red Corp.'s Arbitrian food as well as French and Italian food. Then, in October 2010, Hiromi Red met with the president of Blue Inc., Taro Blue, and proposed that Red Corp. be allowed to deal with Blue Inc.'s wine at its own restaurants, hotels, and shops. Hiromi Red particularly recognized the potential of "Blue One" which was not yet globally famous, and offered to purchase 200 cases of "Blue One" annually.

16. At that time, although Blue Inc. had business with the United States, Europe, and Japan, it had never had business with Negoland, and therefore, it was hoping to start business with Negoland, which was showing significant economic growth. For Blue Inc., there could not have been a better opportunity for entering business with Negoland than starting a business relationship with Red Corp. led by Hiromi Red who had great power in the food industry in Negoland. Taro Blue welcomed the proposal of Hiromi Red. Statements submitted by Hiromi Red and Taro Blue concerning details of the meetings between Hiromi Red and Taro Blue at that time, along with other matters, are as shown in Exhibit 3.

17. Thus from 2011, Red Corp. started to import the wine of Blue Inc. Red Corp. purchased second and third label wines of Blue Inc. in addition to 200 cases annually of "Blue One." The quantities of wine sold and purchased between Red Corp. and Blue Inc. are as shown in Exhibit 4. For these sales, a sales agreement was entered into each year for each type of wine.

18. Wine purchased by Red Corp. was offered at the restaurants and hotels operated by Red Corp. as well as domestic shops operated by Red Corp. Wine of Blue Inc. was very well received by the

customers of the restaurants and hotels, and also sold well at the shops. Red Corp. normally sold purchased wine at a price three times the purchase price, when offered at their restaurants and hotels, and at a price 50% more than the purchase price when sold at their shops. This is a standard practice in Negoland, and Blue Inc. also understands this practice. However, from 2015, “Blue One” gained a growing reputation around the world, and its market price went up significantly. Therefore, the sales price rose to 1,500 USD per bottle at Red Corp.'s restaurants and hotels and to 500 USD per bottle at their shops. (If “Blue One” is purchased from Blue Inc. at 100 USD per bottle, the profits of Red Corp. after expenses would be 1,000 USD per bottle from sales at restaurants and hotels, and 300 USD per bottle from sales at shops. 70% of the sales of “Blue One” in Negoland is from restaurants and hotels, and 30% is from shops.)

19. For the annual sales and purchases of “Blue One,” a sales agreement was entered into in July of each year and shipping was done around September. In 2020, as before, Red Corp. offered to purchase 200 cases of “Blue One” from Blue Inc. However, Blue Inc. replied that it could only sell 100 cases that year. Red Corp. insisted that Blue Inc. had the obligation to sell 200 cases of “Blue One” to Red Corp., but Blue Inc. insisted that it did not have such obligation.

20. Red Corp. and Blue Inc. continued to negotiate, but no agreement could be reached, and in the end for the moment it was decided that 100 cases, which Blue had also agreed, would be shipped from Blue Inc. to Red Corp. after concluding a sales agreement for 100 cases. E-mail correspondence between Red Corp. and Blue Inc. at this time is as shown in Exhibit 5. The sales agreement entered into for 100 cases is as shown in Exhibit 6. The sales agreement shown in Exhibit 6 is the same agreement as the one that had continuously been used since the beginning of the transactions in 2011, except for the terms regarding quantity, delivery, price and date.

21. After the conclusion of the sales agreement shown in Exhibit 6, Blue Inc. was preparing for the shipping of “Blue One” to Red Corp. At this point, 700 cases of the total 1,000 cases of “Blue One” produced in 2020 had already been shipped to the buyers with whom sales agreements had already been entered, and the remaining stock in the warehouse of Blue Inc. was only 300 cases. For 200 of those 300 cases, a purchase agreement had already been signed with another buyer.

22. On October 1, 2020, Red Corp. informed Blue Inc. that it wished “Blue One” to be shipped by air, not by ship as originally planned. Blue Inc. accepted this, and started to prepare for the shipment by air. A record of communications during this time is as shown in Exhibit 7. The price for 100 cases of “Blue One” and the cost for air transportation had already been paid by Red Corp. to Blue Inc. by sending money to Blue Inc.'s account.

23. On October 6, 2020, Blue Inc. handed over the container containing 100 cases of “Blue One” to a forwarding company arranged by Blue Inc., and the forwarding company handed over the container to the air carrier. However, on October 7, between the time the air carrier received the container and the time it was to be loaded onto the airplane, the largest thundercloud in recorded history occurred near the airport, and lightning struck the bonded area where the container was located, causing a fire, which completely burned the container. The bonded area is equipped with standard equipment to prevent lightning and fire, and neither the air carrier nor any other entity can be held responsible for the destruction of the "Blue One" by lightning. In addition, there was no insurance policy in place to cover the damage caused by this lightning.

24. At this time, there were 200 cases of “Blue One” remaining in the warehouse of Blue Inc. Therefore, Red Corp. requested that Blue Inc. promptly deliver the remaining 200 cases. However, Blue Inc. refused this request insisting that these cases of “Blue One” were supposed to be sold to another buyer and it was not possible to deliver them to Red Corp. Blue Inc. made 200,000 USD profit by selling these remaining cases of “Blue One.” A record of communications during this time is as shown in Exhibit 8.

25. Red Corp. is claiming damages, insisting that non-delivery of 200 cases of “Blue One” by Blue Inc. constitutes default and Red Corp. suffered a loss due to such default. In response, Blue Inc. asserts that a sales agreement was concluded for only 100 cases of “Blue One,” and such 100 cases have already been delivered or lost by force majeure, and thus Blue Inc. is not liable for damages to Red Corp.
This case is referred to as the “Blue One Case.” Red Corp. filed a petition for the initiation of arbitration proceedings for this case in March 2021.

26. There is another dispute between Red Corp. and Blue Inc. regarding a distributorship agreement between them. As transactions of wine which started in 2011 had been going smoothly and the relationship between Red Corp. and Blue Inc. had been deepening, in 2014, Blue Inc. proposed selling Nego Sake produced by Red Corp. as Red Corp.’s exclusive distributor in Arbitria.

27. The reason Blue Inc. wished to sell Nego Sake of Red Corp. was that the Nego food boom had started in Arbitria around 2014. Nego Sake of Red Corp. was not being sold at any place other than its own restaurants, hotels, and shops. However, when the Sales Department Manager, Anna Sapphire, of Blue Inc. visited Negoland in 2014 and stayed at a hotel of Red Corp., Sapphire had Nego Sake called “Kurenai” and was fascinated with its wonderful taste and wished to sell

"Kurenai" in Arbitria as well. At that time, the Nego food boom had started in Arbitria, and he thought that it would be a good idea to use this opportunity to offer "Kurenai" to high-end restaurants including Nego food restaurants in Arbitria.

28. In October 2014, Sapphire visited Negoland and met with Hiromi Red. Sapphire mentioned that his company wished to import "Kurenai" to Arbitria as an exclusive distributor, and they had the following conversation.

Sapphire: I think that your company's "Kurenai" is a superior product. As you may know, there is currently a Nego food boom in Arbitria. The number of high-end Nego food restaurants is also growing but as far as I can see, there are not many restaurants that serve good Nego Sake. Our company wishes to become the exclusive distributor of "Kurenai" and offer it to those Nego food restaurants. Further, as "Kurenai" tastes similar to fine white wine, I think that there are many restaurants that are not Nego food restaurants that would also wish to serve "Kurenai."

Red: Thank you very much for liking our "Kurenai." We also would be pleased if people in Arbitria enjoy our "Kurenai." However, we have just received a similar offer from Green Corp. in Arbitria and we are now considering it.

Sapphire: I think that Green Corp. is a great company specialized in distributing imported beverages, but their selling power is different from ours, as we are the top company in the beverage industry in Arbitria. Also, our company and your company have a trusted relationship accumulated through transactions of wine. Furthermore, our company also works as the exclusive distributor of Yellow Corporation in Arbitria, a beverage company in Negoland, and we have ample experience as an exclusive distributor of imported alcoholic beverages.

Red: It is true that we don't have any business relationship with Green Corp. However, Green Corp. is very keen on this, and the president himself said that all of Green Corp. will be putting their energy into sales of "Kurenai." How about we ask both Green Corp. and Blue Inc. to do that?

Sapphire: As far as we are concerned, we would really like to be exclusive. I believe that we can surely achieve a result satisfactory for your company. If you are worried, our company can accept that your company has the right to terminate the contract if we fail to sell a certain quantity for two consecutive years.

Red: What is your prospect on buyers? "Kurenai" does not have an image as a common drink, and we would like to value its image as a Sake to be enjoyed at a special place on a special occasion.

Sapphire: We are thinking of offering it to high-end restaurants who are our customers, and we are not thinking of selling it at retail.

Red: I understand. This is a very attractive proposal, and we would like to consider having your company serve as an exclusive distributor in Arbitria under such conditions.

29. As a result of the above discussions between Sapphire and Red, an exclusive distributorship agreement for “Kurenai” was entered into between Red Corp. and Blue Inc. in November 2014. “Kurenai” comes in a 720 ml bottle, and the sales price from Red Corp. to Blue Inc. is 30 USD per bottle. The distributorship agreement is as shown in Exhibit 9. Sales of “Kurenai” grew steadily between January 2015 and December 2018 due to the Nego food boom. Trends of sales volume of “Kurenai” are as shown in Exhibit 10.

30. Yellow Corporation (this is the company that Sapphire had mentioned in the meeting with Hiromi Red in October 2014) had been producing and selling a brand of beer called "Kanpai." Kanpai is the only beer Yellow produced. In September 2018, Yellow Corporation transferred the right to produce and sell Kanpai to Red Corp. This happened because Yellow Corporation decided to focus on food and soft drink businesses, rather than the beer business, and was looking for a successor company for its beer business. Red Corp. responded to this offer as Red Corp. was considering expanding its business into the beer business partly because its Nego Sake business had been successful. When it obtained information that Yellow Corporation, which had a good reputation in Negoland, was thinking of transferring its beer business, Red Corp. started negotiations and reached an agreement.

31. As Sapphire had told Hiromi Red in their meeting in October 2014, Blue Inc. had served as exclusive distributor in Arbitria for Yellow Corporation. Yellow Corporation and Blue Inc. had entered into several exclusive distributorship agreements related to beverages, including an exclusive distributorship agreement for Kanpai. That agreement is as shown in Exhibit 11. While there have not been any changes to the other agreements between Yellow Corporation and Blue Inc., the exclusive distributorship agreement for Kanpai was assigned to Red as a result of the transfer of Yellow Corporation's beer business to Red Corp. At the time of assignment of this exclusive distributorship agreement, the document shown as Exhibit 12 was sent from Red Corp. to Blue Inc., and Blue Inc. signed the document indicating its approval and returned it to Red Corp. Communications made between Red Corp. and Blue Inc. at the time of this assignment are as shown in Exhibit 13.

32. After the assignment of the beer business to Red Corp. in October 2018, Blue Inc. focused more on the sales of “Kanpai” than “Kurenai.” In late 2018, other beverage companies launched new

brands of low-malt beer (alcoholic drinks with a malt content lower than beer, which still tastes similar to beer). Since the alcohol tax rate is lower for alcoholic drinks with a malt content lower than a specific rate under the alcohol tax law in Arbitria, this allows people to enjoy the taste of beer at a lower price. These low-malt beers became a great hit, and Blue Inc. launched a new brand of low-malt beer, “Clear Blue.” Though Blue Inc. informed Red Corp. of its plan to sell “Clear Blue”, there was no response from Red Corp. As other law-malt beers of other beverage companies, “Clear Blue” became a great hit. As a result of the great hit of low-malt beer, sales of “Kanpai” did not increase. Furthermore, the sales volume of “Kurenai” was below that in the fiscal year 2018, as manpower was allocated to sales of “Kanpai.” Trends of sales volume of “Kanpai” are as shown in Exhibit 10. A case of “Kurenai” contains 48 bottles, and the profit earned by Blue Inc. from selling one case is 500 USD. A case of “Kanpai” contains 100 bottles, and the profit earned by Blue Inc. from selling one case is 400 USD. This amount of profit has not changed from the time Blue started to deal with “Kurenai” and “Kanpai” until now.

33. In 2020, the novel coronavirus infection spread in Arbitria. To stop the spread of infection, the Arbitrian government requested restaurant owners (including restaurants in hotels) to refrain from operating their restaurants after 9:00 pm, and to refrain from serving alcohol even before 9:00 pm. Restaurants that complied with the request were to be paid compensation ranging from 200 USD to 1,000 USD per day, depending on the size of the restaurant, but there was no legal penalty for not complying with it. The reason the Arbitrian government only requested voluntary restraint and did not ban operating or serving alcohol is that there is no law providing legal grounds to implement such measures. Some arguments were being made that operating businesses and serving alcohol should be prohibited as a criminal offense and that a new law allowing the government to implement a curfew should be enacted. However, such legislation has not been enacted yet. The novel coronavirus infection spread in Negoland as well. However, the government of Negoland implemented strict lock down measures at an early stage and promptly promoted vaccination, and as a result, it has not experienced a situation in which infection spread rapidly. Immediately after this request made by the Arbitrian government, Blue Inc. notified Red Corp. that the government of Arbitria had made the request and that the sales of “Kanpai” and “Kurenai” could be adversely affected by the request (Blue Inc. made the same notices to Red Corp. each time a similar request was made by the government of Arbitria thereafter).

34. As a result of voluntary restraint, at some point, the rate of infections in Arbitria decreased and the request for voluntary restraint was withdrawn, but when the infection rate rose again, the

government renewed the request for voluntary restraint. In this way, the request for voluntary restraint by the Arbitrian government was in effect from January to March, June to September, and November to December in 2020. In each period, about 10% of restaurants did not follow the request for voluntary restraint made by the government and continued serving alcohol. Most restaurants in Arbitria obeyed, however. Only about 10% of Blue Inc.'s customers who had previously sold "Kurenai" and "Kanpai" continued to serve alcohol in these periods. As a result, sales of alcoholic beverages to restaurants by Blue Inc. dropped significantly.

35. In response to the drop of sales of alcoholic beverages to restaurants due to the government's request for voluntary restraint, in June 2020, Blue Inc. proposed to Red Corp. that "Kurenai," which had been sold only to restaurants, should be sold at retail stores and online shops to individuals. However, Red Corp. did not accept this proposal. Communication between Red Corp. and Blue Inc. during this time is as shown in Exhibit 14. For sales of "Kanpai," previously, 50% was to restaurants and 50% was to individuals. However, since July 2020, Blue Inc. actively worked on sales toward individuals, and as a result, sales levels at the level of 2019 were achieved from June 2020.

36. Amid the slowdown of not only the food service industry but the entire economy due to the spread of novel coronavirus, Blue Inc. made efforts to sell "Kurenai" and "Kanpai," but sales of both "Kurenai" and "Kanpai" in 2020 were below their sales in 2019 (while sales of "Kanpai" from July 2020 rebounded to the 2019 level, its sales for the entire year of 2020 were below 2019 because sales from January to May were low).

37. In January 2021, Red Corp. notified Blue Inc. of its intention to terminate the exclusive distributorship agreement for "Kurenai" and "Kanpai." In response, Blue Inc. raised the objection that Red Corp. was not entitled to terminate the agreements. Communication between Red Corp. and Blue Inc. during this time is shown in Exhibit 15. After the exchange of emails in January, Red Corp. and Blue Inc. continued to negotiate, but they were unable to reach an agreement, and since April 2021, Red has not responded to Blue's orders for "Kurenai" and "Kanpai." During this period, Blue sold "Kurenai" and "Kampai," which it held in inventory, and by the end of September 2021, the inventory ran out.

38. After April 2021, in Arbitria, as vaccination progressed, the system for early treatment of infected people and hospital treatment for patients with severe novel coronavirus had been set up due to improvements in the medical system, and the governments of Arbitria announced their policies to minimize restrictions on economic activities. As a result, sales at restaurants and hotels in

Arbitria have recovered to around 90% of the sales before the spread of novel coronavirus infection. In the last week of November 2021, the Negoland Fair, celebrating the 100th anniversary of the establishment of diplomatic relations between the two countries, is scheduled to be held in Arbitria on a large scale. Prominent hotels and major restaurants of Arbitria are going to participate in the Fair. Blue Inc. had been planning to sell "Kurenai" and "Kanpai" on a large scale at the Negoland Fair since November 2021 and had informed Red Company of this plan. When, in November 2020~~2021~~, Blue Inc. informed Red Corp. of the plan and asked Red Corp. to make a smooth supply of goods for the fair, Red Corp. replied, "Yes, we understand. We are looking forward to the fair." If Red were to sell "Kurenai" and "Kanpai" to Blue in response to Blue's order, it is expected that 1,000 cases each of "Kurenai" and "Kanpai" would be sold throughout the week of the fair.

39. In October 2021, Red Corp. started to provide Green Corp. in Arbitria with "Kurenai" and "Kanpai." In October 2021, Blue Inc. filed a petition for arbitration proceedings seeking the declaration of the existence of two exclusive distributorship agreements governing those products, and at the same time sought interim measures to order Red Corp. to suspend sales of "Kurenai" and "Kanpai" to Green Corp. and to order Red Corp. to sell "Kurenai" and "Kanpai" to Blue in accordance with Blue Inc.'s order. In response, Red Corp. asserts that the exclusive distributorship agreements have been validly terminated; there is no effective arbitration agreement relating to the exclusive distributorship agreement for "Kanpai" and thus the dispute relating to it is not subject to arbitration; and interim measures should not be accepted. There are special laws protecting agents in both Negoland and Arbitria but there are no special laws or legal doctrine established by judicial precedents protecting distributors, such as Blue Inc. in this case.

This dispute is referred to as the "Kanpai Case."

40. Red Corp. and Blue Inc. agreed to merge the "Blue One Case" and the "Kanpai Case" and to argue them before the same arbitral tribunal, after confirming that it would not in any way affect the defense as to whether the arbitral tribunal has jurisdiction in the "Kanpai Case". In addition, Red Corp. and Blue Inc. agreed that the law applicable to substantive issues shall be UNIDROIT Principles of International Commercial Contracts 2016. As a result of arrangement of issues made by the arbitral tribunal and the representatives of the parties, it was confirmed that the issues in "Blue One Case" and "Kanpai Case" are as shown in Exhibit 16. On the hearing date, which has been set as November 6, arguments of Red Corp. and Blue Inc. on the issues described in Exhibit 16 are expected to be heard. The arbitral tribunal instructed Red Corp. and Blue Inc. to submit a brief stating their arguments on each issue by noon on October 29. It also instructed

that arguments in the brief should be made in consideration of the other party's logically expected counterarguments, regardless of who has the burden of pleading and burden of proof. With respect to the “Kanpai Case,” Blue Inc. states that it intends to claim compensation for damages caused by Red Corp’s failure to sell “Kurenai” and “Kanpai” in response to Blue Inc. 's order, if it is confirmed that the exclusive distributorship agreements are still in effect, but this is not the subject of this hearing. Both Negoland and Arbitria are the contracting states of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

<Round B>

41. Red Corp. and Blue Inc. continued to carry out transactions of second label and third label wine of Blue Inc. after the petition for arbitration was filed concerning the "Blue One Case" and the "Kanpai Case". Transaction volumes of second label and third label wine in 2019 and 2020 are as shown in Exhibit 4.

42. After April 2021, both in Negoland and Arbitria, as vaccination progressed, the system for early treatment of infected people and hospital treatment for patients with severe novel coronavirus had been set up due to improvements in the medical system, and the governments of Negoland and Arbitria presented their policies to minimize restrictions on economic activities. Sales at restaurants and hotels have recovered to around 90% of the sales prior to the spread of novel coronavirus infection. However, there are still destabilizing factors such as the spread of variants, and the situation remains unpredictable.

43. The "Blue One Case" and ~~T~~the "Kanpai Case" between Red Corp. and Blue Inc. has been resolved by means of a settlement to the effect that Blue Inc. will pay 500,000 USD to Red Corp., the exclusive distributorship agreement for "Kanpai" will be terminated, and the exclusive distributorship agreement for "Kurenai" will continue.

44. Recently, Red Corp. and Blue Inc. started to consider a project on which both companies would work jointly. This project involves the management rights for a famous winery with a long history in Meditoria, called Château La Blanche. Meditoria is a small country with a close relationship with France; it has good weather and is famous for wine production. For wine production, they are basically carrying on laws and practices of Bordeaux in France. (If any law or practice specifically stated in this Problem is different from those of Bordeaux, that means laws and practices of Meditoria are different from those of Bordeaux in that respect. However, Meditoria has laws and practices similar to those of Bordeaux in all other respects.).

45. Meditoria has an AOC （Appellation d'Origine Contrôlée） system similar to the AOP (Appellation d'Origine Protégée) system in France. Under the system, wines are classified into three categories: premium wines, which can be labeled with a specific region; table wines, which can be labeled with a production region; and lower wines, which cannot be labeled with a production region. The Padoc area where Château La Branche is located is an area famous for white wine, and accordingly the current AOC system of Meditoria, "Product of Padoc" may be displayed only for white wine. There is a château rating system in Meditoria similar to that of

France, and according to this system, Château La Branche is rated as second-class (a second-class château in Meditoria has a similar rating as second-class château in France). The weather of Padoc area is similar to that of Bourgogne in France.

46. For generations, Château La Blanche has been owned by the Colon family, a wealthy family in the country of Meditoria. The Colon family has established a joint stock company to manage Château La Blanche, and the head of the Colon family owns 100% of the shares. Château La Blanche has used the traditional way of making wine in Meditoria. Previously, Château La Blanche was highly rated as a château comparable to a first-class château, as it had rich terroir, state-of-the-art technology, and a skilled winemaker. However, in 1990, the chief winemaker and the head of the Colon family suddenly passed away, one after the other. The new owner, Leon Colon, who succeeded the previous head, did not have a passion for winemaking, and the chief winemaker brought by Leon Colon was not quite good enough. Thereafter, despite the excellent terroir, the vineyard was neglected, the production equipment deteriorated, and the quality of wine of Château La Blanche rapidly went downhill.

47. Jun White who is a common friend of Hiromi Red and Taro Blue as well as a friend of Leon Colon mentioned that Leon Colon was thinking of assigning the management right of Château La Blanche to someone appropriate. Jun White is a world-famous wine critic. Three of them participated in an online symposium concerning wine in September 2021. At that time, Jun White, who is a common friend of Hiromi Red and Taro Blue, invited both to a wine chat, and an online meeting took place during an interval of the symposium. At that meeting, the following conversation took place among the three of them.

White: By the way, I was asked by my close friend Leon Colon if I knew someone appropriate as Leon wished to privately sell the management rights of Château La Blanche. Are you interested? Because of a wish to pursue this plan in secret for various reasons, Leon asked my advice due to my knowledge in the wine industry. As far as I am concerned, it would be best if the two of you, who have different expertise, work together to rebuild Château La Blanche, but one of you would be fine too. The price is 20 million USD and lump sum payment is required. This price is not negotiable. If you agree with this price, and promise that you will manage it responsibly, then I will take responsibility to convey your intention to Leon. If I recommend someone, Leon Colon will not say No.

Blue: That is a very interesting story. I was feeling bad that the white wine of Château La Blanche, which was very famous before, had gone down so much recently. I would feel honored if our company could help.

Red: I think it is interesting too. I was also concerned about Château La Blanche. I remember the time when I was allowed to take a tour of Château La Blanche when I went to Meditoria to study wine.

White: Is that right? That makes it much easier. Both of you know about Château La Blanche and are interested. You two should discuss it then. If you wish to purchase the management rights, would you please let me know by the end of the year, at the latest.

Blue: I understand.

Red: I understand. Let's start talking about it soon.

Blue: Let's do that.

48. Based on the meeting above, Hiromi Red and Taro Blue appointed persons in charge for their own companies to have more specific discussions, and the persons in charge met to go over various points. Minutes of these discussions are as shown in Exhibit 17. An outline of the current Château La Blanche is set out in Exhibit 18. The official language of Negoland, Arbitria and Meditoria is English, and the mother tongue of all individuals in this Problem is English.

49. Based on these discussions, it was decided to have an online meeting to negotiate the matter between Red Corp. and Blue Inc. on November 7, 2021. To submit a proposal to Jun White by the end of the year, an outline had to be agreed through the negotiation to be held on November 7.

50. At the meeting on November 7, it is planned to negotiate five points concerning basic policies on the purchase of management rights of Château La Blanche, as stated in the minutes. In addition, the presidents of both companies instructed their people to clarify certain matters concerning the future sales and purchases of Blue One in and after 2022, including how the price and quantity should be determined and whether or not Blue Inc. has the obligation to supply a certain quantity of cases to prevent any trouble similar to the "Blue One Case." (This point was not mentioned in the settlement.) The Vice President, Wine Business Division Manager, Legal Affairs Department Manager, and others are expected to participate from Red Corp., and the Vice President, Wine Business Division Manager, Legal Affairs Department Manager, and others are expected to participate on behalf of Blue Inc., in the negotiation on November 7.

End of document.

Exhibit 1

<u>Outline of Red Corp.</u>

Incorporation: 1987

President: Hiromi Red

Description of business:

- Restaurant business

  Operates 150 restaurants in Negoland and 30 restaurants overseas

  French cuisine: 80 restaurants

  Negoland cuisine: 20 restaurants

  Italian cuisine: 20 restaurants

  Multinational cuisine: 20 restaurants

  Arbitrian cuisine: 10 restaurants

- Hotel business

  Hotels in resort areas in Negoland: 10 facilities

  Large-scale hotels in the capital of Negoland: 1 facility

- Beverage business

  Production and sales of Nego Sake

  Production and sales of Nego beer

- Shop business

  Sale of food ingredients, cooked food, beverages, etc. used or served at restaurants and hotels of Red Corp.: 20 shops <u>(all shops locate in Negoland)</u>

Financial condition

Million USD

		2020	2019
Sales	Restaurant business	90	100
	Hotel business	50	70
	Beverage business	18	20
	Shop business	8	10
	Total	166	200
Operating profit		3	15
Current net income		-3	3

* In FY 2020, revenue and profit both decreased as the number of customers and sales per customer decreased and various expenses for infection control measures increased due to novel coronavirus.

Exhibit 2

<u>Outline of Blue Inc.</u>

Incorporation: 1900

President: Taro Blue

Description of business: Production and sales of soft drinks, beer, and wine

Million USD

		2020	2019
Sales	Soft drink business	450	500
	Beer business	150	200
	Wine business	80	100
	Total	680	800
Operating profit		20	80
Current net income		0	60

* In FY 2020, revenue and profit both decreased as sales of drinks to restaurants decreased significantly and various expenses for infection control measures increased due to novel coronavirus.

Exhibit 3-1

Written statement of Hiromi Red

When I visited Arbitria and drank Blue One in 2010, I realized the potential of this wine. I then wondered why this wine had not attracted attention yet. I believed that Blue One would surely be regarded as high as, or higher than, five famous châteaux in the future, and speaking with Taro Blue I offered to purchase 200 cases of Blue One annually.

In October 2010, I visited the head office of Blue Inc. and met with Taro Blue. Taro Blue told me that although the maximum production volume of Blue One would be 1,000 cases per year, or even less depending on the condition of grapes, probably 500 cases of wine worthy of the name “Blue One” would be produced even with less desirable vintage, as they used state-of-the-art scientific technology for the production of Blue One.

I told them that it was important for us to have a constant supply of Blue One. We were thinking of 80 USD per bottle for the contract price, but since they would provide us with 200 cases every year, we agreed to pay 100 USD per bottle. There are good years and bad years as this is wine. We thought it would be beneficial for both Red Corp. and Blue Inc. to purchase the wine at the same price regardless of the quality of the wine.

We did not prepare anything particular like a contract for the continuous purchase of 200 cases of “Blue One” annually, but there is a handwritten note, as shown in the attachment, on Blue's notepaper. I remember that Taro Blue wrote down what we agreed during the interview and handed it to me.

After that, we actually purchased 200 cases of “Blue One” annually on a continuous basis. However, in reality, depending on the quality, our company has offered to purchase more than 200 cases, and in some years when the quality was particularly good, accepting Blue Inc.’s request, we have purchased it at a price higher than 100 USD. I think that these are individual amendments made to the basic agreement within the permitted scope. I think that the fact that there was a covenant to purchase 200 cases of “Blue One” annually remains firm, even if there were certain variances in the quantity and price depending on the year. In 2013, when we told Taro Blue that we wanted to limit the number of cases to 100 this year due to financial difficulties on our side, Taro Blue told me, "I want you to fulfill the agreement between us. We have been making plans based on the premise of providing 200 cases to your company every year, and I don't want to hear such a thing all of a sudden." At that time, the reputation of "Blue One" had not yet been established, so Blue Inc. may have been in a difficult period. I said "Okay, we understand. We will keep our promise”, and we actually purchased 200 cases.

I think it is very regrettable that trouble with Blue Inc. occurred this time. I hope that the current trouble is resolved as soon as possible.

<Attached Memo>

Blue, Inc.

October 2010

Re: Continuous Trading of “Blue One” with Red Corp.

- 200 cases every year
- Price: 100 USD per a bottle
- From 2011

Exhibit 3-2

Written Statement of Taro Blue

When Hiromi Red visited our company in 2010 and proposed business transactions with our company on a continuous basis, I was very pleased. We were just thinking about moving into the Negoland market, and also I myself knew Hiromi Red's name. At that time, "Blue One" was not known internationally, but I had confidence in "Blue One." I thought that if Hiromi Red recognized our wine, there would be no doubt that our wine would be recognized in Negoland.

Hiromi Red offered to purchase 200 cases of "Blue One" annually. I was thankful that Hiromi Red recognized the potential of "Blue One" despite the fact that "Blue One" had not received a high rating globally at that time. No other company but Red Corp. had offered to purchase a certain quantity. If we knew that there would be a company that would surely purchase 200 cases every year, then we could make a new investment at ease.

Grapes used for "Blue One" are limited to carefully selected grapes, and the maximum production volume is 1,000 cases per year. There may be a year when even less quantity can be produced depending on the condition of the grapes, but I thought that probably 500 cases of wine worthy of the name of "Blue One" could be produced even with less desirable vintage, as we used state-of-the-art scientific technology for the production of Blue One. Therefore, I agreed to sell 200 cases for 100 USD per bottle. I remember that Red suggested 80 USD per bottle, but we replied that was too cheap and we agreed to set the price at 100 USD.

We did not prepare anything particular like a contract for the continuous purchase of 200 cases of "Blue One" annually. I heard that Hiromi Red has a memo that I wrote. I do remember that I gave such a memo to Hiromi Red. However, I think a memo is just a memo and not a contract. I did not touch on legal matters such as contracts, so that, after the meeting, I told the Sales Department Manager to take proper actions for it. In fact, we prepared a written agreement every year, so that it is our company's understanding that legal obligations only occur when the agreement is concluded. As to the points like 200 cases per year and the price of 100 USD, in reality, the quantity was sometimes increased upon the request of Red Corp. and the price was sometimes increased upon the request of our company. As terms other than the quantity and price are also specified by the agreement concluded each year, we think that specific legal obligations do not arise until the agreement is concluded each year.

In 2013, Red Corp. informed us that they wanted to limit the number of cases to 100 that year. At that time, I said to Hiromi Red, "Please keep the agreement between us. We have been making plans based on the premise that we will provide 200 cases to your company every year, and we don't want you to suddenly say something like that. It is a matter of trust between the two companies."

Hiromi Red replied, "I understand,” and Red Corp. actually purchased 200 cases. However, this was only a request to respect the business relationship of trust between the two companies, and the fact that this happened does not mean that we have to continue selling 200 cases.

I think it is very regrettable that this kind of trouble with Red Corp. occurred this time.

Exhibit 4

Sales and purchases between Red Corp. and Blue Ind.

	Blue One		Second label (Purchase quantity)	Third label (Purchase quantity)
	Purchase quantity	Price (USD/bottle)		
2011	200	100	240	350
2012	200	100	250	350
2013	200~~205~~	100	260	400
2014	210	100	270	400
2015	200	120	300	500
2016	220	100	310	500
2017	200	120	330	500
2018	200	110	350	500
2019	200	110	400	550
2020	100/200	100	400	600

Red Corp. and Blue Inc. dispute the quantity on Blue One under the sales agreement in 2020.

Exhibit 5

From: Blue Inc.
To: Red Corp.
Date: September 29, 2020
ReReReReReReReRe: Blue One this year

We asked other customers. No customer said that they would change the quantity of their orders. Please accept this and do not take offense.

From: Red Corp.
To: Blue Inc.
Date: September 28, 2020
ReReReReReReRe: Blue One this year

I signed and returned the agreement for 100 cases. Our position is still that your company has the obligation to deliver 200 cases. Please understand that even though we entered into an agreement for 100 cases, that should not be interpreted as our acceptance of your company's assertion that the obligation of your company is limited to 100 cases.

We appreciate your offer of Five Famous Châteaux, but Blue One and Five Famous Châteaux are different, and Blue One cannot be replaced by Five Famous Châteaux.

From: Blue Inc.
To: Red Corp.
Date: September 26, 2020
ReReReReReRe: Blue One this year

I am sending you an agreement for 100 cases. Please sign and return it to us.

As for the remaining 100 cases, I would like to ask other customers, but please do not expect too much. We have 100 cases of second label of Five Famous Châteaux that were secured for other customers, and as this order has been suddenly canceled, we can deliver them to you instead. Baker Points for those are higher than the points for this year's Blue One and their prices are all about 50% more than Blue One, but we can offer those for 100 USD per bottle.

From: Red Corp.
To: Blue Inc.
Date: September 24, 2020
ReReReReRe: Blue One this year

Our position is that your company has the obligation to deliver 200 cases. However, it is not good if delivery of 100 cases is delayed, so we would like to enter into a sales agreement for 100 cases for now.

We request that your company make a proper arrangement for the remaining 100 cases, and deliver 200 cases to our company.

From: Blue Inc.
To: Red Corp.
Date: September 22, 2020
ReReReRe: Blue One this year

We did not have a poor crop this year. We are planning to ship 1,000 cases this year too. However, as we informed you, due to rapid growth in popularity of “Blue One,” purchasers for 900 cases have already been decided. Some of our customers from whom we have been receiving lots of assistance told us that they were willing to pay whatever the price to buy them, and 900 cases were sold in no time. As a matter of fact, for the remaining 100 cases, there was an offer of purchase at the same time as your company's offer, saying that they were willing to pay 300 USD per bottle. However, at the thought of our relationship with your company, we would like to sell 100 cases to your company, without considering the price.

From: Red Corp.
To: Blue Inc.
Date: September 20, 2020
ReReRe: Blue One this year

Thank you very much for your message.

I am surprised to hear that we will be getting only 100 cases this year. Will the production volume significantly drop due to a poor crop?

It was agreed between your company and our company that 200 cases would be transacted each year, and your company has the obligation to deliver 200 cases of Blue One to our company.

I request that your company deliver 200 cases this year too.

——————————————————————————

From: Blue Inc.
To: Red Corp.
Date: September 18, 2020
ReRe: Blue One this year

Thank you very much for your message.

And thank you very much for your order this year again.

I regret that we can deliver only 100 cases this year as inventory is limited.　All other terms may be the same as usual.

Thank you very much.

——————————————————————————

From: Red Corp.
To: Blue Inc.
Date: September 15, 2020
Re: Blue One this year

Thank you very much for your continuous support.

I am sorry for the delay in contacting you, but we would like to purchase 200 cases of Blue One at 100 USD per bottle again this year as before.　I am sending you a signed agreement which is the same agreement as before.　Thank you very much.

Exhibit 6

Sales Contract

On the principle of equality and mutual benefit, the Seller and the Buyer have confirmed this contract in accordance with the terms and conditions stipulated below:

1. Products:

The Seller agrees to sell, and the Buyer agrees to buy the following Products:

- 100 cases of Blue One.
- Country of Origin and Manufacturers：Abu-Valley, Arbitria, Blue, Inc.

2. Terms of delivery: FOB (INCOTERMS®2020)
3. Shipping date：October 15, 2020
4. Port of Departure：　Abu-Abu Port
5. Port of Destination：　Negoland Port
6. Price and Payment: The Buyer shall pay US$120,000 to the Seller. The Buyer shall make payment to the bank account designated by the Seller by October 10, 2020.

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9. Claims:

Within 15 days upon the arrival of the Products at the port of destination, if found the quality, specification, quantity, packing, food security or hygiene are not in conformity with the contract, apart from requiring the shipping company and insurance company to take part of the responsibility, the Buyer has the right to lodge claims against the Seller. The Seller should respond no later than 15 days after receiving the claim.

10. Force majeure

Neither party shall be responsible for any failure to fulfill its obligations hereunder due to causes beyond its reasonable control, including without limitation acts or omissions of government or military authority, acts of God, shortages of materials, transportation delays, fires, floods, diseases, labor disturbances, riots, or wars provided that it gives prompt notice to the other of its invocation of this provision and makes diligent efforts to resume its performance despite such force majeure.

11. Dispute Resolution Rules

All disputes in connection with this contract or the execution thereof shall be settled in a friendly manner through negotiations. In case no settlement can be reached, the case may then be submitted for arbitration in Japan in accordance with the UNCITRAL Arbitration Rules.

12. Governing Laws

The contract will be governed by the latest version of the UNIDROIT Principles of International Commercial Contracts.

September 26, 2020

Seller	Buyer
Blue Inc.	Red Corp.

Exhibit 7

From: Red Corp.
To: Blue Inc.
Date: October 5, 2020
ReReRe: Shipment of Blue One

Thank you very much for your quick response.
I understood. I have completed the procedure for payment of the expenses.
Thank you very much.

From: Blue Inc.
To: Red Corp.
Date: October 3, 2020
ReRe: Shipment of Blue One

Thank you very much for your message. I understood.

I made an arrangement for the shipment by Arbitria Air Flight 200 on October 7. Please find attached our invoice for the expenses arising from switching to air freight. Please make your payment accordingly.

Thank you very much.

From: Red Corp.
To: Blue Inc.
Date: October 1, 2020
Re: Shipment of Blue One

Thank you for your continuous support.

Regarding shipment of 100 cases of Blue One, would you please ship them by air as the time of shipment is delayed compared to normal years? We will bear all costs and risks, but would you arrange the airplane?

Thank you very much.

Exhibit 8

From: Red Corp.
To: Blue Inc.
Date: October 11, 2020
ReReReRe: Blue One

Thank you very much for your message.

It is very regrettable that all 100 cases became worthless.

We think that the risk has not been transferred to our company, and your company is still obliged to deliver 100 cases to our company. Therefore, as the delivery deadline for the other buyer is next week and the deadline for the performance of your obligation to our company is earlier, please immediately send us 100 cases of stock your company has. In addition, you are obligated to sell 200 cases to us every year, so please send us an additional 100 cases in addition to 100 cases based on the contract dated September 26, for a total of 200 cases, immediately.

We appreciate your offer of 100 cases of second label of five famous châteaux. We had dealt wines of five famous châteaux and understand their attraction. However, Blue One and five famous châteaux are different, and we are not able to agree to replace Blue One by five famous châteaux.

From: Blue Inc.
To: Red Corp.
Date: October 9, 2020
ReReRe: Blue One

We have no insurance which covers this kind of situation. We think that as the risk has been transferred to your company upon delivery by our company to the forwarding company, obligations to be performed by our company have been performed.

We have only 200 cases of Blue One left, but this is planned to be shipped to other buyers, and we cannot deliver them to your company. However, as we told in our communication in September, we can deliver 100 cases of second label of five famous châteaux that were originally secured for our domestic customers at 100 USD per bottle. This second label is highly rated, and I think you can sell them at the same price as Blue One or higher.

From: Red Corp.
To: Blue Inc.
Date: October 8, 2020
ReRe: Blue One

Thank you very much for your message.

The situation of Blue One is very troublesome.　Do you have insurance to cover this kind of situation (we don't)?　Would it be possible for your company to immediately send other stock you have?

From: Blue Inc.
To: Red Corp.
Date: October 8, 2020
Re: Blue One

I regret that I have to inform you bad news.

On October 6~~Yesterday~~, we handed over the container containing 100 cases of "Blue One" to a forwarding company.　On October 7, the forwarding company handed over the container to the air carrier.　However, between the time the air carrier received the container and the time it is to be loaded onto the airplane, the largest thundercloud in recorded history occurred near the airport, and lightning struck the bonded area where the container was located, causing a fire, which completely burned the container.

Therefore, it has become impossible for us to deliver 100 cases of "Blue One."　I just wanted to let you know this as soon as possible.

Exhibit 9

Exclusive Distributorship Agreement

This Agreement made and entered into on November 1, 2014, by and between Red Corp., a corporation duly organized and existing under the laws of Negoland (hereinafter called Seller);
and
Blue Inc., a company duly organized and existing under the laws of Arbitria (hereinafter called Distributor).

Article 1. Appointment
During the effective period of this Agreement, Seller hereby appoints Distributor as its exclusive distributor and Distributor accepts and assumes such appointment.

Article 2. Privity
The relationship hereby established between Seller and Distributor during the effective period of this Agreement shall be solely that of a seller and a distributor and Distributor has no authority to assume or create any obligation in the name of or of any kind on behalf of Seller.

Article 3. Territory
The territory covered under this Agreement shall be expressly confined~~combined~~ to entire territory of Arbitria (hereinafter called Territory).

Article 4. Products
The products covered under this agreement shall be expressly confined to "Kurenai", Nego-liquor produced by Seller (hereinafter called Product).

Article 5. Orders
(1) During the term of this Agreement, Distributor shall from time to time place orders for Products with Seller (each an "Order").
(2) Once an Order is placed by Distributor, Seller shall use its commercially reasonable efforts to fill such Order as promptly as practical in accordance with the terms of such Order.
(3) Once Seller receives the Order from Distributor, Seller shall send the acknowledgement notice to Distributor promptly.

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Article 8. Sales to Individuals

Distributor understands that it is the policy of Seller that Products will be served only at restaurants, hotels and stores of Seller. Distributor is authorized to sell Products only to restaurants or hotels in the Territory and shall not sell any individuals directly or indirectly.

Article 9. Minimum Sales

Distributor shall sell at least 10,000 cases of Products to its customers in each calendar year during the effective period of this Agreement and its extension thereof, if any.

Article 10. Individual Contract

Each individual contract to be made under this Agreement shall be subject to this Agreement but such contract shall be concluded and carried out by Seller's sale note or confirmation which shall set forth the terms, conditions, rights and obligations of the parties hereto arising from or in relation to or in connection with such contract except those stipulated in this Agreement.

Article 11. Payment

Payment by remittance by telegraphic transfer through bank. Payment shall be received by Seller 7 days prior to shipment effect.

Article 12. Information and Report

Both Seller and Distributor shall periodically and/or on the request of either party furnish information and market reports to each other to promote the sale of Products as much as possible. Distributor shall give Seller such reports as inventory, market conditions and other activities of Distributor.

Article 13. Sales Promotion

Distributor shall diligently and adequately advertise and promote the sale of Products throughout Territory. Seller shall furnish with or without charge to Distributor reasonable quantity of advertising literatures, catalogues, leaflets, folders etc.

Representatives of Seller may periodically visit Distributor and advise Distributor in methods and means best suited to promote the sale of Products throughout Territory.

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Article 15. Duration

This Agreement shall become effective on January 1, 2015 and shall remain effective for a period of five (5) years. This Agreement shall thereafter be automatically extended for successive three (3) year renewal terms, unless either party gives the other a notice of termination in writing at least three (3) months prior to the expiration of the original term or any such renewal term of this Agreement.

Article 16. Termination

Notwithstanding anything to the contrary contained herein, including Article 15 above, Seller may terminate this Agreement at any time, without prejudice to any other rights Seller may have hereunder or by law, if –

(1) Distributor fails to pay any money due hereunder or under any sales contract for Products;

(2) Distributor fails to perform any other obligations hereunder or under any sales contract for Products and does not cure such failure within fourteen (14) days of a notice by Seller stating such failure;

(3) proceedings in insolvency or bankruptcy or winding up or any other similar proceedings are instituted by or against Distributor;

(4) Distributor fails to meet the minimum sales as specified Article 9 of this Agreement for the consecutive two years; or

(5) there is a change in the control or management of Distributor which is not acceptable to Seller.

Upon any such termination of this Agreement, Seller may cancel any or all undelivered sales contract(s) for Product concluded between Seller and Distributor hereunder. Distributor waives any claim for compensation or damages in connection with such cancellation of undelivered sales contract(s) for Product.

17. No Compensation for Termination

Seller shall not be liable to Distributor under any circumstances, because of the termination of or refusal to renew this Agreement, for any compensation, reimbursement or damages including, without limitation, those on the account of the loss of prospective profit on anticipated sales or on account of expenditures, investments, leases or any type of commitments made in connection with the business of Distributor in any manner whatsoever. Distributor hereby expressly waives, to the full extent permitted by applicable law, the right to recover, and agrees not to seek to recover, any damages on account of incidental, consequential or special losses and damages.

Article 18. Force Majeure
The parties agree that the other party shall not be liable for any losses, damages, including consequential damages, delays or failures to perform in whole or in part resulting from causes beyond the control of either party including, but not limited to, acts of God, fires, strikes, insurrections, riots, embargoes, delays in transportation, inability to obtain supplies, or requirements or regulations of any government or other civil or military authority.

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Article 21. Governing Law & Arbitration
This Agreement shall be governed and interpreted by the latest version of the UNIDROIT Principles of International Commercial Contracts. In case that any dispute or controversy arises out of or in relation to this Agreement between both parties shall be settled amicably but, in case of failure, these disputes or controversies shall be finally settled in Tokyo by arbitration in accordance with UNCITRAL Arbitration Rules where the award shall be final and binding upon the parties hereto.

Article 22. Entire Agreement
This Agreement constitutes the entire and only agreement between the parties hereto and supersedes all previous negotiations, agreements, commitments relating to the sale of Products and shall not be released, discharged, changed or modified in any manner, except by instruments signed by duly authorized officer or representative of each of the parties hereto.

Red Corp. Blue Inc.

____________________ ____________________

Exhibit 10

Sales and Purchase record of "Kurenai" and "Kanpai"

Number of cases

	Kurenai		Kanpai	
	Purchase	Sales	Purchase	Sales
2015	11,000	10000		
2016	12,000	12,000		
2017	13,000	13,000	8,000	5,000
2018	14,000	14,000	10,000	12,000
2019	11,000	9,000	14,000	12,000
2020	8,000	7,000	11,000	10,000

"Purchase" is the quantity purchased by the distributor from the producer in accordance with the distributorship agreement. "Sales" is the quantity of products the distributor actually sold to customers among those purchased by the distributor.
If the product was purchased the previous year but not sold, it is sold the following year. The shelf life of "Kurenai" is about 9 months, and that of "Kanpai" is about 6 months.

* From January to March 2021, Blue purchased 4,000 "Kurenai" cases and sold 3,000 cases. Blue also purchased 6,000 "Kanpai" cases from Red and sold 4,000 cases.
* From April to September 2021, Blue sold 5,000 "Kurenai" cases and the inventory was zero. In addition, Blue has sold 5,000 cases of "Kanpai, " and its inventory has become zero.
* Since April 2021, Blue has been ordering 1,000 cases of "Kurenai" and 1,500 cases of "Kanpai" every month from Red, but Red has not accepted the order.

Exhibit 11

EXCLUSIVE DISTRIBUTION AGREEMENT

This Exclusive Distribution Agreement (hereinafter the "Agreement") is made effective as of March 1, 2017, between Yellow Corporation (hereinafter the "Supplier") and Blue Inc. (hereinafter the "Distributor"), hereinafter referred to individually as a "Party" and collectively as "the Parties".

1. Definitions

In this Agreement, the following terms shall have the following respective meanings:

(a) "Effective Date" means the date first written above.

(b) "Product" means "Kanpai" beer produced by Supplier.

(c) "Term" means the period commencing on the Effective Date and terminating as set forth in Article 10 hereof.

(d) "Territory" means Arbitria.

2. Grant of Right to Distribute

(a) Appointment. Subject to the terms and conditions of this Agreement, Supplier hereby appoints the Distributor as its exclusive distributor of the Products within the Territory, and the Distributor hereby accepts such appointment.

(b) Restrictions on Distributor's Activities. Distributor shall not: i) establish a warehouse or sales office for the Products outside the Territory, ii) engage in any promotional activities relating to the Products directed primarily to customers outside the Territory, iii) solicit orders for Products from any prospective customer located outside the Territory, or iv) make any changes to the Product or their packaging without the prior written consent of Supplier.

3. Orders

(a) During the term of this Agreement, Distributor shall from time to time place orders for Products with Supplier (each an "Order").

(b) Once an Order is placed by Distributor, Supplier shall use its commercially reasonable efforts to fill such Order as promptly as practical in accordance with the terms of such Order.

(c) Once Seller receives the Order from Distributor, Supplier shall send the acknowledgement notice to Distributor promptly.

・・・

5. Payment

Payment by remittance by telegraphic transfer through bank. Payment shall be received by Seller 7 days prior to shipment effect.

6. Information and Report

Both Supplier and Distributor shall periodically and/or on the request of either party furnish information and market reports to each other to promote the sale of Products as much as possible. Distributor shall give Supplier such reports as inventory, market conditions and other activities of Distributor.

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9. Minimum Purchase

(a) Distributor shall purchase a sufficient amount of Products in each calendar year from Supplier so as to meet or exceed the minimum purchase requirements set forth below, provided; however, that purchases of Products in excess of the minimum purchase requirement set forth below for any period shall be credited towards the minimum purchase requirements set forth below for the subsequent period.

Year	Minimum number of Cases
2017	5,000
2018	12,000
2019	15,000
2020	16,000
2021	17,000

(b) Failure to meet such minimum requirements shall constitute the Material Breach of this Agreement for the purposes of Article~~Section~~ 10 (Term and Termination) thereof; provided, however, that in lieu of terminating this Agreement pursuant to such section based on such breach, Supplier may instead elect in its sole discretion to change the exclusive rights granted to Distributor hereof to non-exclusive rights, in which case Supplier shall then have the right to appoint additional non-exclusive distributors in the Territory or to sell the Products itself in the Territory, either directly (including without limitation with the assistance of sales representatives) or through one or more of its affiliates.

10. Term and Termination

(a) This Agreement shall commence on the Effective Date and shall, unless earlier terminated pursuant to Article 10 (b), continue for a term of five (5) years following the Effective Date (the "Initial Term"). Upon expiration of the Initial Term and each Renewal Term thereafter, this Agreement will be automatically renewed for an additional three (3) year term (the "Renewal Term") unless terminated by either Party upon thirty (30) calendar days written notice to the other Party prior to the expiration of the Initial Term or any Renewal Term.

(b) Termination for Material Breach. This Agreement may be terminated by either Party by giving ten (10) calendar days written notice of such termination to the other Party in the event of the Material Breach by the other Party. "Material breach" shall include: (i) any violation of the terms of Articles 2 (b), (ii) any other breach that a Party has failed to cure within ten (10) calendar days after receipt of written notice by the other Party, (iii) Distributor's failure to meet the minimum annual purchase quantities agreed for two (2) consecutive years, (iv) an act of gross negligence or willful misconduct of a Party, or (v) the insolvency, liquidation or bankruptcy of a Party.

(c) No Compensation. In the event of expiration or termination of this Agreement pursuant to any of Articles 10(a) or (b) above, Supplier shall not have any obligation to Distributor, or to any employee of Distributor, for compensation or for damages of any kind, whether on account of the loss by Distributor or such employee of present or prospective sales.

・・・

15. Governing Law and Dispute Resolution

(a) This Agreement shall be governed and interpreted by the UNIDROIT Principles of International Commercial Contracts (2016).

(b) In case that any dispute or controversy arises out of or in relation to this Agreement between both parties, these disputes or controversies shall be solved based on the rules on dispute resolution in in the General Business Agreement between the parties.

16. Entire Agreement

This Agreement constitutes the entire agreement of the Parties on the subject hereof and supersedes all prior understandings and instruments on such subject.

17. Force majeure

No party will be held responsible to the other party nor be deemed to be in default under, or in breach of any provision of, this Agreement for failure or delay in performing any obligation of this Agreement when such failure or delay is due to force majeure, and without the fault or negligence of the party so failing or delaying. For purposes of this Agreement, force majeure means a cause beyond the reasonable control of a party, which may include acts of God; acts, regulations, or laws of any government; war; terrorism; civil commotion; fire, flood, earthquake, tornado, tsunami, explosion or storm; pandemic; epidemic and failure of public utilities or common carriers. In such event the party so failing or delaying will immediately notify the other party of such inability and of the period for which such inability is expected to continue.

Yellow Corporation

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Blue Inc.

____

The General Business Agreement between Yellow Corporation and Blue Inc. is an agreement on the common provisions of various commercial agreements between Yellow Corporation and Blue Inc. The agreement contains the following provisions on dispute resolution. Other than the following provisions on dispute resolution, there are no other provisions that should be considered in relation to this Problem.

> Dispute Resolution
> Any disputes or controversies on business between Yellow Corporation and Blue Inc. shall be settled amicably but, in case of failure, these disputes or controversies shall be finally settled by arbitration

Exhibit 12

ASSIGNMENT OF CONTRACT

This Assignment of Contract (the “Assignment”) is effective as of September 15, 2018 (the “Effective Date”) by and between Yellow Corporation, a corporation organized and existing under the laws of Negoland (“Assignor”) and Red Corp., a corporation organized and existing under the laws of Negoland (“Assignee”). The above-referenced parties may be collectively referred to herein as the “Parties.”

WHEREAS, Assignor and Blue Inc. (“Blue”) are parties in the Exclusive Distributorship Agreement (“Contract”) dated March 1, 2017 between the Assignor and Blue; and
WHEREAS, Assignor desires to assign and Assignee desires to receive by assignment all of Assignor’s rights and obligations under the Contract;
NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. ASSIGNMENT: Assignor hereby assigns to Assignee all of its interests, rights and title held by Assignor in and to the Contract.

2. ASSUMPTION OF OBLIGATIONS: Assignee acknowledges the receipt of a copy of the Contract. As of the date of this Assignment, Assignee hereby assumes all of Assignor’s interests, rights, duties and obligations remaining in the Contract. As of the date of this Assignment, Assignee agrees to comply with all the terms, make all payments, and perform all conditions and covenants in the Contract as if Assignee were an original party therein.

3. ASSIGNOR’S REPRESENTATIONS: Assignor warrants that the Contract is in full force and effect and fully assignable or may be assigned with consent of Blue. Assignor further warrants that the contract rights transferred in this Assignment are free of lien, encumbrance or adverse claim.

4. BINDING EFFECT: The covenants and conditions contained in the Assignment shall apply to and bind the Parties and their heirs, legal representatives, successors and permitted assigns.

5. GOVERNING LAW AND DISPUTE RESOLUTION: This Agreement shall be governed and interpreted by the UNIDROIT Principles of International Commercial Contracts (2016). In case that any dispute or controversy arises out of or in relation to this Agreement between both parties shall be settled amicably but, in case of failure, these disputes or controversies shall be finally settled in Tokyo by arbitration in accordance with UNCITRAL Arbitration Rules where the award shall be final binding upon the parties hereto.

IN WITNESS WHEREOF, the authorized representatives of the Parties have caused this Assignment to be executed effective as of the Effective Date.

Yellow Corporation

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Red Corp.

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CONSENT of Blue:
The undersigned hereby consents to the foregoing Assignment and releases Assignor from its obligations and liabilities arising under the Contract and accepts Assignee as a party to the Contract in place of the Assignor.

Blue Inc.

____

Exhibit 13

From: Blue Inc.
To: Red Corp.
Date: July 26, 2018
ReReReRe: Takeover of business from Yellow Corporation

Thank you very much for your message.

I understand. We would like to put all our energy into increasing the sales of "Kanpai" at least until the end of 2019. As for advertising, if that is your company's policy, we will not do it for now.

From: Red Corp.
To: Blue Inc.
Date: July 24, 2018
ReReRe: Takeover of business from Yellow Corporation

Thank you very much for your message. Also, thank you very much for accepting the assignment.

As for advertising, if your company does it at your own expense, then we would definitely wish your company to do that. We would like you to put your energy into "Kanpai" rather than "Kurenai" at least until 2019. Fortunately, "Kurenai" is selling well, so that for now, we would like you to put energy into "Kanpai" rather than "Kurenai."

From: Blue Inc.
To: Red Corp.
Date: July 20, 2018
ReRe: Takeover of business from Yellow Corporation

Thank you very much for your message.

We intend to cooperate fully with your company for your success in the beer business taken over from Yellow Corporation. I am attaching the contract assignment agreement with our approval signature for your confirmation.

We think that "Kanpai" is a great product and will be definitely well received by people in Arbitria. However, the sales volume between January and June 2018 went no further than 5,000 cases, and if this trend continues, it will be difficult to achieve the target. I think that this is because “Kanpai” is not as well-known as competitors’ products, since competitors are putting a lot of effort into commercial advertising. Taking this opportunity, we intend to make greater effort to strengthen our selling structure to increase sales.

We think that our company should consider running mass scale advertising ourselves. Would it be possible for your company to provide us with cooperation for the expenses for that?

From: Red Corp.

To: Blue Inc.

Date: July 15, 2018

Re: Takeover of business from Yellow Corporation

Thank you for your continuous support.

Our company recently decided to take over the beer business of Yellow Corporation. Our company was considering expanding our business to beer to meet the needs of our customers better and we heard that Yellow Corporation was looking to sell off its beer business. Yellow Corporation has a good reputation in Negoland so decided to make the deal.

Yellow Corporation has an exclusive distributorship agreement for Arbitria with your company, and we intend to continue this agreement. However, I understand that the sales performance of “Kanpai” is currently poor. We think that it is important to increase sales of “Kanpai” over the next one to two years to get the beer business on track. Fortunately, “Kurenai” is moving steadily, so we would like your company to also put efforts to increase sales of “Kanpai” just like it has done with “Kurenai.”

I am attaching an agreement concerning the assignment. I would appreciate it if your company could approve this assignment. Thank you very much for your understanding.

Exhibit 14

From: Blue Inc.
To: Red Corp.
Date: June 14, 2020
ReReRe: Sales policy for "Kurenai" and "Kanpai"

Thank you very much for your message.

We understand your company's policy. Recently, due to the novel coronavirus infection, sales of both "Kurenai" and "Kanpai" have been declining, and our warehouse is running out of space due to the accumulation of inventory. In addition, we have the shelf-life issue. So, it is not appropriate to hold too much inventory, and we would like to reduce the amount of orders.

From: Red Corp.
To: Blue Inc.
Date: June 10, 2020
ReRe: Sales policy for "Kurenai" and "Kanpai"

Thank you very much for your message.

We looked into your company's proposals. As to the proposal concerning Kanpai, we would like your company to go ahead with it. However, as to Kurenai, to maintain its brand image, our policy that it should be sold only at restaurants, hotels and our shops in Negoland, remains unchanged.

From: Blue Inc.
To: Red Corp.
Date: June 1, 2020
Re: Sales policy for "Kurenai" and "Kanpai"

Thank you very much for your continuous support. As announced, novel coronavirus infection is spreading in our country, and to stop the spread of infection, the Arbitrian government has requested restaurant owners to refrain from operating their restaurants after 9:00 pm, and to refrain from serving alcohol even before 9:00pm. As most restaurants are now following this voluntary restraint request, sales of "Kurenai" and "Kanpai" in restaurants are dropping significantly. On the other hand, the number of people who drink alcohol at home is still the same as before. Therefore, we would like to take the following actions, and we would like to obtain your company's consent.

①. "Kurenai" which had not been sold to individuals in Arbitria in the past will be sold at retail stores and online shops to individuals; and

②. For "Kanpai," until now, 50% has been sold to restaurants and 50% has been sold to individuals. However, sales to individuals will be strengthened from now, and 80% will be sold actively to individuals through our company's online shopping site.

Exhibit 15

From: Red Corp
To: Blue Inc.
Date: January 18, 2021
ReReRe: Termination of distributorship agreements

Thank you very much for your message.

After receiving your message, we consulted our lawyers and management again, and we think that there is no legal issue concerning the termination of the distributorship agreements. Therefore, we will terminate the two distributorship agreements as of March 31and will not accept any orders from you after April. However, we will allow you to sell your inventory until the end of September. We will start selling to our new exclusive distributor, Green Corp., from October onwards. Please dispose of any inventory that you cannot sell by the end of September.

Please accept this and do not take offense.

From: Blue Inc.
To: Red Corp
Date: January 15, 2021
ReRe: Termination of distributorship agreements

Thank you very much for your message.

As far as our company is concerned, the reasons why we could not achieve the minimum sales volume for “Kurenai” are: we prioritized sales of “Kanpai” following your company's instructions in 2019; the pandemic of novel coronavirus, which is a force majeure event, occurred in 2020; and furthermore, your company refused to accept our proposal to start selling them to individuals to overcome the force majeure. Therefore, we believe that terminating the distributorship agreement for failure to achieve the minimum sales volume due to those reasons is not permitted.

The pandemic was also the cause of failure to achieve the minimum sales volume of “Kanpai” in 2020.

You mentioned that you are going to make Green Corp. your new exclusive distributor, but we believe that the kind of business conditions that Green Corp. has proposed could be fully offered by us.

From: Red Corp
To: Blue Inc.
Date: January 10, 2021
Re: Termination of distributorship agreements

Thank you for your continuous support.

It is very regrettable that the sales volume of "Kurenai" and purchase volume of "Kanpai" in 2019 and 2020 were both below the minimum sales volume and minimum purchase volume specified by our respective agreements. Therefore, we hereby terminate both agreements in accordance with Article 16(4) of the distributorship agreement for "Kurenai" and Article 10(b)(iii) of the distributorship agreement for "Kanpai."

For your information, our company has already decided to appoint Green Corp. as our new exclusive distributor for both products in Arbitria. Green Corp. will purchase our products at a price that is more than 20% higher than what your company has been paying in the past. For this reason, we had been considering switching to Green Corp. at the end of the contract period, but due to the fact that your company failed to meet the minimum sales volume and purchase volume, we have decided to terminate the contract with you, albeit a little earlier than expected.

We intend to continue transactions of wine with your company. However, regarding "Kurenai" and Kanpai," we think that this will be the best way for both companies.

Please kindly understand this.

Exhibit 16

1. The Blue One Case

Claim of Red Corp.: Blue Inc. shall pay 2,016,000 USD to Red Corp.

Issue 1: Did Blue Inc. have the legal obligation to deliver 200 cases of Blue One to Red Corp.?

Issue 2: Is Blue Inc. liable for nonperformance of obligation concerning 100 cases of Blue One in relation to the sales agreement dated September 26, 2020~~2019~~?

Issue 3: If the liability of Blue Inc. for nonperformance of obligation is recognized for 200 cases or 100 cases of Blue One, what should be the amount to be paid to Red Corp. in each respective case?

Note The grounds for the amount of the claim asserted by Red Corp. is the sum of (a) and (b) described below. There is no dispute over the point that if Blue One had been delivered to Red Corp., the entire volume would have been sold and Red Corp. would have gained profits specified in ① and ②.

(a) The amount that Red Corp. have paid to Blue under the sales agreement dated September 26, 2020~~2019~~: 120,000 USD

(b) Lost profit related to sales of Blue One: 1,896,000 USD

①. From sales at restaurants and hotels: 1,000 USD x 140 cases x 12 bottles = 1,680,000 USD

②. From sales at shops: 300 USD x 60 cases x 12 bottles = 216,000 USD

Note Red claims that the amount of lost profits ((b) above) when Blue Inc. is liable for nonperformance only for 100 cases is 1,200,000 USD (=1,000 USD x 100 cases x 12 bottles).

Note: There is no dispute that if Red Corp. had sold the second labels of the five famous châteaux proposed by Blue Inc., it would have earned the same amount of profit as if it had sold "Blue One".

2. Kanpai Case

Claim of Blue Inc.: Blue Inc. seeks a declaration of the continued existence of the exclusive distributorship agreements for Kurenai and Kanpai entered into between Red Corp. and Blue Inc.

Petition by Blue Inc. to seek interim measures: Blue Inc. demands that Red Corp. stop selling

Kurenai and Kanpai to Green Corp. and that it continue selling Kurenai and Kanpai to Blue according to the exclusive distributorship agreements.

Issue 1: Is Red Corp. entitled to terminate the exclusive distributorship agreements for Kurenai and Kanpai entered into with Blue Inc.?

Issue 2: Should the interim measures sought by Blue Inc. be accepted?

Issue 3: Does the arbitral tribunal have jurisdiction over disputes related to the exclusive distributorship agreement of Kanpai? (Red Corp. has not made an objection to the current arbitral tribunal handling the case, if it is recognized that the dispute related to Kanpai may be resolved by arbitration).

~~Note: There is no dispute that if Red Corp. had sold the second labels of the five famous châteaux proposed by Blue Inc., it would have earned the same amount of profit as if it had sold "Blue One".~~

Exhibit 17

<u>Minutes</u>

Date: October 10, 2021

Attendants: Red Corp.: Management and Planning Department Deputy Manager, Wine Business Department Deputy Manager, and Legal Affairs Department Assistant Manager

Blue Inc.: International Business Department Deputy Manager, Wine Business Department Deputy Manager, and Legal Affairs Department Assistant Manager

1. At the beginning, matters explained by the presidents of both companies were verified.
   - Château La Blanche, which is a second-class château in Meditoria, is secretly looking for a purchaser of its management rights.
   - The price is 20 million USD and lump sum payment is required. This is not negotiable.
   - Proposal to be submitted by two companies in cooperation (however, purchase by one company is not prohibited)
   - The deadline for the proposal is the end of the year.
   - An outline of Château La Blanche is set out in Exhibit 18.

2. Next, basic policies which are to be examined were listed up. In order to be able to discuss specific details, the basic policies need to be agreed at the negotiation on November 7.

- Form of investment
  - ➢ Both companies have agreed to jointly establish a joint venture, and the joint venture company would hold the shares of Château La Blanche. This point does not need to be negotiated any further.
- Investment ratios/Governance
  - ➢ Red Corp. will invest 8,000,000 USD. Blue Inc. will invest 12,000,000 USD.
  - ➢ The voting rights at the shareholders' meeting shall be the same as the shareholding ratio, and two directors shall be nominated by Red Corp. and three by Blue Inc.
    - ✧ According to the Company Law of Meditoria, amendments to the Articles of Incorporation, transfer of business, issuance of new shares, capital reduction, dissolution, approval of merger agreements, and other matters stipulated in the Articles of Incorporation must be resolved by a two-thirds majority of the shareholders present at the shareholders' meeting (a special resolution).
  - ➢ The President with the authority to represent the company shall be appointed by Blue Inc.,

and the Vice President with the authority to represent the company shall be appointed by Red Corp. (other directors shall not have the authority to represent the company).

- Whether there are any matters that should be stipulated in the Articles of Incorporation as matters that should be the subject of a special resolution will be left to the next negotiation.

- Winemaker/Employee
  - It is of utmost importance to invite an excellent head winemaker. The current chief winemaker will be dismissed. We need to discuss how to treat other employees.
  - Red Corp. has someone in mind as the chief winemaker.
  - Blue Inc. will also make inquiries within the company.
- Management policies
  - From Red Corp.: It is important to regain its reputation as one of the world's top five superior white wines. Red Corp. wishes to offer first label and second label wine at its restaurants, hotels, and shops. There is an increasing tendency to prefer expensive fine wine in Negoland, and even expensive fine wine will certainly sell. To go with this flow, results should be achieved in five years or so, instead of dragging on. To that end, it is important to invest in people and money from the beginning. No third label in the commonly affordable price range is necessary. It will be good to leave the fallowed yard as it is, and focus on the first label and second label.
  - From Blue Inc.: It is important to get the reputation back; however, it is also important to improve second label and third label production to realize the highest value of the château. It is important to achieve a top quality for premium wine, but we should aim for a winery that can be enjoyed also by families. We wish to produce a certain volume of third label wine which can be enjoyed at a reasonable price by using the vineyard not currently used and sell that wine in Arbitria through our sales network. We wish to send our staff to provide our know-how, and at the same time, we wish to learn the local authentic know-how. It is important to restore the château step by step even if it takes time. Rash actions will have an opposite effect, as they may not be supported by employees and relevant parties. It is realistic to improve the management conditions steadily by promoting a feeling of enthusiasm and motivating local staff through improving personnel treatment and equipment. It might take 10 years or so.
    - We surveyed the vineyard not currently used and found that the terroir itself is not bad, and with enough investment and effort, it would likely produce grapes that could be used to make relatively inexpensive, if not top-quality, wine in about eight~~five~~ years.
- Wine production methods
  - Is there anything in particular that needs to be changed in the current production methods?
- Post-acquisition costs, etc.

- Although it is related to management policies, there is also the issue of how to share capital investment, labor costs, etc. after an acquisition. Under the current company conditions, it is difficult to raise funds from financial institutions and other third parties, at least until the company is successfully rebuilt.

3. Future plan

- The next negotiation will be held online on November 7 (Sunday).
- The following five points should be negotiated. However, if there are any other necessary matters, discussing such matters is not prohibited.
  - Are there any matters that should be stipulated in the Articles of Incorporation as matters that should be the subject of a special resolution?
  - Chief Winemaker/Employees
  - Management policies
  - Wine production method
  - Post-acquisition costs, etc.

Exhibit 18

Outline of Château La Blanche

Location: Padoc Country, Meditoria

Rank: Second class

It conducts the entire winemaking process, from cultivation of wine grapes to fermentation and aging.

Wine: The following three types are produced.

- First label: Mon Patrasche
  - This wine was once described as one of the world's top five finest white wines as an ultra-luxurious white wine. A superior vintage had been traded at over 2,000 USD per bottle, but recently they are sold at around 100 USD.
- Second label: Le second Mon Patrasche
  - This wine had been traded for around 500 USD per bottle in the past, but recently they are sold at around 50 USD.
- Third label: Le Nello
  - This wine had been traded for around 100 USD per bottle in the past, but recently they are sold at around 20 USD.

Vineyard: 200 hectares

20 ha: Growing chardonnay

⇒ Used to make Mon Patrasche

100 ha: Growing chardonnay

⇒ Used to make Le second Mon Patrasche and Le Nello (ratios vary depending on the year)

80 ha: Not currently used.

⇒ In the past, this part was used for growing grapes, but it is currently a fallowed yard due to shortage of manpower and budget.

Employees

Chief Winemaker: Adam Martin

Deputy Chief Winemaker: Raphael Bernard

Number of other Employee:80 employees (about 30 have quit in the last few years, which is one of the reasons why 80 hectares were left fallow).

All of them including Chief Winemaker and Deputy Chief Winemaker are Meditorians.