

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
JAPAN**

**Guarantee Agreement—*Kawasaki Project* (with related letter and annexed Loan Regulations No. 4, Loan Agreement—*Kawasaki Project*—between the Bank and the Japan Development Bank, and Project Agreement—*Kawasaki Project*—between the Bank and Kawasaki Steel Corporation). Signed at Washington, on 19 December 1956**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 5 April 1957.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
JAPON**

**Contrat de garantie — *Projet Kawasaki* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt — *Projet Kawasaki* — entre la Banque et la Banque japonaise de développement, et le Contrat relatif au projet — *Projet Kawasaki* — entre la Banque et la Kawasaki Steel Corporation). Signé à Washington, le 19 décembre 1956**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 5 avril 1957.*

No. 3793. GUARANTEE AGREEMENT<sup>1</sup> (*KAWASAKI PROJECT*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 DECEMBER 1956

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AGREEMENT, dated December 19, 1956, between JAPAN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and The Japan Development Bank (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement<sup>2</sup>, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 2<sup>3</sup> to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

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<sup>1</sup> Came into force on 25 March 1957, upon notification by the Bank to the Government of Japan.

<sup>2</sup> See p. 190 of this volume.

<sup>3</sup> See p. 206 of this volume.

*Article II*

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

*Article III*

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies, including local governing authorities.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the

Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Agreement, the Loan Agreement, the Project Agreement<sup>1</sup> and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

*Section 3.06.* So long as any part of the Loan shall be outstanding and unpaid, the Guarantor will not take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, or by Kawasaki of any of the covenants, agreements and obligations of Kawasaki in the Project Agreement contained, and will take or cause to be taken all action necessary or appropriate to enable the Borrower and Kawasaki respectively to perform such covenants, agreements and obligations.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

<sup>1</sup> See p. 208 of this volume.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Minister of Finance  
Ministry of Finance  
3-2, Kasumigaseki, Chiyoda-ku  
Tokyo, Japan

Alternative address for cablegrams and radiograms :

Minister of Finance  
Okurasho, Tokyo

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street. N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 5.02.* The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Japan :

By Masayuki TANI  
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

LETTER DATED 19 DECEMBER 1956 FROM THE GOVERNMENT OF JAPAN TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

EMBASSY OF JAPAN  
WASHINGTON, D. C.

December 19, 1956

International Bank for Reconstruction  
and Development  
1818 H Street, N. W.  
Washington 25, D.C.

*Loan No. 157 JA*

Gentlemen :

With reference to the Guarantee Agreement<sup>1</sup> of even date between the Government of Japan and your Bank, we have pleasure in confirming the following matters of agreed understanding between us :

1. As regards Article III, Section 3.01, that

(a) there is existing legislation consistent with the Japanese Constitution which enables the Government of Japan to control the external borrowings of its agencies, its political subdivisions and their agencies, and of the Bank of Japan so as to oblige them to obtain the consent of the Government of Japan to any external borrowing and to the terms thereof whether as to security or otherwise ;

(b) the Government of Japan will make the undertaking contained in Section 3.01 effective with respect to liens on the assets of the Bank of Japan.

2. As regards Section 3.06, that the Government of Japan will not permit any political subdivision of Japan or any agency of the Government of Japan or of any such political subdivision to take any such action as is therein referred to.

Very truly yours,

Government of Japan :  
By Masayuki TANI

<sup>1</sup> See p. 180 of this volume.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBERS GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 260, No. 3721.*]

LOAN AGREEMENT (*KAWASAKI PROJECT*)

AGREEMENT, dated December 19, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE JAPAN DEVELOPMENT BANK (hereinafter called the Borrower).

WHEREAS (A) Kawasaki Steel Corporation (hereinafter called Kawasaki), which is a corporation incorporated under the laws of Japan and engaged in the production of steel, has determined to undertake the Project and for that purpose proposes to incur from the Borrower, The Long Term Credit Bank of Japan and from The Industrial Bank of Japan long-term debt amounting to ¥ 4,000,000,000. Kawasaki also proposes to issue not less than 40,000,000 new ordinary shares of ¥ 50 each at the price of par ;

(B) Kawasaki proposes to enter into a new loan agreement with each of its present long-term creditors (as hereinafter defined), each substantially in the form of a draft which has been agreed upon between them, and the present long-term creditors propose to enter into an agreement with Kawasaki, substantially in the form of a draft which has been agreed upon between them, whereby the present long-term creditors will agree conditionally to defer repayment of the principal of the long-term debt (as hereinafter defined) upon the terms set forth in the said draft ;

(C) The Daiichi Bank Limited (hereinafter called Daiichi) proposes to enter into an agreement with Kawasaki, substantially in the form of a draft which has been agreed upon between them, whereby Daiichi would undertake certain obligations to Kawasaki as to the provision of certain moneys to Kawasaki, including a ¥ 5,000,000,000 line of credit, and as to the refunding of the mortgage debentures (as hereinafter defined) all upon the terms set forth in the said draft ;

(D) The Bank has been requested to grant a loan to the Borrower, the proceeds of which the Borrower intends to relend to Kawasaki for the purposes of the Project ;

(E) The Bank has, on the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

## Article I

## LOAN REGULATIONS ; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 2<sup>2</sup> to this Agreement (said Loan Regulations No.4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term "mortgage debentures" means mortgage debentures of Kawasaki secured upon immovable property.

(b) The term "housing loans" means loans contracted by Kawasaki for housing purposes from public corporations or public authorities in Japan.

(c) The term "long-term debt" means debt maturing on a date not less than one year from the date upon which it is originally incurred, except debt evidenced by the subsidiary loan agreement, by mortgage debentures and by housing loans ; and the term "long-term creditor" means any creditor to whom Kawasaki owes or shall owe any long-term debt.

(d) The term "short-term debt" means debt maturing on a date less than one year after the date upon which it is originally incurred other than trade and commercial liabilities incurred in the ordinary course of business.

(e) The term "creditors agreements" means the hereinbefore recited agreements proposed to be entered into between Kawasaki and each of the present long-term creditors, when the same are duly executed in form and substance satisfactory to the Bank ; and such term shall include any agreement in substantially similar terms entered into between Kawasaki and any future long-term creditor.

(f) The term "paramount agreement" means the hereinbefore recited agreement proposed to be entered into between all the present long-term creditors and Kawasaki, when the same is duly executed in form and substance satisfactory to the Bank ; and such term shall include any agreement in substantially similar terms entered into between Kawasaki and any future long-term creditor.

(g) The term "Daiichi agreement" means the hereinbefore recited agreement proposed to be entered into between Daiichi and Kawasaki, when the same is duly executed in form and substance satisfactory to the Bank.

(h) The term "subsidiary loan agreement" means the agreement between the Borrower and Kawasaki referred to in Section 5.06 of this Loan Agreement when the same is duly executed in form and substance satisfactory to the Bank.

<sup>1</sup> See p. 190 of this volume.

<sup>2</sup> See p. 206 of this volume.



(i) The term "Project Agreement"<sup>1</sup> means the agreement of even date herewith between the Bank and Kawasaki.

(j) The term "subsidiary" means any company over which Kawasaki is able to exercise effective control.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of five per cent (5 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrowers pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

## Article III

### USE OF PROCEEDS OF THE LOAN

*Section 3.01* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and Kawasaki, subject to modification by further agreement between them.

<sup>1</sup> See p. 204 of this volume.

*Article IV*

## BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The President of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall maintain, or cause to be maintained, records adequate to reflect in accordance with consistently maintained sound accounting practices all transactions between the Borrower and Kawasaki and the operations and financial condition of the Borrower ; shall enable, or take such steps as may be necessary to enable, the Bank's representatives to inspect any relevant records and documents ; and shall furnish, or cause to be furnished, to the Bank all such information as the Bank shall reasonably request concerning transactions between the Borrower and Kawasaki, and the operations and financial condition of the Borrower.

*Section 5.02.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank, the Borrower and Kawasaki shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

*Section 5.03.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.04.* The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor

on or in connection with the execution, issue, delivery or registration of this Agreement the Guarantee Agreement, the Project Agreement or the Bonds, or the payment of principal, interest or other charges thereunder ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.05.* The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement, the Project Agreement or the Bonds.

*Section 5.06.* All moneys withdrawn from the Loan Account and applied by the Borrower in accordance with the provisions of Section 3.01 of this Agreement shall constitute a loan by the Borrower to Kawasaki. Such loan shall be made upon terms which shall be satisfactory to the Bank and be embodied in a loan agreement between the Borrower and Kawasaki. This subsidiary loan agreement shall provide (inter alia) that the Borrower shall receive from Kawasaki, as security for its advances to Kawasaki thereunder, such lien or liens as may be consistent with the Borrower's established practices.

*Section 5.07.* Except as the Bank shall otherwise agree, the Borrower shall exercise its rights under the subsidiary loan agreement in such manner as to protect the interests of the Borrower and the Bank ; and (except as aforesaid) the Borrower shall not amend, assign, abrogate or waive any provision of the subsidiary loan agreement ; provided, however, that agreement of the Bank shall not be required to the amendment, assignment, abrogation or waiver of any provision of the subsidiary loan agreement relating to (i) damages for non-performance, or (ii) any guarantor, thereunder.

*Section 5.08.* It is the mutual intention of the Borrower and the Bank that to the extent that Kawasaki shall prepay the Borrower its indebtedness under the subsidiary loan agreement, the Borrower shall to a correspondingly proportionate extent prepay the Bank under this Loan Agreement. Accordingly, unless otherwise agreed between the Borrower and the Bank, if Kawasaki shall repay in advance of maturity any part of its indebtedness to the Borrower under the subsidiary loan agreement, then the Borrower shall thereupon repay to the Bank, in advance of maturity, an amount being such proportion of the principal amount of the Loan then outstanding as the amount so repaid to the Borrower by Kawasaki bears to the total principal amount owing by Kawasaki under the subsidiary loan agreement immediately prior to such repayment ; provided that, in computing any such total principal amounts, there shall be deducted any amount paid, contemporaneously with such repayment, in accordance with the amortization schedule set forth in Schedule I to this Agreement. To any repayment by the Borrower in accordance with this Section, all the provisions of the Loan Regulations relating to repayment in advance of maturity shall be applicable.

*Article VI*

## REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Article VII*

## EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

(a) that the execution and delivery of the Project Agreement on behalf of Kawasaki shall have been duly authorized or ratified, and that all acts, consents, validations and approvals necessary therefor shall have been duly performed or given ;

(b) that the subsidiary loan agreement, the creditors agreements, the paramount agreement and the Daiichi agreement shall have been duly executed and delivered by the respective parties thereto, and shall have been duly authorized or ratified, and that all acts, consents, validations and approvals necessary therefor shall have been duly performed or given ;

(c) that Kawasaki shall have entered into agreements, in form and substance satisfactory to the Bank, with the Borrower, The Long Term Credit Bank of Japan and The Industrial Bank of Japan respectively for the borrowing by Kawasaki of not less than ¥4,000,000,000 aggregate amount of long-term debt ; and that such agreements shall have been duly executed and delivered by the respective parties, and shall have been duly authorized or ratified, and that all acts, consents, validations and approvals necessary therefor shall have been duly performed or given ;

(d) that not less than 40,000,000 new ordinary shares of ¥50 each of Kawasaki shall have been subscribed and paid for in cash at a price of not less than par ;

(e) that the Borrower and Kawasaki shall have certified in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, (i) the consolidated indebtedness of Kawasaki and of all its subsidiaries does not exceed the respective amounts specified in respect of the categories following : in respect of long-term debt (other than debt owing under the Daiichi agreement), ¥6,900,000,000 ; in respect of mortgage debentures, ¥3,000,000,000 ; in respect of housing loans, ¥240,000,000 ; and in respect of short-term debt and any amounts owing to Daiichi under the ¥5,000,000,000 line of credit provided for in the Daiichi agreement, ¥4,000,000,000, or such larger amount as the Bank may

agree ; and (ii) the nominal amount of the paid-in share capital of Kawasaki is not less than ¥6,000,000,000.

*Section 7.02.* The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) that Kawasaki has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith and that all acts, consents, validations and approvals necessary therefor have been duly and validly performed or given ;

(b) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Kawasaki, that all acts, consents, validations and approvals necessary under the laws of Japan to render said Agreement valid and effective have been duly performed or given and that the said Agreement constitutes a valid and binding obligation of Kawasaki in accordance with its terms ;

(c) that the subsidiary loan agreement, the creditors agreements, the paramount agreement and the Daiichi agreement have been duly authorized or ratified by, and executed and delivered on behalf of, the respective parties thereto, that all acts, consents, validations and approvals necessary under the laws of Japan to render said agreements valid and effective have been duly performed or given, and that the said agreements constitute valid and binding obligations of such parties in accordance with their respective terms ;

(d) that the agreements referred to in Section 7.01 (c) have been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto respectively, that all acts, consents, validations and approvals necessary under the laws of Japan to render said agreements valid and effective have been duly performed or given and that said agreements constitute valid and binding obligations of such parties in accordance with the terms of such agreements ;

(e) that Kawasaki has full power and authority to raise moneys by such issuance of shares as is referred to in Section 7.01 (d) and that all acts, consents and approvals necessary therefor have been duly performed or given.

*Section 7.03.* A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

#### *Article VIII*

##### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be April 30, 1959.

*Section 8.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Japan Development Bank  
8, 1-chome Marunouchi  
Chiyoda-ku  
Tokyo, Japan

Alternative address for cablegrams and radiograms :

Devebank, Tokyo

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington 25, D. C.

United States of America

Alternative address for cablegrams and radiograms :

Intbafrad

Washington, D. C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By Eugene R. BLACK

President

The Japan Development Bank :

By Seiichi SHISHIKUI

Authorized Representative

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars)*</i>
November 15, 1959	—	\$ 20,000,000	May 15, 1966 . .	\$ 831,000	\$ 10,639,000
May 15, 1960 . .	\$ 618,000	19,382,000	November 15, 1966	852,000	9,787,000
November 15, 1960	634,000	18,748,000	May 15, 1967 . .	874,000	8,913,000
May 15, 1961 . .	650,000	18,098,000	November 15, 1967	896,000	8,017,000
November 15, 1961	666,000	17,432,000	May 15, 1968 . .	918,000	7,099,000
May 15, 1962 . .	683,000	16,749,000	November 15, 1968	941,000	6,158,000
November 15, 1962	700,000	16,049,000	May 15, 1969 . .	964,000	5,194,000
May 15, 1963 . .	717,000	15,332,000	November 15, 1969	988,000	4,206,000
November 15, 1963	735,000	14,597,000	May 15, 1970 . .	1,013,000	3,193,000
May 15, 1964 . .	753,000	13,844,000	November 15, 1970	1,038,000	2,155,000
November 15, 1964	772,000	13,072,000	May 15, 1971 . .	1,064,000	1,091,000
May 15, 1965 . .	791,000	12,281,000	November 15, 1971	1,091,000	—
November 15, 1965	811,000	11,470,000			

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity . . . . .	1/4 %
More than 3 years but not more than 6 years before maturity . . . . .	1 1/4 %
More than 6 years but not more than 11 years before maturity . . . . .	2 1/4 %
More than 11 years but not more than 13 years before maturity . . . . .	3 3/4 %
More than 13 years before maturity . . . . .	5 %

## SCHEDULE 2

## MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) by the deletion, in Section 5.02, of subparagraph (j) and the substitution therefor of the following subparagraph :

“(j) A default shall have occurred in the performance of any covenant or agreement on the part of Kawasaki under the Project Agreement.”

(b) by the addition in Section 5.06, after the words “the Loan Agreement”, of the words “the Project Agreement” ;

(c) by the addition in Section 6.17, after the words “the Loan Agreement”, of the words “the Project Agreement” ;

(d) by the addition in Section 7.01, after the words “the Loan Agreement,” where those words occur, of the words “the Project Agreement,” and after the words “the Borrower”, where those words first occur, of the word “,Kawasaki,” and where those words secondly occur, of the words “nor Kawasaki” ;

(e) by the deletion of Section 7.02 and the substitution therefor of the following new Section, namely :

“SECTION 7.02. *Obligations of Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower of Kawasaki or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or Kawasaki, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower or Kawasaki ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or Kawasaki or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement or of the Project Agreement contemplated by the terms thereof ; any failure of the Borrower or Kawa-

saki to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

(f) by the addition in Section 7.03, after the words “the Loan Agreement”, of the words “, the Project Agreement,” ;

(g) by the deletion of Section 9.02 (a) and the substitution therefor of the following new subparagraph, namely :

“(a) that the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and that all acts, consents, validations and approvals necessary under the laws of Japan to render the Loan Agreement valid and effective have been duly performed or given and that the Loan Agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms ;”

(h) by the deletion in Section 10.01 of paragraph 12 and the substitution therefor of the following new paragraph, namely :

“12. The term “Project” means the project for which the Loan is granted, as described in the Schedule to the Project Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and Kawasaki with the concurrence of the Borrower and of the Guarantor.”

#### PROJECT AGREEMENT (*KAWASAKI PROJECT*)

AGREEMENT, dated December 19, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and KAWASAKI STEEL CORPORATION (hereinafter called Kawasaki).

WHEREAS by an agreement of even date herewith between the Bank and The Japan Development Bank (hereinafter called the Borrower), which agreement and the schedules and Loan Regulations therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, to be re-lent to Kawasaki, but only on condition that Kawasaki agrees to undertake certain obligations to the Bank as hereinafter provided ; and

WHEREAS Kawasaki, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake obligations as hereinafter provided ;

NOW THEREFORE the parties hereto hereby agree as follows :

#### *Article I*

#### DEFINITIONS

*Section 1.01.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.



*Article II*

## PARTICULAR COVENANTS OF KAWASAKI

*Section 2.01.* (a) Kawasaki shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) Kawasaki shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) Kawasaki shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of Kawasaki; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of Kawasaki.

*Section 2.02.* (a) The Bank and Kawasaki shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and Kawasaki shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the other matters covered by this Agreement. Kawasaki shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by Kawasaki of its obligations under this Agreement.

*Section 2.03.* (a) Kawasaki shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) Kawasaki shall carry on its operations and conduct its affairs in accordance with sound business and financial practices and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering practices.

*Section 2.04.* (a) Kawasaki shall import or cause to be imported into the territories of the Guarantor all goods financed or to be financed out of the proceeds of the Loan and shall use them there or cause them to be used there exclusively in the carrying out of the Project.

(b) Kawasaki shall not, without the prior consent of the Bank, sell or otherwise dispose of any goods financed out of the proceeds of the Loan.

*Section 2.05.* Except as the Bank shall otherwise agree, Kawasaki shall duly perform all its obligations under the provisions of the subsidiary loan agreement, the creditors agreements, the paramount agreement and the Daiichi agreement and shall not amend, assign, abrogate or waive any of such provisions ; provided, however, that agreement of the Bank shall not be required to the amendment, assignment or abrogation of any provision of the subsidiary loan agreement relating to (i) damages for non-performance, or (ii) any guarantor, thereunder.

*Section 2.06.* Except as shall be otherwise agreed between the Bank and Kawasaki, Kawasaki shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

*Section 2.07.* Kawasaki shall cause each of its subsidiaries to observe and perform the obligations of Kawasaki hereunder to the extent that such obligations may be applicable to such subsidiaries.

### Article III

#### MISCELLANEOUS PROVISIONS

*Section 3.01.* No holder of any Bond other than the Bank shall by virtue of being the holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Agreement.

*Section 3.02.* Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For Kawasaki :

Kawasaki Steel Corporation  
2035-(1), 3-chome, Wakinohama-cho, Fukiai-ku  
Kobe, Japan

Alternative address for cablegrams and radiograms :

Kawatetsu,  
Kobe, Japan

(b) For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 3.03.* This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

*Section 3.04.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Kawasaki may be taken or executed by the President of Kawasaki or such person or persons as he shall designate in writing.

*Section 3.05.* Kawasaki shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of Kawasaki, take any action or execute any documents required or permitted to be taken or executed by Kawasaki pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

*Article IV*

EFFECTIVE DATE

*Section 4.01.* This Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify Kawasaki thereof and upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 4.02.* If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

Kawasaki Steel Corporation :

By Shosoku OHMORI  
Authorized Representative

## SCHEDULE

## DESCRIPTION OF PROJECT

The Project consists of a program for the expansion of Kawasaki's works at Chiba through the construction of new hot and cold strip mills and related facilities. The said program comprises the following :

*Hot Strip Mill* : The installation of a new semi-continuous 56" hot strip mill with a nominal annual capacity of about 400,000 tons when operating with slabs 5" × 38" × 20" and producing coils 0.071" × 38" at the rate of 900 feet per minute, and designed to produce strip highly uniform in character up to 50" in width.

Included in the new equipment for the mill will be :

scarfing equipment, a continuous heating furnace for slabs, a 4-high reversing rougher with a vertical edger, a continuous 5-stand 4-high finishing train, a 2-high skin pass mill, a 1/4" hot rolled sheet shear line and a 60' roll grinder. An existing 2-high scale breaker will be transferred from the Fukiai plant and will be installed for use in the hot strip mill. All necessary auxiliary equipment, such as electrical, oil and hydraulic systems, gauges and controls, run-out and transfer tables, cranes, buildings and necessary spare parts will be provided.

*Cold Strip Mill* : The installation of a new 56" cold strip mill with a nominal annual capacity of about 300,000 tons when producing only 30 gauge (0.29 mm) strip and designed to produce strip highly uniform in character up to 50" in width.

Included in the new equipment for the mill will be :

a 50" continuous strip pickling line, a 56" 4-stand 4-high tandem cold rolling mill, a 56" 1-stand 4-high skin pass mill, a 50" continuous strip cleaning line, annealing furnaces, 1 heavy and 2 light 50" shearing lines, a 60" roll grinder, roll etching equipment, 1 up-ender, 1 down-ender and 5 lift trucks. All necessary auxiliary equipment such as electrical, oil and hydraulic systems, gauges and controls, run-out and transfer tables, cranes, buildings and necessary spare parts will be provided.

The new strip rolling mills are expected to come into full operation by April 30, 1960.

*Related Facilities* : All ancillary works necessary for the installation and operation of the rolling mills are to be provided.

These works include :

increasing the pelletizing plant capacity by 300 tons daily ; additional oxygen generating equipment ; two new soaking pits and one soaking pit crane ; additional electric power facilities, such as substations, transformers, transmission line ; heat

control equipment consisting of mixed gas boosters, gas piping, gauges, meters ; fresh water wells with pumping and recirculating equipment ; extension of the water supply and drainage system ; necessary railroad tracks, locomotives and freight cars ; and necessary office facilities, laboratories and equipment.

These works are expected to be completed by April 30, 1959.