

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84850 / December 18, 2018

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4004 / December 18, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18939

In the Matter of

Takeshi “Tyronne” Uonaga

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-DESIST
PROCEEDINGS PURSUANT TO SECTIONS 4C
AND 21C OF THE SECURITIES EXCHANGE
ACT OF 1934 AND RULE 102(e) OF THE
COMMISSION’S RULES OF PRACTICE,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-AND-
DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Takeshi “Tyronne” Uonaga (“Uonaga” or “Respondent”), pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102e(1)(iii) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice,

¹ Rule 102(e)(1)(iii) provides, in pertinent part, that:

The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found...to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds² that:

Summary

1. This matter concerns accounting, books and records, internal accounting controls and reporting violations involving Panasonic Corporation (“Panasonic”) and Takeshi “Tyrone” Uonaga, the Chief Financial Officer of Panasonic’s wholly-owned subsidiary, Panasonic Avionics Corporation (“PAC”). In July 2012, PAC improperly recognized approximately \$82 million in revenue from a contract with one of its largest customers, a state-owned airline (“Government Airline”), by backdating the contract to indicate that it had been signed prior to the quarter ending June 30, 2012. Although Uonaga was aware that a signed contract was necessary to recognize revenue and that the contract had not been signed prior to the end of the quarter, Uonaga provided a false certification and management representation letter to PAC’s external auditor stating that PAC’s financial statements for the quarter had been prepared in conformity with prevailing audit standards and that there were no deficiencies concerning PAC’s internal accounting controls and books and records.

2. By engaging in this conduct, Uonaga knowingly circumvented PAC’s internal accounting controls concerning revenue recognition and caused the company’s books and records to contain false information. Also as a result of his conduct, Uonaga caused Panasonic to violate the books and records, internal accounting controls, and reporting provisions of the securities laws. PAC’s financial results – including the improperly recognized revenue – were incorporated into Panasonic’s books and records and consolidated financial statements for that quarter and included in financial statements Panasonic filed with the Commission. As a result of Uonaga’s actions, Panasonic falsely recorded revenue on its books and records, failed to maintain reasonable internal accounting controls, and filed a materially false report with the Commission.

Respondent

3. **Takeshi “Tyrone” Uonaga**, age 55, was PAC’s Chief Financial Officer (“CFO”) from June 2012 through April 2016. During that period, Uonaga also held a concurrent position at Panasonic within the accounting group for Panasonic’s AVC Networks Company business segment (“AVC Networks”). Uonaga was employed in Panasonic finance since graduating from a Japanese University in 1986, including holding CFO positions in Panasonic’s U.K. and Germany subsidiaries. Panasonic terminated Uonaga in February 2018.

² 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.

Other Relevant Entities

4. **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 AVC Networks. PAC was part of AVC Networks. 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.

5. **Panasonic Avionics 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. Panasonic managed PAC through AVC Networks and certain PAC officers, including Uonaga, 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

6. During the time its securities were registered with the Commission, Panasonic filed or furnished periodic reports with the Commission containing 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 its shareholders that the company's consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles ("GAAP").

7. Uonaga began working as PAC's CFO in June 2012. In that role, Uonaga oversaw the personnel and operations of PAC's finance department and was responsible for the integrity and operation of PAC finances, including deciding whether revenue could be recognized in a particular fiscal quarter. He was also responsible for ensuring that PAC devised, maintained and followed a system of internal accounting controls in order to assure that PAC's financial statements – and therefore Panasonic's financial statements – were prepared in conformity with GAAP.

8. As CFO, Uonaga communicated regularly with his supervisors and other accounting staff at Panasonic (within AVC Networks) regarding PAC's financial results and the general status of PAC's finances. These communications between Uonaga and his supervisors and financial personnel at Panasonic included whether PAC would recognize and report revenue at or above the forecasts made by PAC.

Revenue Recognition of Amendment Six

9. 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 could 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.

10. Based on PAC's revenue recognition policy, and its customary business practice of requiring a written sales agreement from customers such as the Government Airline, it could not recognize revenue for a quarter unless, among other requirements, a contract was signed by the customer prior to the end of the quarter in which the revenue was recognized. Furthermore, PAC and Uonaga were repeatedly advised by PAC's external auditor ("Auditor"), that a signed contract was necessary to recognize revenue from customers such as the Government Airline.

11. In June 2012, PAC and the Government Airline were negotiating an amendment to an existing contract between the parties to provide for additional business ("Amendment Six"), but were unable to reach agreement on all of the terms of the amendment. 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 the 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.

12. Throughout June 2012, PAC and the Government Airline continued to negotiate the terms of Amendment Six, including the number of aircraft to be included in the contract. The pricing for the IFE equipment was dependent upon the number of aircraft included in the amendment, as well as certain engineering costs, and discounts requested by the Government Airline. The parties were engaged in such negotiations when Uonaga became PAC's CFO in early June 2012. Uonaga did not take part in the negotiations, but was apprised of the progress of those negotiations.

13. PAC's senior executives, including Uonaga, understood that recognizing revenue from Amendment Six in the First Quarter was important to Panasonic. For example, on June 23, 2012, a Panasonic executive who also served as a senior PAC executive told Uonaga and another PAC senior executive 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 Uonaga that "it will be a big problem if this contract fails to be signed."

14. While the negotiations of Amendment Six were ongoing, Uonaga communicated with the Auditor regarding the rules applicable to revenue recognition. The Auditor provided Uonaga and another PAC executive with accounting literature that explained the four criteria for revenue recognition. The Auditor further noted that, in light of PAC's customary business practice with the Government Airline to enter into a signed, written agreement, PAC could not

recognize revenue in the First Quarter unless the Government Airline signed Amendment Six by the end of the quarter.

15. On June 28, 2012, a PAC contracts manager advised Uonaga that an executive at the Government Airline had approved Amendment Six, and that the contract was being presented to another executive for signature. When asked whether PAC had everything it needed to recognize the revenue for Amendment Six in the First Quarter, a PAC finance employee emailed Uonaga and others at PAC that: “We are good to go as soon as we have the ink on the paper.”

16. The next day, on June 29, 2012, Uonaga informed his supervisor and an accounting colleague at Panasonic that the Government Airline had agreed to the terms of Amendment Six, but that PAC could not recognize the revenue without obtaining a signed contract.

17. On July 1, 2012, PAC’s contracts manager advised several PAC executives, including Uonaga, that Amendment Six was “still not signed” by the Government Airline. That same day, a PAC finance employee also advised Uonaga that Amendment Six still was unsigned.

18. Uonaga then 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.

19. 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.

20. That same day, Uonaga reported to his supervisor at Panasonic that Amendment Six had been signed and that PAC would record the revenue for June. He also relayed that the Government Airline had sought additional discounts and it would not release the signed contract to PAC until the issue was resolved.

21. On July 3, 2012, the Government Airline provided PAC with an executed, but undated, signature page for Amendment Six. Uonaga did not personally receive this document, but was aware that PAC received it on July 3, 2012. PAC’s contracts manager then caused the signature page for the Government Airline to be dated June 28, 2012, even though he and other PAC employees and executives, including Uonaga, knew that it was not signed on that date and that the Government Airline was still seeking additional pricing discounts.

Uonaga Misled PAC’s Auditor

22. Thereafter, PAC sought to persuade the Auditor that Amendment Six revenue could be recognized in the First Quarter, despite the fact that neither PAC nor the Government Airline had signed the agreement before the end of the quarter. Several PAC employees falsely represented to the Auditor, with Uonaga’s knowledge, that Amendment Six had been signed by the Government Airline on June 28, 2012. Uonaga told a Panasonic accounting employee 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, 裏技合わせて何とか押さえ込みました。 , a Japanese phrase which is subject to differing translations including, “tweaks and tricks.”

23. In mid-July 2012, PAC provided the Auditor with a Consolidation Package which included PAC’s financial statements for the First Quarter. PAC included over \$82 million of improperly recognized revenue from Amendment Six in these financial statements.

24. In addition, as PAC’s CFO, Uonaga provided the Auditor with an annual certification of PAC’s financial statements, known as a “subcertification” for Panasonic’s fiscal year 2013. Uonaga also provided the Auditor with a management representation letter for the First Quarter confirming that the financial statements had been prepared in accordance with GAAP and the company did not have any deficiencies concerning its books and records and its internal financial controls.

25. The Auditor relied on the subcertification and management representation letter provided by Uonaga as part of the normal course of its audit of the company and for the preparation of PAC’s financial statements, which were incorporated into Panasonic’s financial statements and subsequently included in Panasonic’s filings with the Commission for the First Quarter.

26. At no time did Uonaga disclose to the Auditor, or direct anyone else to disclose, that Amendment Six was backdated in order to improperly recognize revenue in the First Quarter, the falsification of PAC’s and Panasonic’s books and records, or PAC and Panasonic’s lack of sufficient internal accounting controls concerning revenue recognition.

27. Instead, Uonaga provided a false subcertification and management letter to the Auditor. For example, in the annual subcertification, Uonaga falsely stated that “no deficiencies have been identified and the internal control [*sic*] over financial reporting have effectively functioned.” Similarly, in the quarterly management representation letter, Uonaga falsely stated that the information provided to the Auditor was in conformity with US GAAP, that “there are no material transactions that have not been properly recorded in the accounting records,” and that “[t]here are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting.”

28. Subsequently, 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 books and records and consolidated financial statements for the First Quarter.

29. Panasonic’s financial results and consolidated financial statements for the First Quarter were reported on Forms 6-K filed with the Commission on or about August 2, 2012, and on or about August 21, 2012. As a result of Uonaga’s conduct, Panasonic misstated pre-tax income by at least \$38.5 million or 9%, and net income by at least \$22.4 million or 16%, in the consolidated financial statements for the First Quarter furnished with its Forms 6-K.

30. In addition, Panasonic failed to maintain internal accounting controls reasonably designed to ensure that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to make and keep books, records, and accounts, which fairly reflected the transactions and disposition of Panasonic's assets.

31. By engaging in this conduct, Uonaga knowingly circumvented PAC's internal accounting controls concerning revenue recognition and caused the company's books and records to contain false information. Uonaga also caused Panasonic to violate the books and records, internal accounting controls, and reporting provisions of the federal securities laws by circumventing the company's internal accounting controls concerning revenue recognition, thereby causing Panasonic to improperly record revenue from Amendment Six in the First Quarter. That revenue, in turn, was improperly reported by Panasonic in its consolidated financial statements filed with the Commission in August 2012, which resulted in the company violating the reporting provisions of the federal securities laws.

LEGAL STANDARDS AND VIOLATIONS

32. As a result of the conduct described above, the Commission finds that Uonaga willfully violated Section 13(b)(5) of the Exchange Act, which states that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record or account.

33. As a result of the conduct described above, the Commission finds that Uonaga willfully violated Rule 13b2-1, which states that no person shall, directly or indirectly, falsify or cause to be falsified, any book, record, or account subject to section 13(b)(2)(A) of the Exchange Act, and Rule 13b2-2 of the Exchange Act, which states, in relevant part, that no director or office of an issuer shall, directly or indirectly: (1) make or cause to be made a materially false or misleading statement to an accountant in connection with; or (2) omit to state, or cause another person to omit to state, any material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, to an accountant in connection with: (i) any audit, review or examination of the financial statements of the issuer required to be made pursuant to this subpart; or (ii) the preparation or filing of any document or report required to be filed with the Commission pursuant to this subpart or otherwise.

34. As a result of the conduct described above, the Commission finds that Uonaga caused Panasonic to violate 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.

35. As a result of the conduct described above, the Commission finds that Uonaga caused Panasonic to violate 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.

36. As a result of the conduct described above, the Commission finds that Uonaga caused Panasonic to violate 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.

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, Uonaga cease and desist from committing or causing any violations and any future violations of Exchange Act Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) [15 U.S.C. §§ 78m(a), 78m(b)(2)(A), 78m(b)(2)(B) and 78m(b)(5)] and Rules 13b2-1, 13b2-2, 12b-20, and 13a-16, thereunder [17 C.F.R. §§ 240.12b-20, 240.13a16, 240.13b2-1 and 240.13b2-2].

B Uonaga is denied the privilege of appearing or practicing before the Commission as an accountant.

C After five (5) years from the date of this order, Uonaga may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as an accountant.

D Respondent shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 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 31 U.S.C. § 3717. 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](https://www.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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary