

Press Release

Panasonic Charged With FCPA and Accounting Fraud Violations

FOR IMMEDIATE RELEASE

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Washington D.C., April 30, 2018 — The Securities and Exchange Commission today announced that Japan-based Panasonic Corp. will pay more than \$143 million to resolve charges of Foreign Corrupt Practices Act (FCPA) and accounting fraud violations involving its global avionics business.

According to the SEC's order, Panasonic's U.S. subsidiary, Panasonic Avionics Corp. (PAC), a provider of in-flight entertainment and communication systems, offered a lucrative consulting position to a government official at a state-owned airline to induce the official to help PAC in obtaining and retaining business from the airline. At the time it orchestrated the bribery scheme, PAC was negotiating two agreements with the airline valued at more than \$700 million. PAC ultimately retained the official and paid approximately \$875,000 for a position that required little to no work, using an unrelated third-party vendor to conceal the payments.

The SEC's order also found that Panasonic fraudulently overstated pre-tax and net income by prematurely recognizing more than \$82 million in revenue for the fiscal quarter ending June 30, 2012. The fraud was accomplished by PAC backdating an agreement with the airline and providing misleading information to PAC's auditor.

The SEC order further found that Panasonic lacked sufficient internal accounting controls and failed to make and keep accurate books and records in connection with purported consultants retained by PAC, as well as sales agents used to solicit business from state-owned airlines and other customers throughout the Middle East and Asia.

"Investors rightfully expect that the companies they invest in will not engage in bribery or fraud," said Antonia Chion, Associate Director of the SEC's Enforcement Division. "Issuers must implement effective controls for the selection and engagement of consultants and agents to ensure compliance with anti-bribery statutes."

"Issuers need to ensure that their rules and controls address the specific bribery and corruption risks they face when operating in global markets with customers that are state-owned entities," said Charles Cain, Chief of the Enforcement Division's FCPA Unit. "It is not enough for a company merely to set up policies and procedures that are not enforced or are easily circumvented by employees."

Panasonic consented to the SEC's order finding that it violated the anti-bribery, anti-fraud, books and records, internal accounting controls, and reporting provisions of the Securities Exchange Act of 1934, and ordering it to pay approximately \$143 million in disgorgement and pre-judgment interest. In a related matter, the U.S. Department of Justice today announced that PAC would pay a criminal penalty of more than \$137 million as part of a deferred prosecution agreement related to causing books and records violations of the FCPA.

The SEC's investigation was conducted by Anik Shah, Dmitry Lukovsky, Mark Yost, Gregory Bockin, and Sonali Singh, and supervised by Mr. Cain, Ms. Chion, Stacy Bogert, and Kristen Dieter. The SEC appreciates the assistance of the Department of Justice Criminal Division's Fraud Section as well as the Swiss Financial Market Supervisory Authority, Ontario Securities Commission, Securities and Commodities Authority of the United Arab Emirates, Financial Services Agency of Japan, Monetary Authority of Singapore, Securities Commission of Malaysia, Australian Securities & Investments Commission, and the Securities and Exchange Commission of Pakistan.

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Related Materials

- [SEC Order](#)