

In the Matter of Panasonic Corporation (2018)

In the Matter of Takeshi “Tyrone” Uonaga (2018)

In the Matter of Paul A. Margis (2018)

Nature of the Business.

Panasonic Corporation, a Japanese corporation, is a multinational corporation that manufactures and sells electronics in the consumer, housing, and automotive industries. Until 2013, the company maintained stock that was registered with the SEC under Section 12(b) of the Exchange Act and traded on the New York Stock Exchange. From May 1, 2015 to June 20, 2016, Panasonic’s securities were registered with the Commission under Section 12(g) of the Exchange Act.

Panasonic’s wholly owned subsidiary, Panasonic Avionics Corporation (“PAC”), is a Delaware corporation that designs, engineers, manufactures, sells, and installs in-flight entertainment systems and global communication services to airlines. PAC’s books and records were consolidated with Panasonic’s during the relevant time.

Paul A. Margis served as the President and Chief Executive Officer at PAC. Beginning June 2012, Margis also held concurrent positions at Panasonic Corporation, including serving as executive officer of the Panasonic business segment, AVC Networks Company (“AVC Networks”). Takeshi “Tyrone” Uonaga was PAC’s Chief Financial Officer, and held a concurrent position within the accounting group of AVC Networks.

Influence to be Obtained.

According to the SEC, PAC made improper payments to an executive of a foreign state-owned airline. The SEC alleged that PAC employed a sales representative (“Sales Representative”) for all its sales to fifty airlines in the Middle East, Africa, and Central and South Asia, many of which were state-owned. One of the Sales Representative’s customers was an unnamed government airline (“Government Airline”), which had a ten-year Master Product Supply Agreement with PAC that grossed over \$1 billion USD. One of the Government Airline’s executives (“Government Official”) served as the lead negotiator for agreements with PAC. During negotiations for an amendment to the contract for additional business, PAC’s Sales Representative, allegedly with the knowledge of senior PAC executives, offered the Government Official “a position as a PAC consultant for \$200,000 per year plus travel expenses, which would be effective after his retirement from the Government Airline.” The Government Official, in turn, provided PAC with confidential internal information from the Government Airline to give PAC an improper advantage in obtaining and retaining business. Once installed in his position with PAC, the SEC alleged that the Government Official “provided little to no services” for PAC.

The SEC also alleged that PAC falsely recorded payments to the Government Official and other consultants providing little to no services as legitimate expenses. The improper payments were allegedly made from the “Office of the President budget,” which was controlled by one executive at PAC and was not reviewed or controlled by any other Panasonic or PAC personnel or subject to other reasonable internal controls. The SEC further alleged that PAC failed to implement an adequate due diligence procedure to prevent improper payments and activity involving its sales agents, and that it failed to act on or actively sought to conceal red flags of improper behavior relating to its sales agents.

Finally, the SEC alleged that, in connection with an amendment to its contract with Government Airline, PAC prematurely recognized income in violation of standard accounting procedures and Panasonic’s stated accounting policies.

According to the SEC, Margis and Uonaga personally approved several of the transactions in which improper payments were made, circumventing PAC’s system of internal accounting controls and knowingly falsifying the company’s

Key Facts

Citation. *In the Matter of Panasonic Corp.*, Admin. Proc. File No. 3-18459 (Apr. 30, 2018); *In the Matter of Margis*, Admin. Proc. File No. 3-18938 (Dec. 18, 2018); *In the Matter of Takeshi Uonaga*, Admin. Proc. File No. 3-18939 (Dec. 18, 2018).

Date Filed. April 30, 2018 (Panasonic); December 18, 2018 (Margis; Uonaga).

Country. Not stated.

Date of Conduct. 2007 – 2016.

Amount of the Value. Approximately \$875,000.

Amount of Business Related to the Payment. Not stated.

Intermediary. Sales agent.

Foreign Official. Unnamed executive of foreign state-owned airline in unspecified country.

FCPA Statutory Provision.

- **Anti-Bribery;** Books-and-Records; Internal Controls.
- **Margis.** Anti-Bribery; Books-and-Records; Internal Controls.
- **Uonaga.** Anti-Bribery; Books-and-Records; Internal Controls.

Other Statutory Provision.

- **Panasonic.** Section 10(b) of the Exchange Act (Material Misstatement); Section 13(a) of the Exchange Act (Filing False Reports).
- **Margis.** None.
- **Uonaga.** None.

Disposition. Cease-and-Desist Order.

Defendant Jurisdictional Basis. Issuer (Panasonic); Agent of Issuer (Margis; Uonaga).

Defendant’s Citizenship. Japan (Panasonic); Not stated (Margis; Uonaga).

Total Sanction. \$143,199,019 (PAC); \$75,000 (Margis); \$50,000 (Uonaga).

Compliance Monitor/Reporting Requirements. None.

Related Enforcement Actions. *United States v. Panasonic Avionics Corporation*, 18-cr-00118 (Apr.

books and records. Margis further made false representations to external auditors.

Enforcement.

On April 30, 2018, the SEC settled its enforcement action against Panasonic for violations of the FCPA's anti-bribery, books-and-records, and internal controls provisions. According to the cease-and-desist order, Panasonic agreed to pay \$143,199,019 in disgorgement and prejudgment interest. In addition, on December 18, 2018 Margis was required to pay total sanction of \$75,000. On the same date, the SEC ordered Uonaga to cease and desist from future violations, and to pay a civil money penalty of \$50,000.

On April 30, 2018, the Department of Justice announced a deferred prosecution agreement against PAC, pursuant to which it would pay a \$137,403,812 criminal penalty.

30, 2018) (deferred prosecution agreement).

Total Combined Sanction. \$280,602,831.