

Toshiba warns of huge losses in US nuclear power unit

14 February 2017, by Miwa Suzuki



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Toshiba hinted at a possible fresh accounting scandal Tuesday as it delayed the release of financial results but warned it would lose billions of dollars in its US nuclear power unit.

Its Tokyo-listed shares plunged after one of Japan's best-known companies surprised markets by failing to release nine-month earnings at midday as scheduled.

Toshiba—which was hammered in 2015 by a profit-padding scandal—said it has requested a one-month extension for submitting earnings to market regulators.

Hours later the company—a cornerstone of Japan's post-war industrial rise which now employs about 188,000 people globally—issued a grim preliminary earnings estimate.

It warned it was on track to report a net loss of 390 billion yen (\$3.4 billion) in the current fiscal year to March, with losses in its atomic division topping 700 billion yen.

The firm said its chairman Shigenori Shiga would step down from his post but stay with the company—a common act of contrition at scandal-hit Japanese firms—as it probes an acquisition by Westinghouse Electric, its US atomic power unit.

Toshiba shares tumbled 8.0 percent to end Tuesday's session at 229.8 yen (\$2).

"The company, with deep regret, has submitted an application for approval to extend the deadline for submission" of its [financial results](#) until mid-March, it said in a statement.

Toshiba said its lawyers and an independent auditing firm were studying accounting done on Westinghouse's purchase of a US company that builds nuclear plants.

It added that managers at Westinghouse expressed concerns that senior executives had been "exerting inappropriate pressure" to speed up the acquisition.

"If there was a possibility of an invalidation of internal controls, it might affect quarterly financial reporting," Toshiba said in explaining its decision to delay reporting its results.



Toshiba chairman Shigenori Shiga will step down from his post but stay with the company

Stock selloff

The stock sell-off extended morning losses that were sparked by a report in Japan's Nikkei business daily, which said Toshiba would issue a warning to shareholders that its future is in jeopardy.

The value of the company's shares has been sliced in half since late December, when Toshiba first flagged huge losses in its atomic unit.

Toshiba once touted its overseas nuclear business as a future growth driver, filling a hole left after the 2011 Fukushima crisis slammed the brakes on new atomic projects in Japan.

But on Tuesday it confirmed speculation it would dramatically reduce its nuclear ambitions overseas and stop building new atomic power plants.

Toshiba added that it would continue making equipment used in nuclear plants.

It has approached South Korean utility Korea Electric Power Corp about buying part of Toshiba's stake in British nuclear joint venture NuGeneration.

In April-December 2015, Toshiba reported a 479 billion yen net loss due largely to the disclosure of an embarrassing profit-padding scandal, in which bosses for years systematically pushed subordinates to cover up weak financial results.

At that time Toshiba delayed its earnings announcements more than once as it grappled with the crisis that laid bare serious problems of corporate governance.

The engineering conglomerate, which makes everything from trains to memory chips, is undergoing a major restructuring.

It has already sold its medical devices unit to camera and copier maker Canon and most of its appliance business to China's Midea Group.

It is also moving to spin off its prized memory chip business.

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