



TOSHIBA



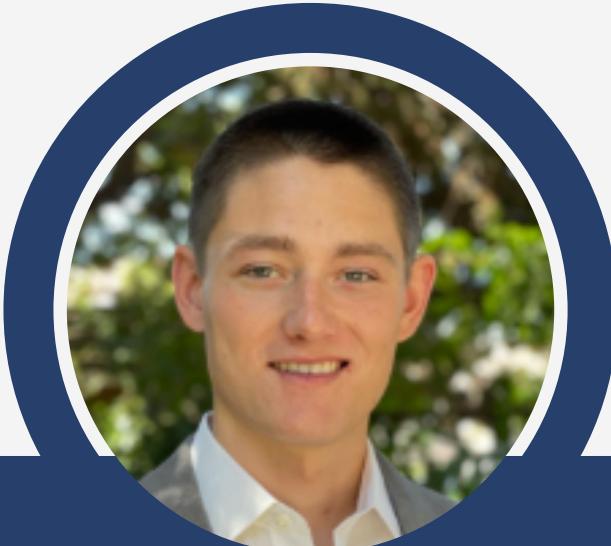
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TOSHIBA'S WESTINGHOUSE DILEMMA



KEY PEOPLE



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Case Study Competition

CASE AGENDA

- Identify Root Failures
- PwC Audit Opinions
- TSE Listing Regulations
- Reoccurring Business Problems
- Restoring Investor Confidence

M O S S A



Geographical Location

(Area of Operation) :

international

Population: 126.4 million

Area 377,864 sq km
(145,894 sq miles)

Major language:
Japanese

Currency : Yen

TOSHIBA COMPANY PROFILE

Japanese multinational conglomerate corporation
headquartered in Minato, Tokyo, Japan

Headquarters: Japan

Number of Employees: 116, 224 people

Entity Type: Public

Diversified products and services:

- power
- industrial and social infrastructure systems
- elevators and escalators
- electronic components
- semiconductors, hard disk drives (HDD) printers
- IT solutions such as quantum cryptography



WHAT IS WESTINGHOUSE?

- Westinghouse Electrics Co. LLC (Westinghouse) was acquired by Toshiba in 2006 for 5.4 billion\$ which specialized in constructing nuclear power facilities.
- EY failed to detect US\$ 1.3 billion in inflated profits over seven years.
- Overstated profits from 2009 to the third quarter of 2014 across Toshiba's entire business lines with the personal computer (PC) division accounting for more than a third of the inflated profits.



JAPANESE MANAGEMENT

- lifetime employment
- seniority wage system
- vague job classifications
(which means an unspecified range of responsibilities and power)
- groupism

It is generally true that workers select their employers, not their occupations.



**Business Manners
&
Etiquette in Japan**



QUESTION 1

What went wrong at Toshiba? Why did the internal controls fail to stop the problems at Westinghouse?

- organization-wide focus on profit/profit manipulation
- lack of internal control
- the systemic nature of employees to manipulate earnings
- top down management, expectation of blind loyalty
- high subordination

QUESTION 1:

What went wrong at Toshiba? Why did the internal controls fail to stop the problems at Westinghouse?

As a result of the scandal, CEO Hisao Tanaka, Vice-Chairman Norio Sasaki, and eight board members resigned amid the public backlash.



QUESTION 2:

Was PwC Aarata correct in believing that the losses should have been booked earlier?

- Yes, because Toshiba found out about losses in 2015
- Cut-off Assertion - the main principle of transactions being recorded in the appropriate period



QUESTION 3:

Based on the TSE's delisting criteria, should Toshiba have been delisted?

- False Statement or Adverse Opinion **FAILED**
 - TSE deems that it is clearly a reason for immediate delisting
- Securities on Alert **FAILED**
- Liabilities **FAILED**



QUESTION 4:

Despite Toshiba's attempts at reform, why did the company continue to face the same problems?

- Attempts at Reform
 - Pledges to Reform
 - Satoshi Tsunkawa
- Why Toshiba's Attempts Failed
 - Financial Problems
 - Credit Downgrade
 - Overly Ambitious Profit Goals
 - Shigenori Shiga



QUESTION 5:

What can Toshiba do to restore the confidence of the auditors, the Toyoko Stock Exchange, and investors in its accounting and management practices?

- Impose stronger audit control over the company activities
- CEO resignation (responsible top management)
- Get a favorable opinion from PWC on their internal controls and management practices
- Continue practices with PWC



**THANK YOU
FOR YOUR ATTENTION!**