

No. 5067

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

Guarantee Agreement—*Yawata Steel: Tobata Project* (with related letter, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Japan Development Bank). Signed at Washington, on 12 November 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 1 April 1960.

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

Contrat de garantie — *Acéries Yawata: Projet de Tobata* (avec lettre y relative et, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Banque japonaise de développement). Signé à Washington, le 12 novembre 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 1^{er} avril 1960.

No. 5067. GUARANTEE AGREEMENT¹ (*YAWATA STEEL: TOBATA PROJECT*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 12 NOVEMBER 1959

AGREEMENT, dated November 12, 1959, 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 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 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 16 January 1960, upon notification by the Bank to the Government of Japan.

² See p. 290 of this volume.

³ See p. 288 of this volume.

⁴ See p. 306 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 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 T. SHIMODA
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice-President

LETTER RELATING TO THE GUARANTEE AGREEMENT

EMBASSY OF JAPAN
WASHINGTON, D. C.

November 12, 1959

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

Re : *Loan No. 238 JA*
Loan No. 239 JA

Gentlemen :

With reference to the Guarantee Agreements 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 T. SHIMODA
Authorized Representative

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.*]

¹ See pp. 280 and 313 of this volume.

LOAN AGREEMENT (*YAWATA STEEL: TOBATA PROJECT*)

AGREEMENT, dated November 12, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE JAPAN DEVELOPMENT BANK (hereinafter called the Borrower).

WHEREAS (A) The Bank has been requested to grant a loan to the Borrower, the proceeds of which the Borrower intends to relend to Yawata Iron & Steel Co., Ltd. (hereinafter called Yawata) for the purposes of the Project;

(B) The Guarantor has agreed to guarantee the obligations of the Borrower as provided in a Guarantee Agreement of even date¹ made between the Guarantor and the Bank;

(C) 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, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ 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 "First Loan Agreement" means the agreement between the Bank and the Borrower dated October 25, 1955,⁴

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

¹ See p. 280 of this volume.

² See p. 288 of this volume.

³ See p. 306 of this volume.

⁴ United Nations, *Treaty Series*, Vol. 230, p. 379.

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.^{1 2}

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account (i) such amount as shall have been expended for the reasonable cost of imported goods to be financed under this Loan Agreement; and (ii), if the Bank shall so agree, such amounts as shall be required to meet the reasonable cost of such imported goods.

(b) In addition to withdrawals permitted pursuant to Section 2.03 (a), the Borrower shall be entitled to withdraw from the Loan Account, in such currencies and at such times as shall be agreed upon between the Bank and the Borrower, amounts which shall have been otherwise expended, or which are so 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 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 six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. 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 Borrower 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 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. 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 the cost of imported goods and other expenditures required to carry out the Project described in Schedule 2² to this Agreement. The specific imported goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower subject to modification by further agreement between them.

¹ See p. 302 of this volume.

² See p. 304 of this volume.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

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 Second 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 Yawata 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 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 all transactions between the Borrower and Yawata and the operations and financial condition of the Borrower and of Yawata; shall enable or take such steps as may be necessary to enable the Bank's representatives to inspect the Project, Yawata's properties, the goods 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 the Loan, the Project, the goods, all transactions between the Borrower and Yawata and the operations and financial condition of the Borrower and of Yawata.

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; or (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 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 or the Bonds.

Section 5.06. All moneys withdrawn from the Loan Account shall be lent by the Borrower to Yawata. Such loan shall be made upon terms which shall be satisfactory to the Bank and be embodied in a second subsidiary loan agreement between the Borrower and Yawata. This Second Subsidiary Loan Agreement shall provide, *inter alia*, that the Borrower shall receive from Yawata, as security for its advances to Yawata thereunder, such lien or liens as may be consistent with the Borrower's established practice.

Section 5.07. Except as the Bank shall otherwise agree, the Borrower shall exercise its rights under the Second 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 Second 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 Second Subsidiary Loan Agreement

relating to (i) any guarantor thereunder or (ii) damages for non-performance by Yawata;

- (b) the amendment or waiver, or the making of any agreement or giving of any consent in respect of provisions of the Second Subsidiary Loan Agreement relating to insurance or security; provided that such amendment, waiver or consent does not affect such provisions of the Second 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 Second Subsidiary Loan Agreement pursuant to the provisions of the foregoing subsections (a) and (b).

Section 5.08. It is the mutual intention of the Borrower and the Bank that to the extent that Yawata shall prepay the Borrower its indebtedness under the Second 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 Yawata shall repay in advance of maturity any part of its indebtedness to the Borrower under the Second 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 Yawata bears to the total principal amount owing by Yawata under the Second 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.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower 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 shall be payable.

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 any 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 purpose of Section 5.02 (j) of the Loan Regulations the following events are specified :

- (a) If there shall have occurred any event specified or referred to in Section 6.01 of the First Loan Agreement.
- (b) If there shall have occurred any event specified in the Second 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 Second Subsidiary Loan Agreement, in form and substance satisfactory to the Bank, shall have been duly executed and delivered as between the parties thereto and 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 Yawata 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 Second Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Yawata respectively that all acts, consents, validations and approvals necessary under the laws of Japan, or under the terms of the Second Subsidiary Loan Agreement, to render the Second Subsidiary Loan Agreement valid and effective have been duly performed or given, and that the Second Subsidiary Loan Agreement constitutes a valid and binding obligation of the Borrower and of Yawata respectively in accordance with its terms.

Section 7.03. A date sixty 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 December 31, 1961.

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 J. Burke KNAPP
Vice-President

The Japan Development Bank :

By Teizo ICHIDA
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> |
|-----------------------------|------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------|
| January 15, 1962 | \$491,000 | January 15, 1969 | \$743,000 |
| July 15, 1962 | 506,000 | July 15, 1969 | 766,000 |
| January 15, 1963 | 521,000 | January 15, 1970 | 788,000 |
| July 15, 1963 | 537,000 | July 15, 1970 | 812,000 |
| January 15, 1964 | 553,000 | January 15, 1971 | 836,000 |
| July 15, 1964 | 570,000 | July 15, 1971 | 862,000 |
| January 15, 1965 | 587,000 | January 15, 1972 | 887,000 |
| July 15, 1965 | 604,000 | July 15, 1972 | 914,000 |
| January 15, 1966 | 622,000 | January 15, 1973 | 941,000 |
| July 15, 1966 | 641,000 | July 15, 1973 | 970,000 |
| January 15, 1967 | 660,000 | January 15, 1974 | 999,000 |
| July 15, 1967 | 680,000 | July 15, 1974 | 1,029,000 |
| January 15, 1968 | 700,000 | January 15, 1975 | 1,060,000 |
| July 15, 1968 | 721,000 | | |

* 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% |
| 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 | 3½% |
| More than 11 years but not more than 13 years before maturity | 5% |
| More than 13 years before maturity | 6% |

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is part of a plan for the expansion and modernization of Yawata's production facilities, which plan is designed to increase Yawata's annual productive capacity to about 3,400,000 tons of pig iron and about 5,250,000 tons of ingot steel, with corresponding expansion and modernization of finishing facilities.

The Project consists of the construction of two blast furnaces, a converter plant and a slabbing mill at Tobata; it comprises the following :

Blast Furnaces: The construction and installation of two 1,500 tons per day blast furnaces with all their auxiliary facilities, including ore handling and preparation equipment.

Sintering Plant: The construction and installation of a 3,500 tons per day sintering plant of the Dwight Lloyd type.

Coke Plant: The construction and installation of two batteries of coke ovens with 96 ovens each, including coal handling and preparation equipment and the installation of a coal yard.

Converter Plant: The construction and installation of three sets of 60-ton oxygen top blowing converters with waste heat boiler and dust-catching equipment, of two 4,500 cubic meter per hour oxygen generating plants, of two 1,350 ton mixers and all auxiliary facilities.

Slabbing Mill: The construction and installation of a 48" slabbing mill with all its auxiliary facilities, including four sets of soaking pits.

Power Plant: The construction and installation of a power plant with two generators of 25,000 kw. each and all auxiliary facilities.

It is expected that the Project will be completed by December 31, 1960.

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 April 1, 1959, 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) By the addition to Section 4.03 at the end thereof of the words “ and/or in relation to expenditures on the Project ”.

(e) By the deletion of Section 9.03 and the substitution therefor of the following Section :

“ *Effective Date.* Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank shall send to the Borrower and to the Guarantor notice of its acceptance of the evidence required by Section 9.01. ”

(f) 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 Schedule 2 to this Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower with the concurrence of the Guarantor. ”

(g) Paragraph 14 of Section 10.01 is changed to read as follows :

“ 14. The term ‘ external debt ’ means any debt payable in any medium other than currency of the Guarantor whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”

LETTER RELATING TO THE LOAN AGREEMENT

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

November 12, 1959

Re : *Loan No. 239 YA (Yawata Steel: Tobata Project)*
(Expenditures, List of Goods and Currencies)

Gentlemen :

Referring to Sections 2.03 and 3.01 of the Loan Agreement (*Tobata Project*) of even date¹ between the International Bank for Reconstruction and Development and our Bank, there is attached hereto a list² showing imported goods to be purchased out of the proceeds of the Loan and allocation for expenditures in Japan.

Section 2.03 (b) of the said Loan Agreement provides, *inter alia*, that withdrawals from the loan account related to local expenditures shall be "in such currencies and at such time as shall be agreed between the Bank and the Borrower". This letter will confirm that, pursuant to the above Section, in making withdrawals on account of local expenditures, we will be prepared to accept United States 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 the International Bank for Reconstruction and Development will take into account Japan's preferences in its choice of currencies of disbursements relating to local expenditures.

We request your agreement that the Bank finance 20% of expenditures incurred by Yawata Iron & Steel Co., Ltd., in connection with the Project described in the Loan Agreement after March 31, 1959 and before the effective date of the Loan. We further request your agreement that expenditures incurred after the effective date of the Loan be financed initially at the rate of 20% up to the aggregate amount set forth in item II of the attached list. It is understood that this percentage, as well as the portion of the Loan allocated for local expenditure, may be adjusted if in the future there are significant changes in the amount of estimated expenditures for the Project or in the items of goods to be imported.

Please confirm your agreement with the foregoing by signing and returning to us the enclosed copy of this letter.

Yours sincerely,

The Japan Development Bank :

By Teizo ICHIDA
Authorized Representative

Confirmed:

International Bank for
Reconstruction and Development :

J. Burke KNAPP

¹ See p. 290 of this volume.

² See p. 310 of this volume.

LIST OF GOODS

Yawata Iron & Steel Co., Ltd.

(Tobata Blast Furnaces, Converters and Slabbing Mill Project)

| | <i>Amount expressed in U.S. dollars</i> | | <i>Amount expressed in U.S. dollars</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| I. Imported goods | | II. Goods purchased in Japan | |
| Slabbing mill equipment, parts for the blast furnaces, for the coke ovens, for the sintering plant and for the converter plant . | \$5,700,000 | Equipment and services required for the construction and in- stallation of the blast furnaces, the sintering plant, the coke oven plant, the converter plant, the slabbing mill and the power plant, with all their auxiliary facilities | \$14,300,000 |
| | | | <u>\$20,000,000</u> |