



# Abalance – Open Kimono

Abalance management and their CSUN associates appear to be embezzling assets and money from Abalance shareholders. Fuji Solar auditor is also a major shareholder of the business.

## PLEASE READ IMPORTANT DISCLAIMER – PAGE 9

**May 19, 2023** – This report will detail the corporate filings our team has pulled from Japan and Hong Kong showing numerous undisclosed related party transactions with Abalance insiders. These transactions take place with dummy shell companies and unconsolidated subsidiaries of VSUN.

- Our research suggests that Abalance management and their CSUN associates have been embezzling assets and money from Abalance shareholders.
- The center of this web appears to be Abalance CEO Ryu Junsei who we believe must explain his involvement to shareholders.
- Fuji Solar, who accounts for over 90% of company revenues with its subsidiary VSUN, appears to be audited by a co-owner of the subsidiary, and not an independent third-party accounting firm.
- This report will also break down ridiculous valuation metrics applied to Abalance’s minor economic interests in fully consolidated subsidiaries.
  - In our first report Viceroy highlighted the fact that despite fully consolidating VSUN, it is only entitled to ~43% of profits from its operations due to its holding structure. Abalance owns 51% of Fuji Solar which in-turn owns ~85% of VSUN.

The data we have collected are all sourced from public registries and are independently verifiable at the cost of a few dollars. Our work is accurately referenced. Management has no room to deny the veracity of Viceroy’s work without directly addressing any of our concerns.

Our previous reports can be found in the below link:

<https://viceroyresearch.org/2023/05/16/abalance-turning-japanese-we-really-dont-think-so/>

<https://viceroyresearch.org/2023/05/17/abalance-manufacturing-nonsense/>

## 1. Background

To say Abalance has a complex corporate structure would be an understatement.

In its original report, we highlight that Abalance’s accounts fully consolidate VSUN.

Abalance shareholders, however, are eligible for only ~43% of the economic interest of VSUN, as intermediary subsidiaries have third party investors.

In addition to minority interests, Abalance also has numerous unconsolidated subsidiaries. It claims that the activities, assets, and turnover of these subsidiaries are not material.

This is a lie. Our research suggests that off-balance sheet entities actively transact with related parties and are used to embezzle assets from Abalance.





## 2. Fuji Solar

Fuji Solar is the immediate 85% shareholder of VSUN. Together, Fuji Solar and VSUN contribute to over 90% of Abalance's revenues.

As of its last disclosure, Abalance holds only 51% of Fuji Solar. It has never informed shareholders as to the identities of the other Fuji Solar shareholders.

### The Shareholders of Fuji Solar

On **October 5, 2020**, the three shareholders of Fuji Solar were:

- 34% - WWB Corporation, a wholly owned Abalance subsidiary
- 55% - **VSUN Power Company Limited**
- 11% - **NA Global (株式会社エヌエーグローバル)**

(7) 大株主及び持株比率	WWB株式会社	34.0%
	株式会社エヌエーグローバル	11.0%
	VSUN POWER COMPANY LIMITED	55.0%

Figure 1 – Abalance press release dated October 5, 2020

Between July 2020 and January 8 2021, WWB Corporation acquired a majority 57% Stake in VSUN Power Company Limited from Lu Han: who was widely involved with CSUN and CEEG (refer to previous Viceroy Reports).

姓名／名稱 Name	地址 Address	現時持有量 Current Holding <b>8 Jan 2020</b>	姓名／名稱 Name	地址 Address	現時持有量 Current Holding <b>8 Jan 2021</b>
陸瀚 LU Han	No. 16, Luojia Mountain Residential District, Wuchang District, Wuhan City, Hubei Province, People's Republic of China	11,454 →	WWB株式会社	Tennoz First Tower 5th Floor, 2-2-4, Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	11,454
張天宇 ZHANG Tianyu	No. 19A-94, Section 3 Jiefang Road, Guta District, Jinzhou City, Liaoning Province, People's Republic of China	4,910	張天宇 ZHANG Tianyu	No. 19A-94, Section 3 Jiefang Road, Guta District, Jinzhou City, Liaoning Province, People's Republic of China	4,910
蔡建峰 CAI Jianfeng	Room 404, Building No. 4, Huimin New Village, Yangzhong City, Jiangsu Province, People's Republic of China	3,636	蔡建峰 CAI Jianfeng	Room 404, Building No. 4, Huimin New Village, Yangzhong City, Jiangsu Province, People's Republic of China	3,636

Figures 2 & 3 – VSUN Power (HongKong) Company Limited shareholders: January 8, 2020 & 2021 (date added by Viceroy)

Despite its majority stake in VSUN Power Company: Abalance's excludes this holding from its consolidated financial statements, claiming that they are "small, and their assets, net income (loss) and retained earnings... are immaterial to the consolidated financial statements."

At the time of WWB's acquisition of Lu Han's VSUN Power Company shares: the value represented over 25% of VSUN, which accounts for substantially all of VSUN's consolidated earnings. Its value was, proportionately, immense.

*Why did Abalance not consolidate VSUN Power Company Limited in its 2021 financial statements?*

*Why did Abalance hide a 25% economic interest in VSUN off-balance sheet?*



## The Other Shareholders of VSUN Power Company Limited

**Cai Jianfeng** is a major undisclosed shareholder of **VSUN Power Company Limited**, “operations officer” of Abalance, and Director of VSUN Solar USA (a wholly owned subsidiary of Abalance), and Director of Fuji Solar.

**Zhang Tianyu** is a Director of VSUN Solar USA, alongside **Cai Jianfeng**.

Both are Abalance employees, and co-own large portions of VSUN with Abalance. They are related parties.

## WWB raises stake in Fuji Solar

In mid-late October, 2020, WWB acquires another 31.5% of Fuji Solar for US\$4.2m (JPY450m) with a footnote stating that it would sell a 14.5% stake later in December to an unnamed counterparty for US\$1.9m (JPY210).

At least a portion of this stake had to have been purchased from VSUN Power Company Limited, making it an **undisclosed related party transaction**. Abalance knew this, as it was ALSO a shareholder in VSUN Power Company Limited.

Abalance would go on to announce several purchases and sales of portions of Fuji Solar to undisclosed (and presumably related) parties for completely mismatched amounts:

- WWB would purchase a packet of shares for a high price from presumably undisclosed related parties (the only other parties who could fill the shares); and
- WWB would subsequently sell those same packets to undisclosed parties for a much smaller value.

**This appears to be embezzlement.**

In October 2020 Abalance acquired another 31.5% of Fuji Solar for US\$4.2m (JPY450m) with a footnote stating that it would sell a 14.5% stake later in December to an unnamed counterparty for US\$1.9m (JPY210)<sup>38</sup>. Note that the company specifies US dollars as the currency of the transaction.

Abalance’s Q2 2021 filings show a 51% interest in Fuji Solar and a purchase price for the net 17% stake for JPY237m with no mention of the subsequent share sale.

However, in its Q4 2021 filings the company states a 75% interest in Fuji Solar and its purchases for the year at JPY679m.

This implies that after raising its ownership from 34% to 65.5% for JPY450m (\$4.4m) before selling 14.5% for US\$1.9m (JPY203m), Abalance then acquired another 24% for JPY442m (US\$4.0m). There is no mention of why this later purchase commanded a premium on the purchase carried out 6 months earlier.

Its Q4 2022 filing shows that its ownership of Fuji Solar has returned to 51%, again without any explanation.

*Figures 4 & 5 – Extract from Viceroy Research “Abalance – Turning Japanese? We Really Don’t Think So”<sup>1</sup>*

*Why did Abalance not disclose related party dealings which immediately benefited executives at the expense of shareholders?*

*To whom did Abalance sell packets of Fuji Solar shares for cheap after purchasing them from undisclosed related parties?*

We expect that Abalance will try to tell investors it had purchased VSUN Power Company’s shares of Fuji Solar. This is equally nonsensical, as they were immediately disposed from a smaller sum, and to the absolute detriment of shareholders and benefit of undisclosed executives.

<sup>1</sup> <https://viceroyresearch.org/2023/05/16/abalance-turning-japanese-we-really-dont-think-so/>

### 3. Off-Balance Sheet Disposal of VSUN Interest

In the FY 2022 financial year: Abalance disposed of its entire stake in VSUN Power Company Limited *off-balance sheet*, which included a material portion of VSUN.

The below share transfer extracts show that WWB transferred all of its stake in VSUN Power Company to Cai Jianfeng, and Zhang Tianyu: the other existing shareholders.

姓名／名稱 Name	地址 Address	股份 Shares			備註 Remarks
		現時持有量 Current Holding	轉讓* Transferred *		
			數目 Number	日期 Date	
蔡建峰 CAI Jianfeng	Room 404, Building No. 4, Huimin New Village, Yangzhong City, Jiangsu Province, People's Republic of China	8,908			
WWB 株式會社	Tennoz First Tower 5th Floor, 2-2-4, Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	6,182	5,272	31/12/2021	To: CAI Jianfeng
張天宇 ZHANG Tianyu	No. 19A-94, Section 3 Jiefang Road, Guta District, Jinzhou City, Liaoning Province, People's Republic of China	4,910			

姓名／名稱 Name	地址 Address	股份 Shares			備註 Remarks
		現時持有量 Current Holding	轉讓* Transferred *		
			數目 Number	日期 Date	
蔡建峰 CAI Jianfeng	Room 3602, Level 36, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	12,893			Address updated on 8 January 2023
張天宇 ZHANG Tianyu	Room 3602, Level 36, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	7,107			Address updated on 8 January 2023
WWB 株式會社	Tennoz First Tower 5th Floor, 2-2-4, Higashi-shinagawa, Shinagawa-ku, Tokyo, 140-0002, Japan	(Nil)	2,197	09/05/2022	To: ZHANG Tianyu
			3,985	09/05/2022	To: CAI Jianfeng

Figure 6 – VSUN Power (Hong Kong) Company Limited Annual Return dated January 8, 2021

It is unclear what consideration was received by WWB: VSUN Power Company was unconsolidated and appears to have been altogether excluded from Abalance's financial reports given its representation that it was "immaterial" and "small".

This is effectively an off-balance sheet transaction of a major asset and must be scrutinized by shareholders and Japan's financial regulators.

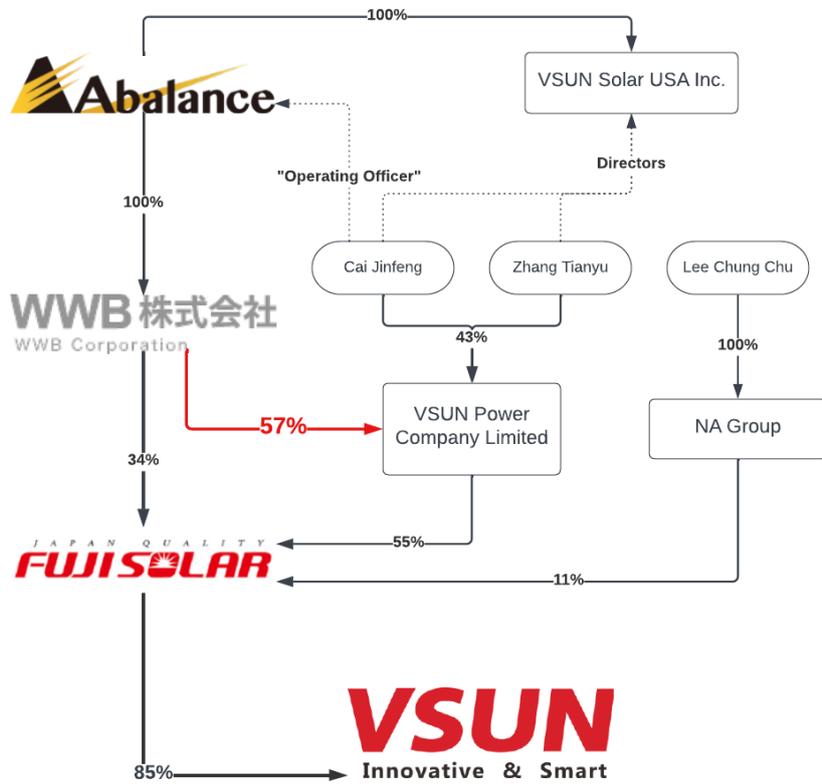
We believe this transaction likely constitutes embezzlement of assets. We note that, as Abalance related parties: this is once again an undisclosed related party transaction.

*What consideration, if any, did Abalance receive for its disposal of VSUN Power Company?*

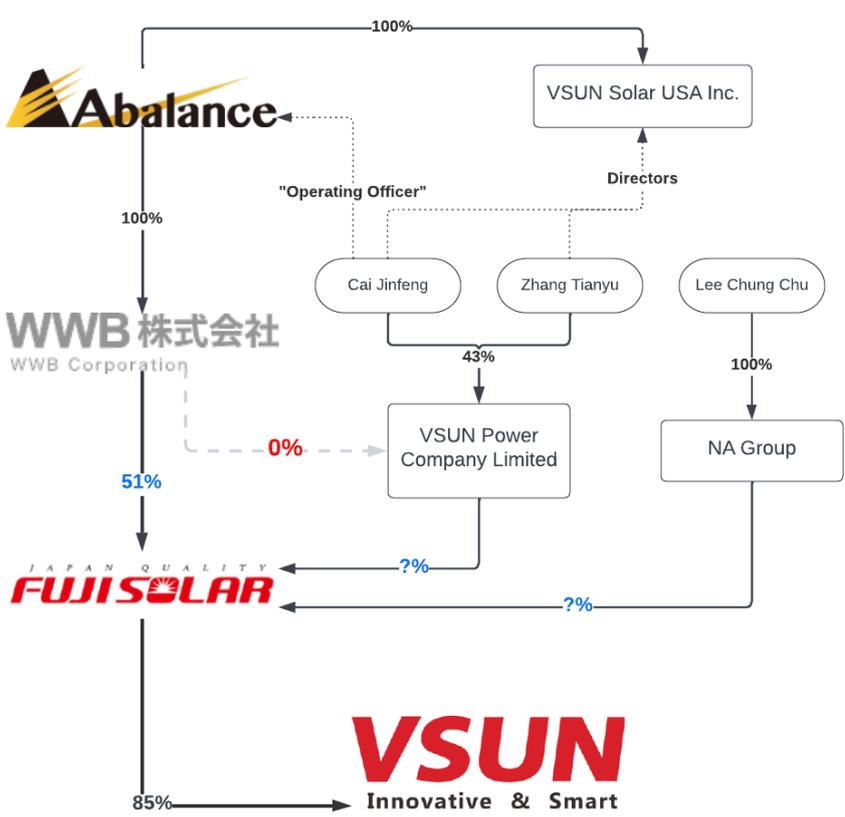
*What internal controls, if any, did Abalance have to ensure this was an arm's length transaction?*



January 8, 2021.



Now





## 4. NA Global

NA Global (株式会社エヌエーグローバル), the other shareholder of Fuji Solar, appears to be an inactive Facebook page which sold secondhand construction equipment until 2013.

Despite this, it appears that NA Global now functions as a holding company for Fuji Solar shares.

Filings indicate NA Global is owned by Lee Chung Chu (リー・チョンチュウ)<sup>2</sup>.

Lee appears on an Abalance release dated October 10, 2021 as the owner of 100% of NA Global. The filing also states that VSUN is a subsidiary of NA Global. Considering that NA Global has never appeared on VSUN's shareholder list, we believe that NA Global is an indirect VSUN shareholder through a Fuji Solar shareholding.

It goes on to mention that Lee serves as the Audit and Supervisory board member of one Abalance subsidiary and three affiliated companies. We know that one of these is Fuji Solar.

同社は、当社の発行株式の95,200株を保有する大株主です。

同社は、当社子会社1社及び関連会社4社の発電所SPCに対し、共同出資を行っております。

同社取締役副社長のリー・チョンチュウ氏が株式の100%を保有し経営する株式会社エヌエーグローバル（東京都台東区）社が当社子会社であるベトナムのパネル製造販売企業であるVietnam Sunergy Joint Stock Company社へ一部出資をしております。またリー・チョンチュウ氏が個人として当社の発行株式の2,500株を所有しております。

同社取締役副社長のリー・チョンチュウ氏が、当社子会社1社の監査役及び関連会社3社の取締役を兼務しております。

*The company is a major shareholder holding 95,200 of our issued shares.*

*The company has jointly invested in power plant SPCs of one of our subsidiaries and four affiliates.*

***Vietnam Sunergy Joint, a panel manufacturing and sales company in Vietnam, which is a subsidiary of NA Global Co., Ltd. (Taito-ku, Tokyo), which is 100% owned and operated by Mr. Lee Chong Chu, Executive Vice President of the company. We have made a partial investment in Stock Company. In addition, Mr. Lee Chung-chu personally owns 2,500 shares of the issued stock of the Company.***

***Mr. Lee Chung-chu, Executive Vice President of the company, concurrently serves as Audit & Supervisory Board Member of one subsidiary of the Company and Director of three affiliated companies.***

Figure 7 – Notice regarding third party allotment dated October 10, 2021 and translation<sup>3</sup>

The disclosure above was made as part of a share allotment to Jingukan 神宮館, a Tokyo calendar publisher where Lee is an Executive VP.

---

*Did Abalance transact with NA Global?*

*Why was NA Global not recognized as related party?*

---

<sup>2</sup> Due to a possible error, NA Global filings also came with Fuji Solar filings.

<sup>3</sup> <https://kabuyoho.jp/discloseDetail?rid=20211022415033&pid=140120211022415033>

## 5. Fuji Solar Auditor

Fuji Solar filings indicate is audited by Lee Chung Chu (リー・チョンチュウ)<sup>4</sup>, who is a board member of several Abalance subsidiary audit committees and a part owner of Fuji Solar directly.

監査役	リー・チョンチュウ	令和 2年10月14日就任
		令和 2年10月27日登記
Auditor	Lee Chung Chu	Appointed on October 14, 2020 Registered on October 27, 2020

Figures 8 & 9 – Fuji Solar registered Auditor - retrieved May 18, 2023<sup>5</sup>

Obviously, it is impossible to be an external auditor of your own company. Fuji Solar consolidates its holdings in VSUN, and accounts for over 90% of Abalance revenues.

It is hard to fathom that such a blatant breach of IAS is being committed at Abalance. It is the biggest of all conflicts of interest.

*Can Abalance provide a clean audit report from an external auditor for Fuji Solar?*

*Why is Lee Chung Chu, a Abalance insider and part-owner of Fuji Solar, registered as Fuji Solar's auditor?*

## Fuji Solar Directors

A corporate extract of Fuji Solar shows that its current directors are:

役員に関する事項	取締役	龍 潤 生	
	取締役	龍 潤 生	令和 2年10月14日重任
			令和 2年10月27日登記
	取締役	田 原 弘 之	令和 2年10月14日就任
			令和 2年10月27日登記
	取締役	蔡 建 峰	令和 2年10月14日就任
			令和 2年10月27日登記
	Matters concerning officers	Directors	
Director Ryu Junsei		Reappointed on October 14, 2020 Registered on October 27, 2020	
Director Hiroyuki Tahara		Appointed on October 14, 2020 Registered on October 27, 2020	
Director Cai Jianfeng		Appointed on October 14, 2020 Registered on October 27, 2020	

Figures 10 & 11 – Fuji Solar Director list retrieved May 18, 2023<sup>6</sup>

- **Hiroyuki Tahara** is the representative director of **Core Competence Corporation**, Abalance's financial advisor. Core Competence Corporation also **shares the same address as three VSUN shareholders**. We question why an external financial advisor is a director of Fuji Solar.
- **Cai Jianfeng** is a major undisclosed shareholder of **VSUN Power Company Limited**, "operations officer" of Abalance, and Director of VSUN Solar USA (a wholly owned subsidiary of Abalance).
- **Ryu Junsei** is the CEO of Abalance.

It is illogical to presume management, who were on both sides of the Fuji Solar Trades, and on the board of Fuji Solar itself, were unaware of these transactions, and that the Auditor of Fuji Solar was also one of its owners!

<sup>4</sup> Due to a possible error, NA Global filings also came with Fuji Solar filings.

<sup>5</sup> Filings can be obtained at [www.touki.or.jp/TeikyoUketsuke/](http://www.touki.or.jp/TeikyoUketsuke/) for a small fee

<sup>6</sup> Filings can be obtained at [www.touki.or.jp/TeikyoUketsuke/](http://www.touki.or.jp/TeikyoUketsuke/) for a small fee



## 6. Valuation

If you do not believe that:

- Abalance sales will fall off a cliff as AD/CVD orders take effect in 2024;
- VSUN's suppliers are implicated in forced labor practices in Xinjiang;
- The company is run by a gang of thieves who appear to have embezzled money and assets from the business.
- Revenues have already plateaued;
- European sales channels, which VSUN has have over 10 years to establish, do not appear to exist;
- The company is still substantially managed by CSUN employees who ran their previous venture into the ground.

...then here is a blue-sky valuation model which still shows Abalance is wildly overpriced:

Abalance Guidance (¥m)	Current Forecast	VSUN	Minority Interest	Abalance Shareholder Equity
Revenue	215,000	193,500	(110,295)	104,705
Operating Profit	14,000	12,600	(7,182)	6,818
Net Income	5,700	5,130	(2,924)	2,776
VSUN Revenues	90%			
VSUN Profit	90%			
VSUN Minority Interst	57%			
Shares Outstanding	17,300,513			
Stock price	8,230			
Market Cap	142,383			
Net Debt	21,402			
<b>EV</b>	<b>163,785</b>			
<b>EV/ Forward Revenue x</b>	<b>1.56</b>			
<b>EV/Operating Profit</b>	<b>24.02</b>			
<b>EV/Net Income</b>	<b>59.00</b>			

Figure 12 – Viceroy Analysis (figures sourced from FactSet)



### **Attention: Whistleblowers**

Viceroy encourage any parties with information pertaining to misconduct within Abalance Corporation, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on [viceroy@viceroyresearch.com](mailto:viceroy@viceroyresearch.com).

### **About Viceroy**

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

### **Important Disclaimer – Please read before continuing**

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.