

No. 4670

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

**Guarantee Agreement—*Kobe Steel Project* (with annexed
Loan Regulations No. 4, related letter and Loan Agree-
ment between the Bank and the Japan Development
Bank). Signed at Washington, on 18 August 1958**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
11 February 1959.*

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

**Contrat de garantie — *Projet relatif aux aciéries de Kobé*
(avec, en annexe, le Règlement n° 4 sur les emprunts,
une lettre connexe et le Contrat d'emprunt entre la
Banque et la Banque japonaise de développement).
Signé à Washington, le 18 août 1958**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 11 février 1959.*

No. 4670. GUARANTEE AGREEMENT¹ (*KOBE STEEL PROJECT*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 AUGUST 1958

AGREEMENT, dated August 18, 1958, 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,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to ten million dollars (\$10,000,000), 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 in respect of such loan 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, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ 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.

¹ Came into force on 10 October 1958, upon notification by the Bank to the Government of Japan.

² See p. 216 of this volume.

³ See p. 214 of this volume.

⁴ See p. 230 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 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 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. 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 and will take or cause to be taken all action necessary or appropriate to enable the Borrower 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.

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 Koichiro ASAKAI
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

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
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.*]

LETTER RELATING TO THE GUARANTEE AGREEMENT

EMBASSY OF JAPAN
WASHINGTON, D. C.

August 18, 1958

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

Loan No. 204 JA

Gentlemen :

With reference to the Guarantee Agreement of even date¹ 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 Koichiro ASAKAI
Authorized Representative

¹ See p. 206 of this volume.

LOAN AGREEMENT (*KOBE STEEL PROJECT*)

AGREEMENT, dated August 18, 1958, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE JAPAN DEVELOPMENT BANK (hereinafter called the Borrower).

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, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² 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 "Kobe" means Kobe Steel Works, Ltd.

(b) The term "Subsidiary Loan Agreement" means the Agreement between the Borrower and Kobe referred to in Section 5.06 of this Agreement.

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 ten million dollars (\$10,000,000).

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, and subject to the rights of cancellation and suspension set forth, herein and in the Loan Regulations.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account, in such currencies and at such times as shall be agreed between the Bank and the Borrower, amounts which shall have been expended, or which are to be expended, on the Project.

Section 2.04. 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. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided herein and in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.05. The Borrower shall pay interest at the rate of five and three-eighths per cent ($5\frac{3}{8}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

¹ See p. 214 of this volume.

² See p. 230 of this volume.

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 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 1¹ 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 to financing expenditures required to carry out the Project described in Schedule 2² to this Agreement.

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 Governor 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. (a) The Borrower shall carry on its operations and conduct its affairs in accordance with sound business and financial practices.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement so as to cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices and so as to cause the operations of Kobe to be carried on in accordance with sound business and financial practices.

(c) The Borrower shall cause to be furnished 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.

(d) The Borrower shall maintain or cause to be maintained records adequate to show the application of the proceeds of the Loan, to disclose current total expenditures on the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices all transactions between the Borrower and Kobe and the operations and financial condition of the Borrower and of Kobe; shall enable or take such steps as may be necessary to enable the Bank's representatives to inspect the Project, Kobe's properties and 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 the expenditure of the proceeds of

¹ See p. 226 of this volume.

² See p. 228 of this volume.

the Loan, the Project, all transactions between the Borrower and Kobe and the operations and financial condition of the Borrower and of Kobe.

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 and the Borrower 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 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 Agreement¹ 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 or the Bonds.

Section 5.06. All moneys withdrawn from the Loan Account shall be lent by the Borrower to Kobe. 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 Kobe. This Subsidiary Loan Agreement shall provide (inter alia) that the Borrower shall receive from Kobe, as security for its advances to Kobe thereunder, such lien or liens as may be consistent with the Borrower's established practice.

¹ See p. 206 of this volume.

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 the agreement of the Bank shall not be required in respect of the following :

- (a) the amendment, abrogation or waiver, or the making of any agreement or giving of any consent in respect of any provision of the Subsidiary Loan Agreement relating to (i) any guarantor thereunder or (ii) damages for non-performance by Kobe;
- (b) the amendment or waiver, or the making of any agreement or giving of any consent in respect of provisions of the Subsidiary Loan Agreement relating to insurance or security; provided that such amendment, waiver or consent does not affect such provisions of the Subsidiary Loan Agreement in a manner which would depart from the established practices of the Borrower.

The Borrower shall advise the Bank promptly of any action or amendment taken in respect of the Subsidiary Loan Agreement pursuant to the provisions of this Section.

Section 5.08. It is the mutual intention of the Borrower and the Bank that to the extent that Kobe 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 Kobe 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 Kobe bears to the total principal amount owing by Kobe 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 1 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) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if the event specified in Section 6.02 of this Agreement for the purposes of Section 5.02 (j) of the Loan Regulations shall occur and shall continue for a period of thirty days or (iii) 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.

Section 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations the following additional event is specified, namely, if there shall have occurred any event specified in Article 14 of the Subsidiary Loan Agreement as an event of default.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations, namely, that the Subsidiary Loan Agreement, in form satisfactory to the Bank, shall have been duly executed and delivered as between the parties thereto and shall have become fully effective in accordance with its terms.

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

Section 7.03. A date 60 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 September 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 W. A. B. ILIFF
Vice President

The Japan Development Bank :

By Chiyozo YOSHIOKA
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
August 1, 1960	\$257,000	August 1, 1967	\$372,000
February 1, 1961	264,000	February 1, 1968	382,000
August 1, 1961	271,000	August 1, 1968	393,000
February 1, 1962	278,000	February 1, 1969	403,000
August 1, 1962	286,000	August 1, 1969	414,000
February 1, 1963	293,000	February 1, 1970	425,000
August 1, 1963	301,000	August 1, 1970	437,000
February 1, 1964	309,000	February 1, 1971	448,000
August 1, 1964	318,000	August 1, 1971	460,000
February 1, 1965	326,000	February 1, 1972	473,000
August 1, 1965	335,000	August 1, 1972	485,000
February 1, 1966	344,000	February 1, 1973	498,000
August 1, 1966	353,000	August 1, 1973	512,000
February 1, 1967	363,000		

* 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 this column 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	½ of 1%
More than 3 years but not more than 6 years before maturity	2%
More than 6 years but not more than 11 years before maturity	3 ³ / ₈ %
More than 11 years but not more than 13 years before maturity	4 ³ / ₈ %
More than 13 years before maturity	5 ³ / ₈ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is part of a plan for the expansion of Kobe's production facilities at Nadahama and Wakino-hama, in the city of Kobe, which plan is designed to provide Kobe with its own source of pig iron (288,000 tons per year) and to increase its annual productive capacity to about 700,000 tons of ingot steel and about 600,000 tons of saleable products.

The Project consists of the installation and operation of a blast furnace and related facilities at Nadahama and Wakino-hama. It comprises the following :

Nadahama

Land Procurement and Reclamation: The purchase of about 7.7 hectares and the reclamation of about 12.1 hectares of land.

Harbor Facilities: The construction of wharves designed to receive carriers up to 10,000 tons.

Unloading and Transportation Equipment: The construction of unloading facilities, the purchase of necessary locomotives, ladle and slag cars, and the construction of the requisite railway track and roads.

Raw Material Yard: The construction of stackers and loaders, the installation of belt conveyors and crushers.

Sintering Plant: The construction of a continuous type sintering plant with a daily capacity of 500 tons of sinter.

Blast Furnace: The construction of a blast furnace with a daily output of 800 tons of pig iron and of auxiliary facilities.

Power Plant: The installation of one boiler, a 10,000 kw top pressure turbo generator, two low pressure turbo generators, and two blowers.

Wakinohama

Steel Making Plant: The installation of a 600-ton mixer and the remodelling of two existing 45-ton open hearth furnaces, and the addition of one oxygen generating unit.

Ancillary Facilities at Both Plants: The increase and remodelling of receiving power substation and distribution network and the installation of all other necessary related facilities.

It is expected that the Project will be completed by July 1959.

SCHEDULE 3

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 of Section 2.02.
- (b) By the addition to Section 3.05, at the end thereof, of the following sentence :
“ If a withdrawal is applied for on account of expenditures in the currency of the Guarantor, the value of the currency of the Guarantor in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank. ”
- (c) By the deletion of Section 4.01 and the substitution therefor of the following Section :
“ *Withdrawal from the Loan Account.* Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of expenditures prior to September 1, 1957, or on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in (including services supplied from) such territories.* ”
- (d) Section 4.03 is changed to read as follows :
“ *Application for withdrawal.* When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Since the rate at which Loan proceeds are withdrawn affects the cost to the Bank of holding funds at the Borrower's disposal, applications for withdrawal with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures on the Project. ”
- (e) By the addition, in paragraph 12 of Section 10.01, at the end thereof of the words “ with the concurrence of the Guarantor ”.

LETTER RELATING TO THE LOAN AGREEMENT

JAPAN DEVELOPMENT BANK
TOKYO, JAPAN

August 18, 1958

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

Re : *Kobe Steel Works, Ltd.*
Currencies to Be Disbursed

Gentlemen :

Reference is made to the Loan Agreement of even date¹ between us providing for a loan by the International Bank to The Japan Development Bank in various currencies equivalent to \$10 million and to the Guarantee Agreement of the same date between Japan and the International Bank.

Section 2.03 of the said Loan Agreement provides, *inter alia*, that withdrawals from the loan account shall be "in such currencies and at such times as shall be agreed between the Bank and the Borrower."

This letter will confirm that, pursuant to the above Section, in making withdrawals we will be prepared to accept U.S. dollars, pounds sterling, or other currencies freely convertible by Japan into dollars or pounds sterling. It is our understanding that so far as is practicable, but subject to the provisions of the next paragraph, the International Bank will take into account Japan's preferences in its choice of currencies of disbursements.

With reference to Section 3.01 of Loan Regulations No. 4, Kobe Steel Works, Ltd. has advised us that orders have been or will be placed in Germany and Sweden for imported goods for use in the Project in amounts which are at present estimated at approximately DM 1,226,000 and SKr 1,489,000, and that it is possible that some goods may be imported from other countries. The International Bank may in any event, at its option, without consulting with us, disburse at any time before the closing date the currencies of the countries from which such goods are acquired to the extent of Kobe Steel Works, Ltd.'s estimated or actual requirements for such currencies needed to reimburse or to meet the cost of goods to be imported for the Project. It is understood, however, that to the extent that the International Bank does not exercise its option under this paragraph, it will continue to consult with us concerning our preferences. Should Kobe Steel Works, Ltd. purchase or propose to purchase abroad amounts in excess of the above estimates, they have agreed to notify The Japan Development Bank of the amounts and currencies involved, and we will advise you correspondingly.

Very truly yours,

The Japan Development Bank :
By Chiyozo YOSHIOKA

¹ See p. 216 of this volume.