

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 83128 / April 30, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3938 / April 30, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18459

In the Matter of

**PANASONIC
CORPORATION**

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Panasonic Corporation (“Panasonic” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. This matter concerns violations of the anti-bribery, anti-fraud, books and records, and internal accounting controls provisions of the federal securities laws by Panasonic, a global electronics corporation headquartered in Osaka, Japan.

2. The anti-bribery violation is the result of a 2007 bribery scheme involving senior management of one of Panasonic's U.S. subsidiaries, Panasonic Avionics Corporation ("PAC"), whereby a lucrative consulting position was provided to a government official ("Government Official") who assisted PAC in obtaining and retaining business from a state-owned airline ("Government Airline"). While PAC was negotiating two agreements valued at over \$700 million with the Government Airline, PAC offered the Government Official a \$200,000 a year post-retirement consulting position in order to induce him to assist PAC. Ultimately, PAC retained the Government Official and paid approximately \$875,000 for his purported consulting position, which required little to no work. The payments to the Government Official were made through a third-party vendor that provided unrelated services to PAC. In addition, the engagement of the Government Official violated Panasonic's policies and procedures, and the payments were not accurately reflected in its books and records.

3. The anti-fraud violation is a result of Panasonic materially overstating its pre-tax income by at least \$38.5 million or 9%, and net income by at least \$22.4 million or 16%, for the quarter ending June 30, 2012. PAC backdated an agreement with the Government Airline and provided misleading information about the agreement to PAC's auditor in order to include the revenue in that quarter. Thereafter, Panasonic knowingly and intentionally prematurely recognized this revenue in violation of generally accepted accounting principles.

4. In addition, Panasonic lacked appropriate internal accounting controls with respect to the use of consultants and sales agents at PAC. PAC paid over \$1.76 million to purported consultants, including the Government Official, who provided few if any legitimate consulting services. As with the payments to the Government Official, these payments were made through a third-party vendor and Panasonic's books and records did not accurately reflect the true nature of the payments. Additionally, because certain sales agents could not meet PAC's internal due diligence requirements, PAC devised a scheme to retain those sales agents in the Asia, and China regions by paying them through a separate sales agent.

Respondent

5. **Panasonic Corporation** is a multinational corporation, headquartered in Osaka, Japan. During the relevant period, Panasonic's global business was organized into eight business segments, including the AVC Networks business segment that included PAC. Panasonic's securities were registered with the Commission pursuant to Section 12(b) of the Exchange Act until April 22, 2013, and its American Depositary Shares traded on the New York Stock Exchange under the ticker "PC." From May 1, 2015 through June 20, 2016, Panasonic's securities were registered with the Commission pursuant to Section 12(g) of the Exchange Act. During the periods when Panasonic securities were registered with the Commission, Panasonic was required to file or furnish periodic reports with the Commission pursuant to Section 15 of the Exchange Act.

Other Relevant Entities and Individuals

6. **Panasonic Avionics Corporation (f/k/a Matsushita Avionics Systems Corporation)**, is a wholly-owned subsidiary of Panasonic's North American subsidiary and is a Delaware corporation headquartered in Lake Forest, California. PAC designs, engineers, manufactures, sells and installs in-flight entertainment systems ("IFE") and global communication services ("GCS") to airlines, aircraft leasing companies, and airplane manufacturers worldwide, including to state-owned airlines. Panasonic managed PAC via its AVC Networks Company business segment, and certain PAC officers also held concurrent titles at Panasonic. During the relevant period, PAC's books and records and financial accounts were consolidated into Panasonic's books and records and reported on Panasonic's consolidated financial statements, which were filed or furnished with the Commission and reported to investors.

FACTS

Bribery in the Middle East Region

7. In 1986, PAC retained a sales representative ("Sales Representative" or "Sales Rep") to assist PAC in contract negotiations for the sale of IFE products to several airlines in the Middle East. Over the years, through agreements between PAC and the company owned by the Sales Rep, his responsibilities grew, and he ultimately served as the exclusive representative for all PAC sales to over fifty airlines in the Middle East, Africa, and Central and South Asia region, many of which were state-owned. The Sales Rep was engaged with the knowledge of Panasonic executives, although the Sales Rep lacked an education or background in avionics. Additionally, the company knew that the Sales Rep employed his sons to assist him, even though they had no relevant qualifications to sell IFE and GCS products. Between 2007 and 2016, PAC paid the Sales Representative more than \$184 million in sales commissions through his British Virgin Islands entity.

8. Beginning in at least 2004, PAC maintained a separate, regional office in the Middle East. The office, based in Dubai, was staffed by sales and marketing professionals and had a repair shop, field engineers, and its own finance staff. Nevertheless, PAC continued to use the Sales Rep despite concerns raised by PAC employees that the Sales Rep lacked the qualifications to negotiate technical contracts related to IFE and GCS products and other red flags regarding his conduct, such as his possession of confidential and proprietary materials of PAC's competitors and customers. Significantly, PAC also failed to adequately address allegations from its regional employees that the Sales Rep was paying bribes to win business on PAC's behalf.

9. While PAC engaged the Sales Rep as a sales agent through the entity that he owned, he operated as a PAC employee. The Sales Representative had: PAC business cards identifying him as PAC's General Manager of Sales and Marketing in the Middle East, Africa and South Asia; his own office space in PAC's Dubai office; a PAC phone number and email address; a PAC title; and numerous electronic devices. Throughout the relevant period, the Sales Rep reported directly to senior PAC executives, including a senior executive ("PAC Executive One") to whom the Sales Rep gave cash and luxury items valued at more than \$60,000.

10. The Government Airline was one of PAC's most significant customers. In 2004, PAC and the Government Airline signed a ten-year Master Product Supply Agreement ("MPSA"), which ultimately grossed well over a billion dollars, for PAC to provide IFE products and services for certain planes within the Government Airline's fleet. The Sales Rep helped to negotiate the

MPSA on behalf of PAC, and the MPSA prohibited PAC from providing any consideration to employees of the Government Airline.

11. The Government Airline appointed its own executive, the Government Official, to serve as the primary point of contact for contract negotiations with PAC, including the MPSA. During the relevant period, the Government Official reported directly to the Government Airline's President. The Government Official held substantial authority and had influence over the Government Airline's contracting decisions, including influence over the airline's decisions to award business to PAC as well as interpretations of specific terms in the MPSA and amendments thereto. The Government Official negotiated significant terms with PAC, including credits, concessions, and system/component price lists, and was involved in approving payments to PAC. PAC identified the Government Official internally as a key executive at the Government Airline.

12. In 2006, the Sales Rep and the Government Official began negotiating an amendment to the MPSA ("Amendment One") for the purchase of additional IFE products by the Government Airline. During the course of these negotiations the Government Official sought, and the Sales Rep provided, assistance in obtaining clients for a private consulting firm recently established by the Government Official. Negotiations for Amendment One, which was worth nearly \$360 million in additional business to PAC, continued through at least July 2007.

13. Over the course of 2007, PAC and the Government Airline also negotiated and entered into a second amendment to the MPSA ("Amendment Two") for the purchase of additional IFE products. Due to the delay in the receipt of new aircraft by Government Airline, certain IFE products that PAC and the Government Airline had contemplated being included in Amendment One were instead included in Amendment Two. Amendment Two was signed in November 2007, and was worth over \$353 million in additional business to PAC.

14. During the course of negotiations over Amendments One and Two, the Government Official solicited the Sales Rep for personal benefits. Beginning in at least April 2007, the Government Official sent numerous emails to the Sales Representative about obtaining a position with PAC. For example, on June 17, 2007, the Government Official informed the Sales Representative what he wanted in a position, including an annual salary of £150,000 and other benefits. The Sales Rep immediately informed PAC Executive One of the specific request. The following week, PAC emailed the Government Official asking about the status of the execution of Amendment One.

15. Senior PAC executives were aware of the negotiations. In September 2007, a PAC executive who concurrently served as a director in Panasonic's Avionics Business Unit told PAC Executive One and other PAC executives that "We should be very sensitive to [Government Official's] current position I will get in trouble if we act like a small company. What we are doing for [the Government Official] is a large risk for a corporation like Panasonic. I think we still should for good reasons, but we must get this done above the table with complete transparency."

16. However, PAC and the Government Official concealed their negotiations for the consulting position from the Government Airline. With the knowledge of PAC Executive One, in or around September 2007, the Government Official was offered 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. In addition, PAC Executive One arranged for the Government Official to be retained and paid through an unrelated third-party vendor that prepared product manuals for PAC ("Vendor").

17. During the course of the negotiations of Amendments One and Two, and while seeking these payments from PAC, the Government Official provided valuable information to help PAC gain an improper advantage in obtaining and retaining business from the Government Airline. This included confidential internal information, and advice on negotiating additional business and maintaining the relationship with the Government Airline. For example, in April 2007, the Government Official advised the Sales Rep how to break up the cost of a particular item into several components, so the true cost would be hidden from the Government Airline and not raise any red flags.

18. As a result of the Government Official's actions, PAC was able to obtain a profit margin on Amendments One and Two that was significantly higher than what it obtained from other customers purchasing comparable products in the same time period.

19. Ultimately, between April 2008 and January 2014, the Government Official provided little to no services and PAC paid over \$875,000 to the Vendor for the Government Official's position. To effectuate the payments, PAC Executive One regularly authorized monthly payments to the Vendor in the amount of \$12,500 and the Vendor then transferred \$10,000 from each payment to the Government Official while retaining \$2,500 as a fee.

20. PAC's internal audit group ultimately identified the payments to the Government Official as high risk, but nevertheless PAC continued to pay him. In or about December 2010, senior PAC executives received a report from the Internal Audit group, which stated that no services were requested from the Government Official and that no deliverables were provided to PAC by the Government Official, but that invoices continued to be paid through the Vendor. The report identified such payments as high risk, stating: "Based on the information provided, [Vendor] consultant payment should be carefully reviewed in light of FCPA regulation due to lack of clarity in deliverables." Notwithstanding this report, PAC continued to make payments to the Government Official through the Vendor.

21. Similarly, PAC continued to engage and pay the Sales Rep until 2016, despite learning in 2015 that he had destroyed electronic data on devices provided to him by PAC, including devices used for internal PAC communications and negotiations with the Government Airline and the Government Official, after he learned of an investigative subpoena issued by SEC staff.

Retention of Consultants Through the Office of the President Budget

22. From at least 2007 through at least January 2014, various purported consultants were engaged and paid through an Office of the President budget controlled by PAC Executive One, in circumstances in which little or no legitimate services were provided. For example, both the Vendor and the Government Official were paid through this budget.

23. In October 2007, PAC Executive One used the Vendor as a conduit to pay a former PAC employee ("Consultant One"), who was also working as a consultant for one of PAC's largest domestic airline customers. Between October 2007 and December 2013, PAC paid \$825,000 for Consultant One from the Office of the President budget via the Vendor. During that time, Consultant One was not supervised by anyone at PAC or Panasonic, and provided few, if any, legitimate services to PAC or Panasonic. Instead, Consultant One provided PAC Executive One and others at PAC with non-public information regarding the customer, other airlines, and PAC competitors. Consultant One frequently forwarded the information through emails that were

marked “CONFIDENTIAL” or “DO NOT FORWARD.” In one instance where Consultant One provided PAC with such information, a PAC employee responded, “You always have info which makes me shake my head.” Panasonic falsely recorded the payments to Consultant One on its books as legitimate expenses for services provided by the Vendor.

24. Between January and December 2009, PAC Executive One used the Office of the President budget and the Vendor to pay \$60,000 to another former PAC employee (“Consultant Two”). Consultant Two performed no work for PAC or Panasonic, and was paid solely to prevent him from working for any of PAC’s competitors. Nevertheless, the payments to Consultant Two were falsely recorded on Panasonic’s books as legitimate expenses of Vendor.

25. The Office of the President budget was set annually by a senior PAC finance executive in consultation with PAC Executive One, based on the prior year’s costs and anticipated changes in expenses. Apart from PAC Executive One, this budget was never meaningfully reviewed or approved by any Panasonic or PAC personnel and there were no reasonable internal accounting controls in place surrounding its use.

26. PAC Executive One authorized nearly all payments made out of this budget, including payments totaling more than \$1.76 million to the Government Official and the two other consultants who provided few, if any, legitimate services to PAC. These payments were falsely recorded in PAC’s general ledger as legitimate consulting payments to the Vendor.

27. Panasonic failed to maintain internal accounting controls reasonably designed to ensure that the funds from the budget were used for their intended purposes and that Panasonic’s books and records fairly reflected the transactions and dispositions of Panasonic’s assets.

28. As noted above, in 2010, PAC’s Internal Audit Department conducted an audit over PAC’s use of certain third-party service providers, including consultants engaged through the Vendor. The resulting “Selected Vendor Audit Report” (“Report”) described a number of “critical risk” and “high risk” observations, defined as issues that “could have material financial, internal control or operational consequences” and that required immediate attention from PAC’s senior management. Specifically, the Report identified critical risks in connection with payments of consultants through the Vendor, whose service agreement with PAC had expired in May 2009. The Report further identified as “high risk” the retention of the Government Official and other consultants, observing that between 2009 and 2010, the Government Official was not requested to provide any services to PAC or Panasonic, and provided no deliverables, but “invoices [were] still paid,” while deliverables from other consultants were not verified before invoices were paid. Additionally, the report flagged as a “critical risk” the monthly payments of \$10,000 to Consultant One noting, “there was no information found in the [Vendor] agreement for this consultant.”

29. The Report was circulated to PAC senior executives. The initial version of the Report noted that PAC’s procurement department was “not involved in hiring these consultants” and concluded that the “consultant payment should be carefully reviewed in light of FCPA regulation.” However, no one from PAC or Panasonic ever conducted any meaningful review or follow-up to address the critical and high risk issues identified in the Report. Although PAC subsequently requested that the Vendor seek activity reports from the consultants, these activity reports were provided to PAC only sporadically and listed little detail as to the nature of the

purported work performed. The consultants continued to perform almost no work and PAC continued to pay the consultants via the Vendor for several more years.

30. The payments to the consultants violated Panasonic's Code of Conduct, which specifically required all Panasonic employees to abide by "applicable laws and regulations" and stated that Panasonic "[w]ill not engage in bribery of any kind." During the period that PAC used the Office of the President budget to pay the aforementioned consultants, PAC had specific policies and procedures concerning the retention and payment of consultants. These policies set out a number of requirements, including defining the scope of work and limiting a contract's duration to six months. After February 2011, PAC recommended, but did not require, third-party due diligence reports concerning the consultants.

31. Panasonic lacked sufficient internal accounting controls with respect to these policies and procedures, and it failed to follow its policies and procedures in the retention of the consultants described above.

Retention of Sales Agents

32. PAC's practice of using sales agents, who solicited business for PAC from state-owned airlines and other customers, varied depending upon the sales region. For example, in Europe, Oceania, and the United States, PAC did not use sales agents. By contrast, in its Middle East, Asia, and China sales regions, PAC routinely engaged sales agents to obtain business from state-owned airlines and other customers and typically paid them between six and ten percent of the net contract amount. Between 2007 and 2017, PAC paid its sales agents in the Middle East, Asia, and China sales regions, including the Sales Rep, over \$275 million.

33. By 2004, PAC had established regional field offices in the Middle East, Asia, and China. Moreover, by 2008 PAC's primary regional office in Asia was staffed with numerous marketing and sales personnel versed and trained in PAC's products, as well as field engineers. Nonetheless, PAC continued to use sales agents in connection with state-owned airlines and other customers in this region.

34. Prospective sales agents would contact PAC sales and marketing employees in the Asia and China regions and offer their services in connection with requests for proposals issued by airlines for IFE products. Vetting of the sales agents typically consisted of PAC having the agent arrange a phone call or meeting between PAC and high level executives or procurement staff of a potential customer. In addition, PAC told at least one agent that he was expected to obtain confidential, non-public bids of PAC's competitors. This sales agent used sales commissions received from PAC to provide gifts, entertainment, and hospitality to government officials and their families as part of his efforts on behalf of PAC.

35. While PAC historically conducted no meaningful due diligence on its sales agents, beginning in at least 1996, PAC started including audit rights in its contracts with sales agents. However, PAC did not exercise its audit rights in order to avoid upsetting relationships with the agents. In early 2007, PAC began to put in place due diligence procedures for screening sales agents, including those agents with established relationships with PAC. For sales agents that could not pass the new procedures, PAC made arrangements for the sales agents to enter into sub-agreements with a Malaysia-based sales agent. That agent ultimately served as a stand-in for at

least thirteen sales agents, some of which refused or failed the vetting process. In this way, PAC could continue to use sales agents who did not pass the screening requirements by concealing their use and payment through the Malaysia-based sales agent. PAC paid a one or two percent fee to the Malaysian representative who acted as the conduit for payments to the other agents, despite the fact that PAC policies explicitly prohibited the use of unapproved sales agents. PAC falsely recorded the payments to the sub-agents in its books and records as legitimate payments to the Malaysia-based sales agent.

36. Beginning in February 2009, PAC instituted a formal process to hire sales agents. The new procedure set out a number of different requirements, including determining the need for the agent, internal due diligence documentation, preliminary background checks, interviews, and analysis of any red flags, before requesting that the prospective sales agent undergo a third-party due diligence vetting process. In addition, PAC regional sales and marketing staff would submit a “Sales Representative Agreement Request” for review by PAC’s Legal Affairs Department. Finally, all requests were to be routed to PAC’s Internal Review Committee (the “IRC”), staffed by PAC executives, including PAC Executive One and another senior executive.

37. Notwithstanding the implementation of these procedures, the IRC never rejected a request for use of a sales agent. Prior to voting to approve sales agent contracts, the IRC typically received a single-page form providing cursory information regarding the agent and contract. The due diligence information and red flags identified in the third-party reports were not communicated to the IRC, and the IRC never questioned the need for the extensive use of sales agents or requested to review due diligence reports. Similarly, the IRC did not question the decrease in the number of agents after third-party due diligence requirements were instituted, or the fact that a little-known Malaysian company had the capacity to perform work for approximately fifty programs with nearly twenty airlines. Between 2008 and 2015, PAC paid over \$10 million to the Malaysian sales agent for the benefit of at least thirteen different unapproved sub-agents. The IRC approved all of the contracts with the Malaysian agent after February 2009.

38. Moreover, PAC’s compliance personnel lacked appropriate qualifications and training, and as a result failed to act on numerous red flags in connection with the retention of sales agents. For example, they raised no questions or concerns about the retention of sales agents that internal forms clearly disclosed were hired after “being recommended by airline.” Nearly all of the airlines internally described as recommending these sales agents were state-owned airlines in the Asia and China Regions.

39. PAC’s compliance personnel failed to act on other red flags, including those that were specifically identified in PAC’s own policies and procedures such as: (a) payment of large commissions to sales agents in relation to services rendered; (b) payments to bank accounts in countries other than where services were being provided; (c) the retention of sales agents recommended by state-owned airlines; and (d) lack of adequate educational, business, and technical qualifications. Examples of ignored red flags include payments of approximately \$4 million to a sales agent whose primary work experience was as a Hong Kong department store clerk, and nearly \$10 million to an agent who had served as the head of an Asian equestrian league, but had no relevant avionics experience.

40. Similarly, after a third-party vetting service discovered that one sales agent had forged references, and another was flagged as potentially being a “foreign official” under the FCPA, they were nevertheless engaged by PAC and simply paid as sub-agents through the Malaysian agent.

41. As a result, Panasonic failed to devise and maintain a sufficient system of internal accounting controls in connection with the retention of sales agents and failed to accurately record the payments to the sales agents on its books and records.

Fraudulent Reporting of Revenue

42. During the time its securities were registered with the Commission, Panasonic filed or furnished periodic reports with the Commission containing, among other things, Panasonic’s consolidated financial statements. The consolidated financial statements incorporated financial information (*e.g.*, net sales, pre-tax income, net income) of its numerous subsidiaries, including PAC. Panasonic reported to shareholders that the company’s consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

43. Under GAAP, Accounting Standards Codification 605-10-25-1, Revenue Recognition, provides that revenue should not be recognized until it is realized or realizable and earned. PAC’s revenue recognition policy, consistent with GAAP, set forth four requirements that must generally be met before revenue can be realized and earned: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the seller’s price to the buyer is fixed or determinable; and 4) collectability is reasonably assured. Based on PAC’s revenue recognition policy, and its customary business practice of requiring a written sales agreement from customers such as Government Airline, it could not recognize revenue for a quarter unless, among other requirements, a contract was signed by the customer during the quarter in which the revenue was recognized. Furthermore, PAC was repeatedly advised by its external auditor (“Auditor”) that a signed contract was necessary to recognize revenue from customers such as the Government Airline.

44. As early as 2006, PAC backdated certain customer contracts in order to recognize revenue in time periods prior to when those contracts were actually signed.

45. For example, in June 2012, PAC and the Government Airline were negotiating Amendment Six to the MPSA, but were unable to reach agreement on all of the terms of the contract. While the negotiations were ongoing and it appeared that Amendment Six would not be signed by the end of June, PAC sought the advice of its Auditor about options to satisfy the requirement that persuasive evidence of an agreement existed. Consistent with the Auditor’s prior advice, and PAC’s past practice in accounting for agreements with the Government Airline, the Auditor advised PAC that PAC could recognize revenue from Amendment Six in the quarter ending June 30, 2012 (“First Quarter”) if the agreement was signed prior to the end of June 2012.

46. PAC’s senior executives understood that recognizing revenue from Amendment Six in the First Quarter was critical to Panasonic. For example, on June 23, 2012, a Panasonic executive who also served as a senior PAC executive told PAC Executive One and another senior executive (“PAC Executive Two,” who was seconded from Panasonic) that failing to recognize

revenue from Amendment Six “is a big problem for all of us.” Similarly, on June 25, 2012 a Panasonic accounting employee told PAC Executive Two that “it will be a big problem if this contract fails to be signed.”

47. Accordingly, PAC advised the Government Airline that it needed a signed contract before the end of June 2012. However, the Government Airline was seeking additional discounts and did not execute Amendment Six before June 30, 2012.

48. On July 1, 2012, PAC’s contracts manager informed several PAC executives, including PAC Executive Two, that Amendment Six still had not been signed. Less than an hour later, PAC Executive Two advised accounting staff at Panasonic that the Government Airline had not yet signed Amendment Six. In response, a Panasonic accounting executive voiced concern regarding whether the Auditor would approve recognition of revenue for Amendment Six without a signed contract.

49. On July 2, 2012, the Government Airline advised PAC that it had signed Amendment Six, but refused to provide a copy of the executed contract because the Government Airline wanted additional discounts.

50. On July 3, 2012, the Government Airline provided PAC with an executed, but undated, signature page for Amendment Six. A PAC contracts manager then caused the date June 28, 2012 to be added to the Government Airline signature page even though he and other PAC employees and executives knew that it was not signed on that date and that the Government Airline was still seeking additional pricing discounts.

51. Thereafter, PAC sought to persuade the Auditor that Amendment Six revenue could be recognized in the First Quarter, despite the fact that no PAC executive had signed the agreement before the end of the quarter. Several PAC employees falsely represented to the Auditor that Amendment Six had been signed on June 28, 2012. PAC Executive Two told a Panasonic accounting employee in a Japanese language email that the Auditor had initially determined that PAC should not include the revenue in the First Quarter, but that PAC had convinced the Auditor, using a Japanese phrase subject to differing translations including “tweaks and tricks” and “tricks.”

52. In mid-July 2012, PAC provided the Auditor with a Consolidation Package with PAC’s financial statements for the First Quarter. PAC included over \$82 million of improperly recognized revenue from Amendment Six in these financial statements. PAC Executive Two signed a letter to the Auditor accompanying PAC’s financial statements, representing that the financial information had been presented in conformity with GAAP.

53. At that time, PAC Executive Two knew or was reckless in not knowing that: (1) PAC’s revenue recognition policy, which was consistent with GAAP, required persuasive evidence of an arrangement in order for the company to recognize revenue; (2) PAC’s Auditor had specifically advised that Amendment Six needed to be signed before the end of the quarter in order to serve as persuasive evidence of an arrangement and satisfy its revenue recognition requirements; (3) the Government Airline had not signed Amendment Six before the end of the quarter, and (4) Panasonic’s financial statements nevertheless prematurely recognized approximately \$82 million of revenue for Amendment Six in the First Quarter.

54. Panasonic failed to accurately record the revenue from Amendment Six in its books and records, and it failed to devise and maintain internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP. PAC's financial results for the First Quarter – including approximately \$82 million of improperly recognized revenue and associated pre-tax income of \$38.5 million and net income of \$22.4 million – were incorporated into Panasonic's consolidated financial statements for the First Quarter. Panasonic's financial results and consolidated financial statements for the First Quarter were furnished to the Commission on Forms 6-K filed with the Commission on or about August 2, 2012, and on or about August 21, 2012.

55. As a result of its premature recognition of revenue in connection with Amendment Six, Panasonic materially misstated pre-tax income by at least \$38.5 million or 9%, and net income by at least \$22.4 million or 16% , in its Form 6-K for the First Quarter 2012.

LEGAL STANDARDS AND VIOLATIONS

56. As a result of the conduct described above, Panasonic violated Section 30A of the Exchange Act, which prohibits any issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, or any officer, director, employee, or agent acting on behalf of such issuer, in order to obtain or retain business, from corruptly giving or authorizing the giving of, anything of value to any foreign official for the purposes of influencing the official or inducing the official to act in violation of his or her lawful duties, or to secure any improper advantage, or to induce a foreign official to use his influence with a foreign governmental instrumentality to influence any act or decision of such government or instrumentality.

57. As a result of the conduct described above, Panasonic violated Section 13(b)(2)(A) of the Exchange Act, which requires issuers that have a class of securities registered pursuant to Section 12 of the Exchange Act and issuers with reporting obligations pursuant to Section 15(d) of the Exchange Act to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and disposition of their assets.

58. As a result of the conduct described above Panasonic violated Section 13(b)(2)(B) of the Exchange Act, which requires issuers that have a class of securities registered pursuant to Section 12 of the Exchange Act and issuers with reporting obligations pursuant to Section 15(d) of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

59. As a result of the conduct described above, Panasonic violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit any person from making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in connection with the purchase and sale of a security.

60. As a result of the conduct described above, Panasonic violated Section 13(a) of the Exchange Act and Rules 13a-16 and 12b-20 thereunder. Section 13(a) requires issuers to file periodic and other reports as the Commission may prescribe and in conformity with such rules as the Commission may promulgate. Rule 13a-16 of the Exchange Act requires each foreign private issuer to furnish information on Form 6-K as specified in the Rule. Rule 12b-20 of the Exchange Act requires that the reports contain such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made not misleading.

DEFERRED PROSECUTION AGREEMENT

61. Panasonic's subsidiary PAC has entered into a deferred prosecution agreement with the Department of Justice that specifically acknowledges responsibility for criminal conduct relating to findings in the Order.

PANASONIC'S REMEDIAL EFFORTS

62. In determining to accept the Offer, the Commission considered remedial efforts undertaken by Respondent and cooperation afforded the Commission staff in the later stages of the staff's investigation. Respondent has replaced the senior PAC executives involved in the violations, established an Office of Compliance and Ethics led by a new Chief Compliance Officer, implemented new compliance and accounting procedures, and enhanced internal accounting controls to prevent and detect the type of misconduct described in the Order.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease-and-desist from committing or causing any violations and any future violations of Sections 10(b), 13(a), 13(b)(2)(A) 13(b)(2)(B), and 30A of the Exchange Act, and Rules 10b-5, 12b-20, and 13a-16 thereunder.

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$126,900,000 and prejudgment interest of \$16,299,018.93, for a total payment of \$143,199,018.93 to the Securities and Exchange Commission for remission to the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341

6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Panasonic as Respondent in these proceedings, and the file number of these proceedings. A copy of the cover letter and check or money order must be sent to Charles Cain, Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

By the Commission.

Brent J. Fields
Secretary