

How to Protect Yourself against Illicit Commercial Practices

○What are illicit commercial practices?

Illicit commercial practices are commercial transactions targeting general consumers and carried out systematically and repeatedly, in which illegal or wrongful means or methods are involved.

Illicit Commercial Practices

Investment Fraud

Offenses of violation of Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates, the Financial Instruments and Exchange Act, the Act on Prevention of Pyramid Schemes, etc.; including fraud

Commercial Transaction Scams

Act on Specified Commercial Transactions and offenses of fraud, extortion, etc. related to specified commercial transactions

○Explain the current situation of illicit commercial practices!

[Investment Fraud]

- In 2022, the number of victims was **approx. 30,000 persons** and the amount of damage was **approx. 15.7 billion yen**.
- In 2022, **2,584 requests** for consultation were received. The age of persons seeking consultation **ranged widely from the 20s to 65 or over**.

[Commercial Transaction Scams]

- In 2022, the number of victims was **approx. 60,000 persons** and the amount of damage was **approx. 10.2 billion yen**.
- In 2022, **8,836 requests** for consultation were received. **Consultation was frequently sought by persons aged 65 or over**, whereas **persons in their 20s accounted for a large share among those seeking consultation regarding multilevel marketing transactions or business opportunity sales transactions**.

○Seek consultation as early as possible!

Many victims visit **the police for consultation when time has passed after** they paid money to malicious dealers. If you **feel doubtful**, please **consult with the police as early as possible**.

Please be careful, even if something looks glamorous on social media or it is an invitation from a friend!

Cases of Arrest

[Investment Fraud]

1. Case of violation of the Financial Instruments and Exchange Act involving the foreign exchange investment advisory business

A former company executive (age 42) and others, during the period from March 2021 to March 2022, posted ads on the internet on holding free seminars about side business, while concealing their true intention to solicit consumers to conclude fee-based investment advisory contracts for providing investment advice on foreign exchange transactions. They allured the participants of the seminar into rental meeting rooms that had no public access, solicited the participants to conclude the investment advisory contracts, and delivered documents on which the fictitious name of the business operator was written to those who concluded the contracts. Furthermore, based on the investment advisory contracts, without registration with the Prime Minister, they provided advice on investment decisions on foreign exchange transactions via social media and concluded investment advisory contracts worth approx. 1.9 billion yen with approx. 14,000 persons in total nationwide.

By September 2022, the former company executive and 24 others were arrested for violation of the Financial Instruments and Exchange Act (conducting business without registration) and violation of the Act on Specified Commercial Transactions (soliciting persons while concealing the true purpose) (Osaka).

2. Case of violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates for receipt of money in the name of a solar power business

A former company executive (age 54) and others thought of defrauding people of money in the name of product prices for solar panels, and during the period from July 2015 to December 2020, despite the absence of a scheme for distributing proceeds from selling electricity generated by solar power generation, they defrauded approx. 350 persons of approx. 1.43 billion yen mainly in the Kansai region, by telling lies such as: "We will conduct solar power generation using the solar panels you bought, and pay you a lease fee at the rate of 7.5% per annum from proceeds gained by selling electricity to electric power companies;" and "You will definitely not incur a loss because we will buy your panels when you cancel the contracts in the third year or thereafter."

By November 2022, the former company executive and five others were arrested for violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates (prohibition on the receipt of deposits) and the crime of fraud (Kyoto).

3. Case of violation of the Financial Instruments and Exchange Act for receipt of money in the name of investment in crypto-assets and investment funds

A former company executive (age 56) and others thought of defrauding people of money in the name of investment in crypto-asset transactions investment schemes or funds for individual investors for foreign exchange investment, and during the period from around January to around August 2018, they defrauded approx. 1,000 persons in 30 prefectures of approx. 2 billion yen. In doing so, although they did not intend to use the received money for investment in these schemes or funds, they told lies such as: "We know of unlisted crypto-assets that will increase in value about 10-fold three months after they are listed"; and "We know a trader who has achieved a great return in foreign exchange investment. If you deposit your money with that trader, you will receive dividends at the rate of 10% each month."

By October 2022, the former company executive and four others were arrested for violation of the Financial Instruments and Exchange Act (conducting business without registration) and the crime of fraud (Hyogo).

4. Case of violation of the Act on Prevention of Pyramid Schemes for receipt of money in the guise of sales of food

A company executive (age 58) and others, in an attempt to run a pyramid scheme in the guise of sales of food, established a money distribution organization in which members were registered by paying the admission fee and required to pay monthly fees, and senior members would be able to receive approx. 1.6 million yen at the maximum each month from junior members. During the period from around October 2021 to around May 2022, they increased the number of members by holding seminars in many places across the country, collected approx. 300 million yen from approx. 11,000 members nationwide, and thus ran the pyramid scheme.

By January 2023, the company executive and two others were arrested for violation of the Act on Prevention of Pyramid Schemes (prohibition of pyramid schemes) (Tokyo Metropolitan Police, Fukuoka).

5. Case of violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates for receipt of money in the name of investment in a stock trading fund

An unemployed person (age 39) and others, while calling themselves traders and conspiring with a certified tax accountant, during the period from around April 2012 to around April 2022, defrauded approx. 240 persons nationwide of approx. 4 billion yen. In doing so, although they did not intend to use the received money for investment and there were no prospects for repaying the principal with certainty, they told lies to the investors, including clients of the certified tax accountant firm, such as: "We will gain a return from stock trading and pay you dividends at the rate of 2 to 5% each month;" and "We guarantee the principal."

By January 2023, the unemployed person and five others were arrested for violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates (prohibition on receipt of deposits) and the crime of fraud (Hiroshima).

6. Case of violation of the Financial Instruments and Exchange Act for conducting business in the name of investment in overseas projects

A company executive (age 57) and others, without registration with the Prime Minister, during the period from around December 2017 to around January 2020, concluded investment agreements worth approx. 210 million yen with approx. 160 persons in 23 prefectures, by soliciting these persons with remarks such as "If you invest your money in overseas urban development projects or gas station projects, you will receive dividends of profits from these projects," and thereby conducted Type II financial instruments business without registration.

In July 2022, the company executive and five others were arrested for violation of the Financial Instruments and Exchange Act (conducting business without registration) (Ehime).

[Commercial Transaction Scams]

1. Case of violation of the Act on Specified Commercial Transactions through an audition scheme by a talent agency

A company executive (age 57) and others, during the period from November 2018 to July 2022, allured a student (age 19) and others, who saw part-time job ads and applied for interviews for part-time jobs such as appearing as extras in films, into an office that had no public access, while concealing their true intention to solicit the applicants to conclude service agreements for providing guidance on acting, and solicited these applicants to conclude the service agreements, and thereby concluded service agreements worth approx. 270 million yen with approx. 1,100 persons in 11 prefectures.

By November 2022, the company executive and another person were arrested and one corporation was censured for violation of the Act on Specified Commercial Transactions (soliciting persons while concealing the true purpose) and violation of the Employment Security Act (false advertising) (Aichi).

2. Case of fraud, etc. for the abuse of casualty insurance by a housing renovation constructor

A representative director (age 31) of a housing renovation construction company and others, during the period from July 2019 to January 2021, invented a story that a detached house owned by their customer had been damaged by a natural disaster although that was not true, and concluded with the customer a contract for appropriating the full amount of insurance money, if the insurance coverage was approved in response to an insurance claim, to payment of expenses for the preparation of the insurance claim documents by the company, the fee for the service of filing an insurance claim, and costs for repair work for the damaged parts of the house. Then, they filed claims with insurance companies for payment of insurance company due to a natural disaster, and defrauded 13 insurance companies of approx. 440 million yen.

By July 2022, the representative director and six others were arrested and one corporation was censured for the crime of fraud and violation of the Act on Specified Commercial Transactions (delivery of documents containing false information) (Kanagawa).

3. Case of violation of the Act on Specified Commercial Transactions for telemarketing sales by a seafood distributor company

A representative director (age 30) of a seafood distributor company and others, during the period from January 2021 to June 2022, made phone calls using lists purchased from a broker and concluded sales contracts worth approx. 279 million yen with approx. 13,000 persons in total, including elderly people. In doing so, they solicited these persons by saying such things as, "We will temporarily close our business due to COVID-19, so we will offer you fresh seafood, such as first-class salmon that was supposed to be sold to high-class restaurants," and, "We will offer our products at half-price," and delivered by post documents on which the false name of the distributor was written, together with the products.

By December 2022, the representative director and four others were arrested for violation of the Act on Specified Commercial Transactions (delivery of documents containing false information) (Hokkaido).

4. Case of violation of the Act on Specified Commercial Transactions for solicitation for conclusion of contracts for transactions in multilevel marketing

A company executive (age 35) and others, during the period from June 2021 to June 2022, solicited young people in their 20s who they had become acquainted with via matching apps and social media to conclude contracts for multilevel marketing transactions in goods that were claimed to generate income from affiliate advertising for an online casino site. In doing so, they intentionally did not tell the solicited people about the necessity to play on the online casino site for a certain cost in order to gain fees, and told false information concerning the application of the cooling-off period. As such, they concluded service contracts worth approx. 6.2 billion yen with approx. 15,000 persons in total in 19 prefectures.

By December 2022, the company executive and 26 others were arrested for violation of the Act on Specified Commercial Transactions (not telling facts) (Osaka and Fukuoka).

5. Case of violation of the Act on Specified Commercial Transactions through coercive buying of jewels committed in an organized manner

A person engaging in door-to-door purchase (age 32) and others, during the period from around November 2017 to around May 2022, visited mainly residences of elderly people to solicit these people to conclude contracts for sales of jewels. In doing so, although they had not conducted appraisal of jewels by making inquiries with the company and some customers did not sell their jewels, they told false information such as that "It takes 15 to 20 minutes for appraisal," "Don't you even have something like toy jewelry?" and "We visited homes in this neighborhood one by one and we get at least one item from every home." As such, they concluded sales contracts worth approx. 445 million yen with approx. 6,700 persons in total in 20 prefectures.

By August 2022, the person engaging in door-to-door purchase and three others were arrested and one corporation was censured for violation of the Act on Specified Commercial Transactions (not telling facts) (Kyoto).

Key Point to Avoid Being Victimized in Illicit Commercial Practices

Malicious Dealers Are LIARs!

Let's never believe a seductive offer!

Every seductive offer or juicy offer contains a large trap.

Inquire with someone around you

Don't make a decision all by yourself. Inquire with your family or friends or consultation services.

Avoid saying yes when tempted. Don't conclude a contract immediately.

Malicious dealers urge you with sweet talking to conclude a contract immediately.

Refuse flatly and clearly!

Don't make an ambiguous answer.

Consultation desks you can turn to when you feel anxious or suffer damage

- Police headquarters or police station nearby
- Police consultation phone number (#9110)
- Prefectural consumer affairs centers or municipal consumer affairs consultation desks
(Consumer Hot Line 188)