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Learning from a fraud scandal at a Japanese company

By Kaori Kubo, CCEP-I, MBA

BIGMOTOR, Japan's largest used car sales and repair company, is facing a compliance crisis after allegations of insurance fraud. Since the scandal was reported in July 2023, it attracted a great deal of attention in Japan, with daily media reports. Founder and President Hiroyuki Kaneshige and his son, Vice President Koichi Kaneshige, resigned in response to the reports, but public criticism shows no sign of abating.

Although this misconduct occurred in a Japanese company, it can provide lessons for corporate ethics and compliance professionals everywhere.

BIGMOTOR and the reality of fraud

BIGMOTOR was established in 1978 as a private business. Since then, it has successfully expanded to become number one in its industry in Japan. As of 2021, it had approximately 6,000 employees.^[1]

BIGMOTOR is an owner-operated company, with the founder's family owning all shares and managing the company. Since the company is privately held, its financial information is not publicly available. Recent sales were estimated to be approximately 580 billion yen in 2022.^[2]

In June 2022, BIGMOTOR received a request from three major property insurance companies in Japan to investigate fraudulent insurance claims. In June 2023, an investigation report was released by outside experts.^[3]

According to the report, some of the fraudulent activities committed by BIGMOTOR's car repair divisions were as follows:

- They intentionally scratched customer vehicles brought to the company for repair and then charged the customers to repair the damage. In one instance, a customer brought in a vehicle damaged by hail. An employee swung a sock with a golf ball in it to create additional dents.
- Charging more by adding unnecessary work.
- Charging for repairs and work that was not done.
- Billing customers for new parts but using recycled parts instead.

The various acts of padding claims were extremely creative.

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