

22 June 2010 (No. of pages: 10)

Disclosure of Shareholdings

Japanese report: 1 Apr 10

Legal and Tax Research Dept
Jun Yokoyama

Summary

- On 31 March 2010, Japan's government announced revisions to the Cabinet Office Ordinance on Disclosure of Corporate Affairs. Disclosure of shareholdings (including cross-shareholdings) is among the new requirements.
- The regulations now require listed companies to disclose the name, number of shares held, purpose for holding, and book value of (1) their top 30 stocks held for purposes other than pure investment (based on balance sheet values) and (2) any other stocks held for reasons other than pure investment which have a book value of over 1% of the firm's capital.
- These revised regulations will apply to annual securities filings for the fiscal year ended 31 March 2010. In the first year of filing under the new rules, listed companies will need to report only their top ten stocks held for purposes other than pure investment.

*This report updates our 16 February 2010 report on the proposed revisions to the Cabinet Ordinance (Japanese only).

Table of Contents

1. New Disclosure Rules to Improve Corporate Governance
2. Disclosure of "Status of Shareholdings"
3. Companies Required to Disclose "Status of Shareholdings"
4. Disclosure of Stocks Held for Purposes Other than Pure Investment
 - (1) Definition of "Purposes Other than Pure Investment"
 - (2) Disclosure of overall information
 - (3) Disclosure of individual stocks
 - (i) Stocks and "pseudo-shareholdings" subject to disclosure
 - (ii) Disclosure criteria
 - (iii) Matters for disclosure
5. Disclosure of Shares Held Purely for Investment Purposes
6. Disclosure of Changes in Purpose of Shareholding
7. Exceptions for Holding Companies (disclosure of shareholdings by major consolidated subsidiaries)
8. Timing of Implementation

1. New Disclosure Rules to Improve Corporate Governance

On 31 March, Japan's government announced revisions to the Cabinet Office Ordinance on Disclosure of Corporate Affairs¹ (Cabinet Office Ordinance No. 12, or *Kaiji Furei*). Newly added requirements include (1) disclosure of shareholdings (including cross-shareholdings), (2) disclosure of executive compensation, (3) disclosure of shareholder voting results, and (4) disclosure of corporate governance structure. These are all aimed at improving corporate governance.

These revisions are based on suggestions made in a report² ("Report by the Financial System Council's Study Group on the Internationalization of Japanese Financial and Capital Markets: Toward Stronger Corporate Governance of Publicly Listed Companies") published 17 June 2009 by a study group formed under the Financial System Council of the Financial Services Agency (FSA) to discuss internationalization of Japan's financial and capital markets (these revisions follow an earlier round of changes made in 2009 based on the same report).

In this report, we focus on disclosure of shareholdings (including cross-shareholdings). Our explanations all pertain to annual securities reports by listed domestic companies, although similar revisions have been made to rules on reporting by companies offering new or existing shares.

2. Disclosure of "Status of Shareholdings"

The new rules require listed companies to report "the status of shareholdings" under the corporate governance section in their annual securities reports, as follows:

- (1) For stocks held for purposes other than pure investment
 - A. Total number and book value
 - B. Name, number of shares held, purpose of holding, and book value for (excl. unlisted companies):
 - a. The top 30 stocks held in terms of book value
 - b. Stocks that account for more than 1% of capital
- (2) For stocks held purely for investment purposes
 - A. Total book value, total dividends received, total gains/losses from the sale, and total unrealized gains/losses.

Item 1B probably reflects recommendations in the Study Group Report. The Report notes that cross-shareholdings can affect listed companies' operations, so related information may be important to investors when making investment decisions.

The Study Group states that it is appropriate to promote disclosure of the status of cross-shareholdings, a move which some companies are taking voluntarily, and it goes on to suggest that the government should set up regulations that require disclosure of cross-shareholdings between two or more parties based on explicit or implied agreements.

Note: Underlining added..

The regulations apparently came in the form of disclosure of "the status of shareholdings" instead of "cross-shareholdings," because it was difficult to define which cross-shareholdings need to be disclosed. The Financial Services Agency's

¹ Released in 31 March 2010 government gazette (Special Edition No. 67). A comparison chart for previous and revised rules is available on FSA website (<http://www.fsa.go.jp/news/21/sonota/20100331-8.html>).

² Available on the FSA's website (http://www.fsa.go.jp/singi/singi_kinyu/tosin/20090617-1.html) or English version <http://www.fsa.go.jp/en/news/2009/20090618-1.html>). Our 7 July 2009 report *Financial System Council Study Group Report-2* (Japanese only) also contains relevant information.

(FSA) responses³ released on 31 March to public comments on the draft revisions (hereafter *Kinyucho no Kangaekata*) included the following statement (*Kinyucho no Kangaekata*, 152):

Some believe that a company's stock ownerships have positive implications that go beyond financial statements, including helping it develop and maintain relationships with business partners, while others believe that stock ownerships may not be efficient investments. As such, we think it will be useful to investors if companies disclose their reasons for holding shares. Cross-shareholdings can involve more than two parties, so reporting companies may not be able to discern the precise nature of such relationships, which are dependent on the other parties' intentions. For this reason, we use whether or not the stock is held for pure investment purposes as the criterion for disclosure of individual details. In our view, this should enable reporting companies to appropriately delineate which stocks require individual disclosure and simultaneously provide useful information for investors. The new regulations require reporting companies to disclose their reasons for owning their top-ranking stocks which are held for any purpose other than for pure investment (Rule 57-a (e) ii regarding preparation of Form 2, *Kaiji Furei*).

Major changes from the draft revisions⁴ announced on 12 February are as follows:

- (1) Only listed companies will be required to disclose "the status of shareholdings" (Section 3 of this report)
- (2) Unlisted stocks do not require individual disclosures (Section 4.3)
- (3) The definition, method of disclosure, and number of stocks to disclose for "pseudo-shareholdings" have been clarified (Section 4.3)
- (4) The government has decided to apply transitional rules for the first few years (Section 8)

3. Companies Required to Disclose "Status of Shareholdings"

Companies which issue the following securities must disclose their "status of shareholdings" under the corporate governance section of their securities reports (Rule 57-a regarding preparation of Form 2, *Kaiji Furei*; Financial Instruments and Exchange Law, Article 24.1, clauses 1, 2). These securities exclude "specified securities," which are defined as securities for which regular filings of securities reports are not required (investment trust beneficiary certificates, investment fund securities, etc.).

- (1) Securities listed on an exchange (excluding certain types of listed securities*)
- (2) OTC securities (excluding those with liquidity similar to certain types of securities*)

*Refers to securities trading only in a market for professional investors (Tokyo AIM), based on the Financial Instruments & Exchange Law, Article 2.33.

In other words, only listed companies need to disclose their status of shareholdings. This probably reflects the fact that recommendations by the aforementioned Study Group were specifically for listed firms.

³ Available on FSA website (<http://www.fsa.go.jp/news/21/sonota/20100331-8.html>).

⁴ Available on FSA website (<http://www.fsa.go.jp/news/21/sonota/20100212-2.html>). For English outline, please see <http://www.fsa.go.jp/en/news/2010/20100219-2.html>.

4. Disclosure of Stocks Held for Purposes Other than Pure Investment

(1) Definition of “purposes other than pure investment”

Stocks held for purposes other than pure investment refer to the following (Rule 57-a (e) regarding preparation of Form 2, *Kaiji Furei*):

Shares (other than trust assets) which are booked as investment securities* on reporting companies' balance sheets for the most recent fiscal year and are held for purposes other than pure investment.

* Investment securities as stipulated in “Regulations Concerning Terminology, Forms and Methods of Preparation of Financial Statements,” Article 32.1. Includes shareholdings booked under other classifications, such as pledged securities.

Stocks held for purposes other than pure investment should be interpreted as being held by the company filing the securities report, since they are defined as shareholdings and booked on the parent company's balance sheet based on “Regulations Concerning Terminology, Forms and Methods of Preparation of Financial Statements” (*Kinyucho no Kangaekata*, 123). However, there are cases in which a holding company must disclose stocks held by its major subsidiaries, as described in Section 7 of this report.

The FSA defines the purpose of pure investment as aiming to make gains in the vast majority of cases from dividends or share price fluctuations (*Kinyucho no Kangaekata*, 124, 131).

Based on this, stocks held for a strategic purpose, for example to maintain or develop business relationships, would be categorized under stocks held for purposes other than pure investment, and must be disclosed as such (*Kinyucho no Kangaekata*, 134).

In addition, stocks which cannot be clearly categorized as investments aimed exclusively at gains from dividends or stock price changes may need to be disclosed as stocks held for purposes other than pure investment.

When shares held in the same company include both those for pure investment purposes and those for other purposes, they are to be divided into the category they fall under, and the relevant information disclosed accordingly (*Kinyucho no Kangaekata*, 154).

(2) Disclosure of overall information

For stocks held for purposes other than pure investment, overall information on the stocks are required to be disclosed under separate rules from those for information on individual stocks.

Overall information of which disclosure is necessary is the number of stocks and the total book value (Rule 57-a (e) ii as to preparation of Form 2, *Kaiji Furei*).

(3) Disclosure of individual stocks

(i) Stocks and “pseudo-shareholdings” subject to disclosure

Among shares held for purposes other than pure investment, individual stocks must be disclosed when any of the following factors apply (Rule 57-a (e) ii as to preparation of Form 2, *Kaiji Furei*):

- ◇ They are listed on a domestic exchange (excluding professional-oriented markets)
- ◇ They are traded over the counter (excluding those with similar nature to those traded on professional-oriented markets)
- ◇ They are listed on overseas exchanges or tradable in similar markets

This means that only listed stocks have to be disclosed individually.

Disclosure is also required regarding stocks for which companies have the authority to exercise voting rights based on trust contracts and the like, but which are not booked on the balance sheet (“pseudo-shareholdings”). The revised regulations stipulate as follows:

This includes shares held for purposes other than pure investment for which reporting companies have the authority to exercise voting rights or order the exercise of voting rights based on contractual (including trust contract) and legal regulations..

The FSA gives the following explanation (*Kinyucho no Kangaekata*, 138):

Regardless of whether or not the shareholdings are booked on the balance sheet, the name and the specific purpose of shareholding (details of authority to exercise voting rights for pseudo-shareholdings) are to be disclosed regarding certain stocks for which reporting companies hold the authority to exercise voting rights for purposes other than pure investment.

Even when shares are put into trusts, and thus taken off the balance sheet, these shares are still considered owned by companies if these companies are essentially able to exercise voting rights. Consequently, shares held in trust under the following schemes will likely need to be disclosed individually as pseudo-shareholdings (*Kinyucho no Kangaekata*, 138, 140, 143).

- ◇ Schemes whereby reporting companies retain their voting rights (or the authority to order the exercise of voting rights) for cross-shareholdings transferred to pension funds⁵
- ◇ Schemes in which reporting companies retain the authority to order the exercise of voting rights even after putting the shares in trust banks and selling the beneficial interest in the trust

⁵ If a reporting company puts money into a trust to have it managed at the trustee’s discretion under an investment policy set by the reporting company, the shares held by the pension trust are deemed to be for pure investment purposes. Thus, the shares should not have to be disclosed individually. (*Kinyucho no Kangaekata*, 138).

(ii) Disclosure criteria

Reporting companies must disclose information about individual stocks that meet the following criteria (Rule 57-a (e) ii as to preparation of Form 2, *Kaiji Furei*):

- (a) The value of the stock* on the balance sheet for the latest and preceding fiscal years is more than 1% of the reporting company's capital stock for the latest fiscal year
- (b) The stock is among the top-30 stocks in terms of carrying value if fewer than 30 stocks meet the description in (a)

* Common stock and preferred stock issued by a single company are treated separately (*Kinyucho no Kangaekata*, 155, 164).

In essence, reporting companies must individually disclose stocks held for purposes other than pure investment when their carrying value exceeds 1% of capital stock on the balance sheet for the current and previous fiscal years (point (a) above).

In addition, if fewer than 30 stocks meet this criterion, reporting companies must individually disclose the 30 stocks with the highest values on the balance sheet⁶ (including those that account for less than 1% of capital stock; section (b)). The number 30 is a minimum, so if more than 30 stocks have carrying values exceeding 1% of capital stock, they must all be disclosed.

In the revisions to the Cabinet Office Ordinance on Disclosure of Corporate Affairs, the handling of pseudo-shareholdings within the top 30 stocks is clarified as outlined below:

- (1) When the top 30 names include ten or fewer stocks which are categorized as pseudo-shareholdings, the company discloses the 30 names including the pseudo-holdings.
- (2) When the top 30 names include 11 or more stocks which are pseudo-holdings:
 - a. If there are 20 or more specific investment stocks, defined as held for purposes other than pure investment and not pseudo-holdings, the top 20 of these stocks (including names not included in overall top 30) and the top 10 stocks among pseudo-holdings are disclosed;
 - b. If there are 20 or fewer specific investment stocks, all of these stocks are disclosed along with however many pseudo-held stocks are required to total 30 (total number of pseudo-held stocks = 30 – number of specific investment stocks).

If there are 14 stocks which are pseudo-shareholdings in the top 30 names, only the top ten of these should be disclosed. The four remaining ones should be replaced by the next four specific investment stocks outside the top 30 (see example (2)a above).

If there are only 18 specific investment stocks in such a case, there will not be enough to move up from outside the top 30, so 12 stocks which are pseudo-shareholdings will need to be disclosed (30 – 18, example (2)b).

⁶ Previous regulations already required companies to disclose a schedule of securities held, listing the 10 stocks with the largest values on the balance sheet (excluding those with minimal amounts; Regulations Concerning Terminology, Forms and Methods of Preparation of Financial Statements, rule 3 as to preparation of Form 10). The FSA explains that the nature of disclosure in both documents differs, and the revisions to the Cabinet Office Ordinance on Disclosure of Corporate Affairs do not include changes to the schedule of securities (*Kinyucho no Kangaekata*, 125, 145).

(iii) Matters for disclosure

The following information is to be reported for stocks meeting the disclosure criteria:

- | | |
|---|---|
| ◇ | Name of stock |
| ◇ | No. of shares (for pseudo-holdings, number of shares for which company holds authority to exercise voting rights)* |
| ◇ | Value on the balance sheet (for pseudo-holdings, calculate using end-FY market value and number of shares for which company holds authority to exercise voting rights)* |
| ◇ | Purpose of shareholding for each stock (for pseudo-holdings, details of rights held by reporting company including the authority to exercise voting rights**) |

* If the same stock is held as both special stocks and pseudo-shareholdings, and the number of shares held and the book value are indicated separately, this is stated accordingly.

** Along with the authority to exercise voting rights, if reporting companies also have rights to receive certain types of dividends, and as shareholders they retain shareholder rights to make decisions on specific matters, this must be specifically disclosed as details of other rights held by reporting companies (*Kinyucho no Kangaekata*, 159).

One issue is how much detail to include under the purpose of shareholding. The FSA has outlined the following views (*Kinyucho no Kangaekata* 135, 136):

<p>For stocks held for purposes other than pure investment that meet certain conditions, the purpose of shareholding is to be reported in detail. Generally, simply noting that a stock is, for example, held for strategic purposes, only to indicate that the purpose is other than pure investment will not be sufficient. In this case, appropriate reporting will indicate the objective of the strategic investment. As the specific details of the purpose of ownership vary by reporting company as well as by stock, and from the standpoint that disclosure of such various situations is useful to investors, it is more appropriate for reporting companies to disclose various purposes of investment based on their own discretion, rather than the <i>Kaiji Furei</i> providing numerous examples to be used as standards.</p>

<p>The <i>Kaiji Furei</i> stipulates disclosing the detailed purpose of shareholdings if for reasons other than pure investment, for stocks meeting certain conditions. The specific details of the purpose of ownership vary by reporting company and by stock, and from the standpoint that disclosure of such various situations is useful to investors, it is appropriate for reporting companies to describe their purposes of shareholdings in their own words. There are thus no examples indicated in the <i>Kaiji Furei</i>. There is a possibility that companies will determine the purposes with an eye to adoption of IFRS, which would require the booking of unrealized gains/losses on available-for-sale securities under “other comprehensive income.”</p>
--

To sum up, it is not enough simply to record the purpose as strategic. In keeping with individual cases, reporting companies must, at their discretion, detail the purpose of the strategic investment.

5. Disclosure of Shares Held Purely for Investment Purposes

For shares held purely for investment purposes, companies must classify them into “unlisted stocks” and “other stocks” and disclose the following for each category (Rule 57-a (e) ii as to preparation of Form 2, *Kaiji Furei*):

- ◇ Total value booked on the balance sheet for the latest and previous fiscal years.
- ◇ Total of dividend income, sales gains/losses, unrealized gains/losses in the latest fiscal year.e.

6. Disclosure of Changes in Purpose of Shareholding

If the purpose of shareholdings changes in the most recent fiscal year from “pure investment” to “other than pure investment,” or vice versa, the following must be disclosed for each stock (Rule 57-a (e) iii as to preparation of Form 2, *Kaiji Furei*):

- ◇ Name of stock
- ◇ Number of shares involved in the change
- ◇ Total value booked on balance sheet

7. Exceptions for Holding Companies (disclosure of shareholdings by major consolidated subsidiaries)

In principle, the obligation to disclose shareholdings is assumed to apply to companies filing securities reports.

However, if the reporting company is a holding company whose main role is to manage subsidiaries, some of its consolidated subsidiaries are also required to disclose shareholdings⁷ (Rule 57-a (e) iv as to preparation of Form 2, *Kaiji Furei*).

Companies and shareholdings subject to disclosure are the following:

- a. Among the reporting company and consolidated subsidiaries, disclosure is required only for the firm carrying the largest value of investment equity securities* on its balance sheet (hereafter “largest shareholder”) for the most recent fiscal year. Information on individual stocks must be disclosed when value of holdings per stock exceeds 1% of the reporting company’s capital stock. When this comprises less than 30 stocks, the 30 stocks with the largest book value must all be disclosed.
- b. If the total value of investment equity securities held by the largest shareholder does not exceed two-thirds of the total value of stocks included in investment securities** booked on the reporting company’s consolidated balance sheet for the most recent consolidated fiscal year, stocks held by the company with the second-largest shareholding (in addition to largest shareholder) of which value on the balance sheet exceeds 1% of the reporting company’s capital stock must be disclosed. When this comprises less than 10 stocks, the top 10 stocks in terms of book value must be disclosed.
- c. When the reporting company is not the largest shareholder, the reporting company must disclose information on individual stocks of which book value exceeds 1% of its capital stock. If this is comprised of less than 10 stocks, the 10 stocks with the largest value must be disclosed instead.

*In determining whether a company is a “largest shareholder,” no limitations are set regarding the purpose of shareholdings.

**Investment stocks as stipulated in Regulations for Consolidated Financial Statements provision 30-1-1 (excluding stocks of non-consolidated subsidiaries and affiliates stipulated in provision 30-2 of same regulation).

⁷ In the original draft, companies subject to this rule were holding companies stipulated under Article 9 (4) (i) of Act on Prohibition of Private Monopoly and Maintenance of Fair Trade. In the final revision of the Cabinet Office Ordinance, companies which do not fall under this definition but whose main role is to manage subsidiaries have also been made subject to this rule (*Kinyucho no Kangaekata*, 144).

In other words, if more than two thirds of the investment securities on a consolidated basis are held by a single company within the group, disclosure of that company’s shareholdings is required in addition to shareholdings of the reporting company. In other cases, shareholdings of the second-largest shareholder must also be disclosed.

That said, the largest and the second-largest shareholders could technically include the reporting company. Therefore, the number of companies that need to disclose information on shareholdings would come to a minimum of one (when the reporting company owns more than two-thirds of the investment securities, thereby making disclosure by consolidated subsidiaries unnecessary), and a maximum of three (when disclosure by two consolidated subsidiaries, in addition to the reporting company, is necessary).

The following chart summarizes the possible combinations of companies required to disclose shareholdings and the number of stocks that need to be disclosed.

Largest shareholder	Proportion of investment securities held by largest shareholder	Second largest shareholder	Companies subject to disclosure	No. of stocks subject to disclosure
Reporting company	Over two-thirds	-	Reporting company only	30
Reporting company	Two-thirds or less	Consolidated subsidiary A	Reporting company	30
			Consolidated subsidiary A	10
Consolidated subsidiary A	Over two-thirds	-	Reporting company	10
			Consolidated subsidiary A	30
Consolidated subsidiary A	Two-thirds or less	Reporting company	Reporting company	10
			Consolidated subsidiary A	30
Consolidated subsidiary A	Two-thirds or less	Consolidated subsidiary B	Reporting company	10
			Consolidated subsidiary A	30
			Consolidated subsidiary B	10

While holdings companies, in principle, should adhere to the rules explained in sections 4-6 above for disclosure of shareholdings, the following additional rules also apply:

- ◇ Shareholdings must be indicated separately by company.
- ◇ Capital stock of the reporting company (holding company) is to be used for calculation of the 1% benchmark for disclosure of individual stocks (Section 4 (3) (ii) (a)). All stocks of which carrying value exceeds 1% of the reporting company’s capital stock are to be disclosed, even if such stocks total more than 30 (or 10 in case of companies other than the largest shareholder).
- ◇ Regarding Section 4 (3) (ii) (b), the top 30 stocks must be reported for the largest shareholder, and the top 10 for other companies (“largest shareholder,” “other companies” could include reporting company).

8. Timing of Implementation

The amendments to the Cabinet Office Ordinance on Disclosure of Corporate Affairs took effect from 31 March 2010 (Revised Supplementary Provision 2, 1).

Listed companies are required to disclose shareholdings from securities reports from the fiscal year ending on 31 March 2010 (FY09 for firms companies that close their books in Mar; Revised Supplementary Provision 2, 9).

The following transitional measures have been put in place to ease the practical burden of disclosing individual stocks held (Revised Supplementary Provisions 2, 9 - 2, 14). Fiscal years correspond to firms with March FY-end.

FY	Disclosure of individual stocks	Disclosure of pseudo-shareholdings	Holding companies
Initial FY (FY09)	<p>Firms other than banks & insurers*</p> <p>(1) Stocks of which the total value booked on FY09 balance sheet exceeds 1% of capital stock.</p> <p>(2) Top ten largest book value stocks, if less than ten stocks fulfill (1).</p> <p>Banks & insurers*</p> <p>Ten largest value stocks booked on FY09 balance sheet.</p>	No	<p>Holding companies not classified as banks & insurers</p> <p>Exempt from new rules (reporting company [holding company] to report shareholdings according to rules for firms other than banks & insurers; no need to disclose holdings by consolidated subsidiaries).</p> <p>Holding companies classified as banks & insurers</p> <p>When reporting company is largest shareholder, reporting company to disclose its holdings according to rules for banks & insurers; no need to disclose holdings by consolidated subsidiaries.</p> <p>When consolidated subsidiary is largest shareholder, holdings of that subsidiary disclosed according to rules for banks & insurers**; no need to disclose holdings by reporting company.</p>
2nd FY (FY10)	<p>Firms other than banks & insurers***</p> <p>Main rules apply (see Section 4 (3)).</p> <p>Banks & insurers***</p> <p>(1) Stocks for which value booked on FY09 balance sheet exceeds 1% of capital (50 stocks max).</p> <p>(2) Top 30 stocks by book value, if less than 30 stocks fulfill (1).</p>	Yes	<p>Holding companies not classified as banks & insurers</p> <p>Main rules apply (see Section 7).</p> <p>Holding companies classified as banks & insurers</p> <p>When reporting company is largest shareholder, reporting company discloses holdings based on rules for banks & insurers; no need to disclose holdings by consolidated subsidiaries.</p> <p>When consolidated subsidiary is largest shareholder, holdings of that subsidiary disclosed according to rules for banks & insurers**; no need to disclose holdings by reporting company.</p>
3rd FY (FY11)	<p>Firms other than banks & insurers</p> <p>Main rules apply (see Section 4 (3)).</p> <p>Banks & insurers</p> <p>Main rules apply (see Section 4 (3)).</p>	Yes	<p>Holding companies not classified as banks & insurers</p> <p>Main rules apply (see Section 7).</p> <p>Holding companies classified as banks & insurers</p> <p>Main rules apply (see Section 7).</p>

* Disclosure of previous-FY holdings not required (Revised Supplementary Provisions 2, 10 and 2, 12, *Kinyucho no Kangaekata*, 165).

** Includes overall information on shares held for purposes other than pure investment (see Section 4 (1)) and information on those held for pure investment (see Section 5).

*** Previous-FY holdings to be reported in same way as initial FY (Revised Supplementary Provisions 2, 11, and 2, 13).

Note: Banks & insurers here refers to companies previously exempted from obligations to disclose schedule of securities holdings under clause 122.2 of Regulations Concerning Terminology, Forms and Methods of Preparation of Financial Statements (companies regulated by Ordinance for Enforcement of Banking Law) and clause 122.5 (companies regulated by Ordinance for Enforcement of Insurance Business Law). The payment types are the same as in Part 4, Section (3).