

# SEC Charges Hitachi With FCPA Violations

## FOR IMMEDIATE RELEASE

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*Washington D.C., Sept. 28, 2015 —*

The Securities and Exchange Commission today charged Tokyo-based conglomerate Hitachi, Ltd. with violating the Foreign Corrupt Practices Act (FCPA) when it inaccurately recorded improper payments to South Africa's ruling political party in connection with contracts to build two multi-billion dollar power plants.

Hitachi has agreed to pay \$19 million to settle the SEC charges.

The SEC alleges that Hitachi sold a 25-percent stake in a South African subsidiary to a company serving as a front for the African National Congress (ANC). This arrangement gave the front company and the ANC the ability to share in the profits from any power station contracts that Hitachi secured. Hitachi was ultimately awarded two contracts to build power stations in South Africa and paid the ANC's front company approximately \$5 million in "dividends" based on profits derived from the contracts. Through a separate, undisclosed arrangement, Hitachi paid the front company an additional \$1 million in "success fees" that were inaccurately booked as consulting fees without appropriate documentation.

"Hitachi's lax internal control environment enabled its subsidiary to pay millions of dollars to a politically-connected front company for the ANC to win contracts with the South African government," said Andrew J. Ceresney, Director of the SEC's Enforcement Division. "Hitachi then unlawfully mischaracterized those payments in its books and records as consulting fees and other legitimate payments."

According to the SEC's complaint filed in U.S. District Court for the District of Columbia:

- Hitachi was aware that Chancellor House Holdings (Pty) Ltd. was a funding vehicle for the ANC during the bidding process.
- Hitachi nevertheless continued to partner with Chancellor and encourage the company to use its political influence to help obtain government contracts from Eskom Holdings SOC Ltd., a public utility owned and operated by the South African government.
- Hitachi paid "success fees" to Chancellor for its exertion of influence during the Eskom tender process pursuant to a separate, unsigned side-arrangement.

Hitachi's misconduct violated the books and records and internal accounting controls provisions of the federal securities laws, specifically Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934.

Without admitting or denying the SEC's allegations, Hitachi agreed to a settlement that would require the company to pay a \$19 million penalty, and it would be permanently enjoined from future violations. The settlement is subject to court approval.

The SEC's investigation was conducted by Jon Jordan and Thierry Olivier Desmet of the FCPA Unit in Miami with assistance from Kathleen Strandell, David S. Johnson, and Matthew P. Cohen. The SEC appreciates the assistance of the Justice Department's Fraud Section, the Federal Bureau of Investigation, the Integrity and Anti-Corruption Department of the African Development Bank, and the South African Financial Services Board.

"We particularly appreciate the assistance we received from the African Development Bank's Integrity and Anti-Corruption Department and hope this is the first in a series of collaborations," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit.