

No. 5754

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

Guarantee Agreement—*Third Kawasaki Project* (with related letter, annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Japan Development Bank). Signed at New York, on 20 December 1960

Official text: English.

Registered by the International Bank for Reconstruction and Development on 14 July 1961.

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

Contrat de garantie — *Troisième projet de la Kawasaki* (avec lettre connexe 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 New-York, le 20 décembre 1960

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 14 juillet 1961.

No. 5754. GUARANTEE AGREEMENT¹ (*THIRD KAWASAKI PROJECT*) BETWEEN JAPAN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT NEW YORK, ON 20 DECEMBER 1960

AGREEMENT, dated December 20, 1960, 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 six million dollars (\$6,000,000) 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, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ 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 20 January 1961, upon notification by the Bank to the Government of Japan.

² See p. 288 of this volume.

³ 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 co-operate 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 City of New York, State of New York, 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

LETTER RELATING TO THE GUARANTEE AGREEMENT

EMBASSY OF JAPAN
WASHINGTON, D. C.

December 20, 1960

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

Loan No. 272 JA
Loan No. 273 JA

Gentlemen :

[For the text of this letter, see p. 176 of this volume.]

Very truly yours,

Government of Japan :
By Koichiro ASAKAI
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.]

LOAN AGREEMENT

(THIRD KAWASAKI PROJECT)

AGREEMENT, dated December 20, 1960 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 make a loan to the Borrower, the proceeds of which the Borrower intends to relend to Kawasaki Steel Corporation (hereinafter called Kawasaki) for the purposes of the Project ;

(B) Japan (hereinafter called 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) Concurrently with said loan, Kawasaki intends to obtain from private investors in the United States of America and to expend on the Project, in addition to the proceeds of the loan made by the Bank, an amount at least equivalent to the proceeds received from such private investors ;

(D) 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 REGULATION ; 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 December 19, 1956.⁴

(b) The term "First Guarantee Agreement" means the agreement between the Bank and the Guarantor dated December 19, 1956.⁴

(c) The term "Subsidiary Loan Agreement" means the agreement between the Borrower and Kawasaki referred to in Section 5.06 of the First Loan Agreement.

(d) The term "Second Loan Agreement" means the agreement between the Bank and the Borrower dated January 29, 1958.⁵

(e) The term "Second Guarantee Agreement" means the agreement between the Bank and the Guarantor dated January 29, 1958.⁵

(f) The term "Second Subsidiary Loan Agreement" means the agreement between the Borrower and Kawasaki referred to in Section 5.06 of the Second Loan Agreement.

(g) The term "Third Subsidiary Loan Agreement" means the agreement between the Borrower and Kawasaki referred to in Section 5.06 of this Loan Agreement.

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. 264, p. 179.

⁵ United Nations, *Treaty Series*, Vol. 310, p. 111.

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 six million dollars (\$6,000,000).

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. (a) The Borrower shall be entitled to withdraw from the Loan Account (i) such amounts 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 five and three-fourths per cent ($5\frac{3}{4}$ %) 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 May 15 and November 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 I¹ to this Agreement.

¹ See p. 304 of this volume.

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 2¹ 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.

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 Third 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 Kawasaki 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 Kawasaki and the operations and financial condition of the Borrower and of Kawasaki ; shall enable or take such steps as may be necessary to enable

¹ See p. 304 of this volume.

the Bank's representatives to inspect the Project, Kawasaki'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 Kawasaki and the operations and financial condition of the Borrower and of Kawasaki.

Section 5.02. (a) The Bank and the Borrower shall co-operate 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 Kawasaki. Such Loan shall be made upon terms which shall be satisfactory to the Bank and be embodied in a third subsidiary loan agreement between the Borrower

and Kawasaki. This Third 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 practice.

Section 5.07. Except as the Bank shall otherwise agree, the Borrower shall exercise its rights under the Third 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 Third 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 Third Subsidiary Loan Agreement relating to (i) any guarantor thereunder or (ii) damages for non-performance by Kawasaki ;

- (b) the amendment, or waiver or the making of any agreement or giving of any consent in respect of provisions of the Third Subsidiary Loan Agreement relating to insurance or security ; provided that such amendment, waiver, agreement, or consent does not affect such provisions of the Third 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 Third 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 Kawasaki shall prepay the Borrower its indebtedness under the Third 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 Third 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 Third 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 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 purposes of Section 5.02 (j) of the Loan Regulations the following events are specified :

- (a) If there shall have occurred the event specified in paragraph (a) of Schedule 2 of the First Loan Agreement.
- (b) If there shall have occurred any event specified in the Third Subsidiary Loan Agreement as an event of default.

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 Kawasaki shall have duly delivered and received payment for \$4,000,000 aggregate principal amount of Ten Year Notes privately placed by it in the United States ; (b) that Kawasaki shall have obtained from The Hanover Bank a loan in the principal amount of \$2,000,000 and with a term of five years ; and (c) that the Third 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 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 Third Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Kawasaki respectively that all acts, consents, validations and approvals necessary under the laws of Japan, or under the terms of the Third Subsidiary Loan Agreement, to render the Third Subsidiary Loan Agreement valid and effective have been duly performed or given, and that the Third Subsidiary Loan Agreement constitutes a valid and binding obligation of the Borrower and of Kawasaki 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 April 30, 1962.

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 there unto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the City of New York, State of New York, 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 Michikazu KONO
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>
November 15, 1963	\$167,000	May 15, 1970	\$242,000
May 15, 1964	172,000	November 15, 1970	249,000
November 15, 1964	177,000	May 15, 1971	256,000
May 15, 1965	182,000	November 15, 1971	263,000
November 15, 1965	187,000	May 15, 1972	271,000
May 15, 1966	193,000	November 15, 1972	279,000
November 15, 1966	198,000	May 15, 1973	287,000
May 15, 1967	204,000	November 15, 1973	295,000
November 15, 1967	210,000	May 15, 1974	303,000
May 15, 1968	216,000	November 15, 1974	312,000
November 15, 1968	222,000	May 15, 1975	321,000
May 15, 1969	229,000	November 15, 1975	330,000
November 15, 1969	235,000		

* 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 ½ %
More than 11 years but not more than 13 years before maturity	4 ¾ %
More than 13 years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is part of an expansion and modernization of Kawasaki's production facilities designed to increase annual blast furnace capacity to about 1,260,000 tons of pig iron and ingot capacity to about 2,300,000 tons of steel, with corresponding expansion and modernization of finishing facilities.

The Project consists of the installation of a plate mill at Chiba and comprises the following :

Plate Mill : Installation of a 166-inch 4-high plate mill, designed to produce plates up to about 3.9 meters in width, with a nominal annual capacity of 600,000 metric tons when producing standard plates.

Auxiliary Facilities : Installation of all necessary auxiliary facilities, including a continuous reheating furnace, light and heavy levelers, a shear line, run-out and transfer tables, a normalizing furnace, and finished product loading and wharf facilities.

It is expected that the Project will be completed by April 30, 1962.

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 July 1, 1960, 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 the first five lines of Section 5.02 and the substitution therefor of the following lines :

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account :”

(f) By the deletion of subparagraph (c) of Section 5.02 and the substitution therefor of the following subparagraph :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the First Loan Agreement, the Second Loan Agreement, the Loan Agreement, the First Guarantee Agreement, the Second Guarantee Agreement, the Guarantee Agreement or the Bonds delivered pursuant to said loan and guarantee agreements.”

(g) By the deletion of subparagraph (i) of Section 5.02 and the substitution therefor of the following subparagraph :

“(i) On or after the date of the Loan Agreement and prior to the Effective Date there shall have been any act or omission to act which would have constituted a violation of any covenant contained in the Loan Agreement or the Guarantee Agreement if the Loan Agreement and Guarantee Agreement had been effective on the date of such act or omission.”

(h) By the deletion of the last paragraph of Section 5.02 and the substitution therefor of the following paragraph :

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier ; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

(i) By the deletion of Section 5.03 and the substitution therefor of the following paragraphs :

“SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described or referred to in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

“(b) If the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.”

(j) 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.”

(h) By the deletion in Section 10.01 of paragraph 12 and the substitution thereof 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.”

(i) By the deletion of paragraph 14 of Section 10.01 and the substitution thereof of the following paragraph :

“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

JAPAN DEVELOPMENT BANK
TOKYO, JAPAN

December 20, 1960

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

Re : *Loan No. 272 JA (Third Kawasaki Project)*
(Expenditures, List of Goods and Currencies)

Gentlemen :

Referring to Section 2.03 and 3.01 of the Loan Agreement (*Third Kawasaki 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.

¹ See p. 288 of this volume.

² See p. 312 of this volume.

We request your agreement that the Bank finance 20% of expenditures incurred by Kawasaki Steel Corporation in connection with the Project described in the Loan Agreement after June 30, 1960 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 :
 Michikazu KONO
 Authorized Representative

Confirmed :
 International Bank for
 Reconstruction and Development :
 By W. A. B. ILIFF

December 20, 1960

KAWASAKI STEEL CORPORATION

LIST OF GOODS

	<i>Amount expressed in U.S. dollars</i>
<i>I. Imported Goods</i>	
Plate mill and finishing equipment, normalizing furnace and drawings, and metal recuperator for reheating furnace	4,200,000
<i>II. Goods Purchased in Japan</i>	
Equipment and services required for the construction and installation of the plate mill and its auxiliary facilities, including the reheating furnace, light and heavy levelers, a shear line, run-out and transfer tables and finished product loading and wharf facilities	1,800,000
	<u>\$6,000,000</u>