



Strategic Capital

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In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail



# Proposal to create “Fans” of **SANYO DENKI (6516)** to enhance shareholder value





## Executive Summary

Strategic Capital, Inc.’s (SC) goal is to unlock enterprise and shareholder value through dialogue with the company management team and the exercise of shareholder rights.

SC and the funds managed by our company are shareholders of SANYO DENKI CO., LTD. (“SANYO DENKI or “the Company”). In order to increase shareholder value, we have submitted the following proposals to SANYO DENKI by exercising our right to make a shareholder proposal.

- i. Elect Tsuyoshi Maruki as director
- ii. Shorten term of office of directors to one year
- ~~iii. Establish a nomination committee~~
- iv. Promote on board discussion of capital policy
- v. Decide stock splits at the AGM
- vi. Amend the total number of authored shares in connection with the stock split

*Proposal iii was withdrawn in light of the Company’s announcement on April 15, 2026 that it had established a voluntary nomination committee*

We earnestly request all general shareholders to understand the purpose of this proposal and provide your support

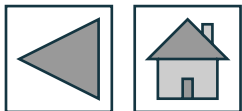




## What's New

04.15.2026

Submitted Formal Shareholder Proposal to the Company





SANYO DENKI’s core business, **San Ace**, manufactures industrial cooling fans.

But these are not just ordinary fans.

AI requires data centers (DC), and both DCs and the servers they house must cope with rising power consumption and heat generation.

San Ace sits at the heart of thermal management in the AI era.

## San Ace is responsible for cooling high-end AI servers equipped with NVIDIA’s latest chips

SANYO DENKI is a key player in the market for cooling fans for high-end AI servers, a decidedly niche segment but one that plays a critical role in addressing heat generation in DCs.

Its products have reportedly been adopted for use in xAI’s large-scale liquid-cooled data center employing 100,000 NVIDIA H100 GPUs\*<sup>1</sup> in liquid-cooled AI servers capable of mounting eight NVIDIA B200 GPUs \*<sup>2</sup>, and as rear-mounted fans in the latest rear-door cooling racks. \*<sup>3</sup>

ServeTheHome “Newest Gen AI Servers Are Built Like This”

\*<sup>1</sup> [Inside the 100K GPU xAI Colossus Cluster that Supermicro Helped Build for Elon Musk](#) bottom image of page 4 titled “Supermicro CDU 2023 Rear 1”. San Ace fans can be seen arranged in two vertical rows.

\*<sup>2</sup> [SuperServer SYS-422GS-NBRT-LCC](#) In the fourth product image, titled “Rear View – System,” the four fans labeled “4 Redundant 6600W Titanium Level Power Supplies” can be confirmed to be San Ace units.

\*<sup>3</sup> It looks like rear fan on the rear-door cooling rack, shown in close-up from the 14:37 mark of ServeTheHome’s “Newest Gen AI Servers Are Built Like This’, is from the San Ace 200 Series, released on March 25, 2025.



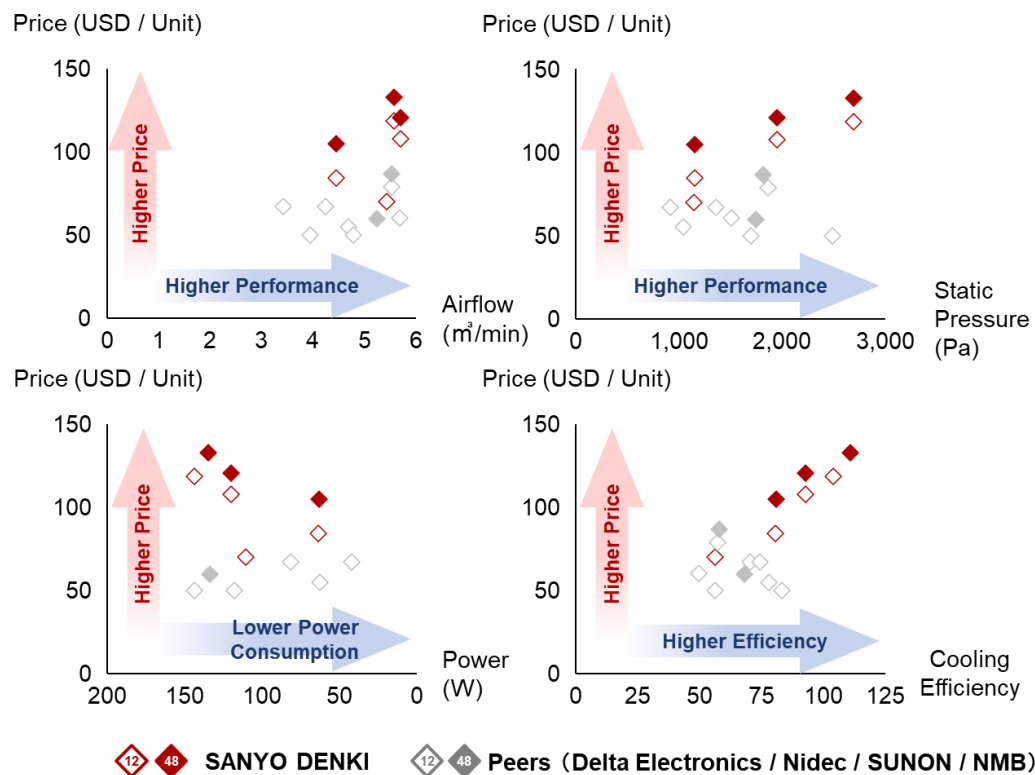


## "San Ace," the premier brand in the server cooling fan market

In the 80x80 mm cooling fan segment, where competitors also offer products for AI servers, San Ace's pricing stands out.

Against industry giants such as Delta Electronics and Nidec, which offer high performance, cost-effective fans, SANYO DENKI has consistently pursued a strategy of offering either (1) fans with superior performance, or (2) fans with similar performance but greater reliability all at a higher price point than its competitors.

### Price and Cooling Performance Comparison of Cooling Fans for Generative AI Servers



SANYO DENKI's products are

**! More expensive**

But offer...

**✓ Higher Performance**

- Higher static pressure and air flow than competing products
- Lower power consumption even when static pressure is comparable

**✓ Higher Reliability**

- Sold at a higher price than competing products with equivalent catalog specifications

(Source: QUICK Workstation; extraordinary report)



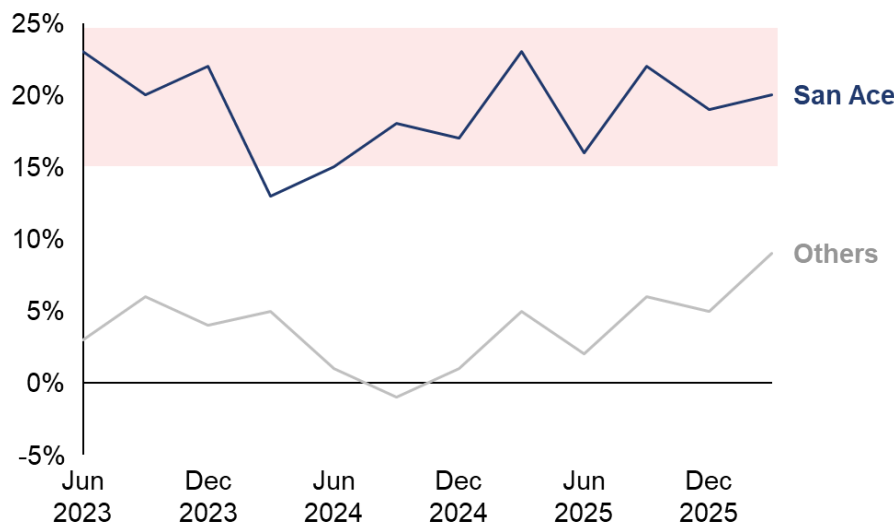


## Impressive profitability. San Ace's operating profit margin is approximately 20%.

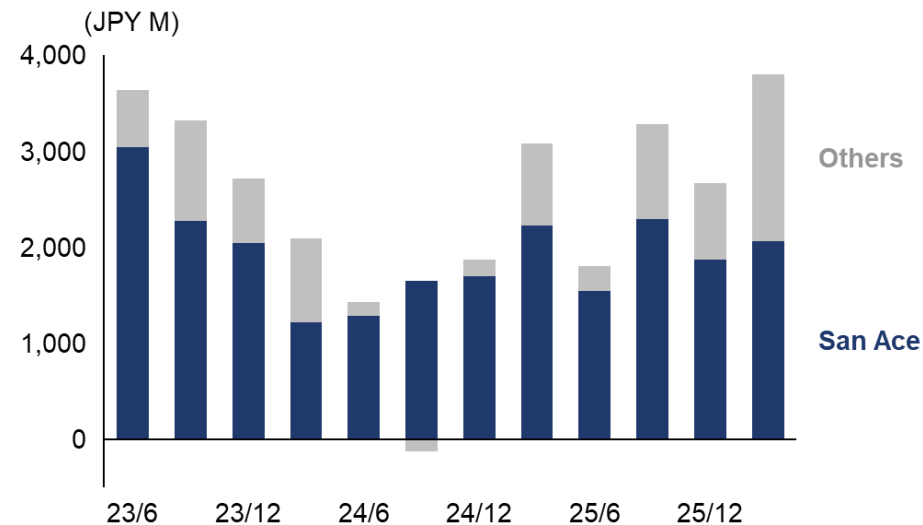
The commitment to high value-added products is also reflected in the **operating profit margin, which has remained around 20%**. This margin serves as the clearest evidence that SANYO DENKI's fans are key components in managing heat in DCs, and that factors beyond price are highly valued.

Furthermore, **San Ace accounts for roughly 60% to 80% of SANYO DENKI's total operating profit**. Growth in San Ace translates directly into growth of SANYO DENKI.

### Historical Quarterly OP Margin



### Historical Quarterly Operating Profit



Source: Based on disclosed materials. San Ace refers to the financial results of San Ace Company. Financial results for San Ace prior to the fiscal year ended March 2023 are not disclosed. The figures for the fiscal year ended March 2026 are estimates derived by working backward from the company's earnings forecast.





## A track record built on trust

Although SANYO DENKI is reluctant to provide detailed disclosure, it has quietly continued for more than a decade to include comments in its earnings summaries on the business performance of San Ace for data center/server applications.

In other words, this is not a company merely riding the AI boom. **It has long been supplying top-quality fans for data centers and servers at premium prices.**

San Ace DC/Server Sales Comments in its Earning Reports												
	15/3	16/3	17/3	18/3	19/3	20/3	21/3	22/3	23/3	24/3	25/3	26/3
Q1	Up		Up	Up	Steady	Decline		Surge	Surge	Strong	Strong	Strong
Q2	Up		Up	Steady	Decline	Decline	Weak	Surge		Strong	Strong	Strong
Q3	Up	Up	Up	Steady	Decline	Up	Weak	Surge	Weak	Strong	Strong	Steady
Q4	Up	Up	Up	Steady	Decline	Steady		Surge	Steady	Strong	Strong	

**SANYO DENKI explicitly states that DC/server applications represent a major market**

Source – Company earnings reports. The operating performance of the cooling business and San Ace Company is treated as part of San Ace’s overall operating performance.





### Business opportunity arrives for the "industry leader" known its high prices and over-engineering

San Ace doesn't shy away from claiming to be the industry leader in performance, but it also prices itself accordingly. For standard servers, their fans are over-priced and over-engineered compared to competitors.

However, the situation changed dramatically with the surge in investment in AI servers. The niche of high-end, high-priced AI servers is precisely where San Ace is strongest.

SANYO DENKI has long claimed they are the **industry's highest-performing**, however...

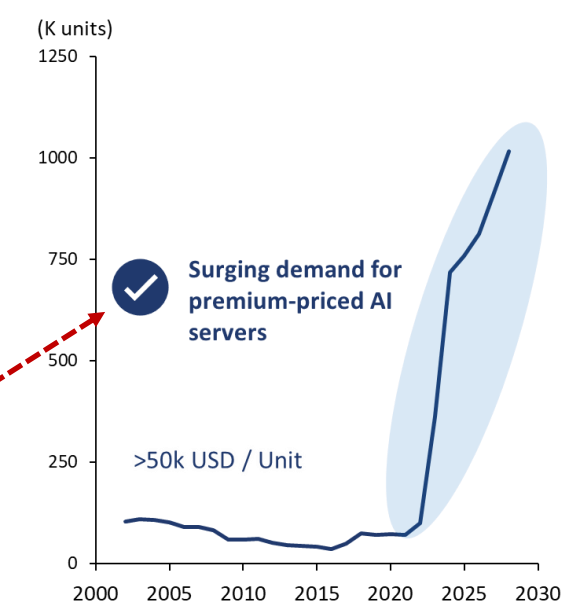
#### From San Ace's Product News webpage

Jun. 30, 2025	San Ace	SANYO DENKI Develops 80 × 80 × 38 mm Long Life Fan with the <b>Highest Static Pressure in the Industry</b>
May. 26, 2025	San Ace	SANYO DENKI Develops 80 × 80 × 80 mm Counter Rotating Fan with the <b>Highest Static Pressure in the Industry</b>
May. 26, 2025	San Ace	SANYO DENKI Develops 92 × 92 × 25 mm ACDC Fan with the <b>Highest Static Pressure in the Industry</b>
Mar. 25, 2025	San Ace	SANYO DENKI Develops "200 × 70 mm DC Fan with <b>Industry's Lowest Power Consumption</b>
Jan. 9, 2025	San Ace	SANYO DENKI Develops 120 × 120 × 25 mm Splash Proof Fan with the <b>Highest Static Pressure in the Industry</b>

**! Pricing is also the "industry's highest,"**  
which could potentially position their products as

**! Too expensive and over-engineered**  
unless the end product is also positioned at a premium price point

#### # of "high-end" Servers Shipped



(Source SANYO DENKI homepage, Bloomberg)





## Business opportunity arrives for the “industry leader” known its high prices and over-spec performance cont’d

For a server that costs JPY 50,000, a no-name brand fan costing a few thousand yen may suffice.

For a server that costs JPY 500,000, it may make more sense to choose a highly cost-effective fan from Delta Electronics or Nidec and cut costs.

For server that cost JPY 5 million that is at a risk of thermal runaway, SANYO DENKI’s superiority over the more cost-effective Delta Electronics and Nidec really shines.

This is because, when viewed **in the context of the server as a whole, the cost of “just a fan” is negligible. However, the fan’s performance directly affects the server’s cooling capability and ultimately the server’s lifespan and overall performance.**

In other words, the more expensive the server itself becomes, i.e. the price of components such as GPUs and memory increases, the more important the fan becomes and the fans cost becomes increasingly less significant relative to the total cost.

SC believes that the explosive growth in **AI DCs, and server demand, together with the resulting increase in server prices, will translate into expanded demand for SANYO DENKI’s San Ace, which until now has been seen as over-priced and over-engineered.**





So, how are SANYO DENKI and its domestic and global competitors viewed by the stock market?

## Delta Electronics has achieved remarkable growth in its valuation...

Taiwan's Delta Electronics is actively promoting its relationship with NVIDIA.

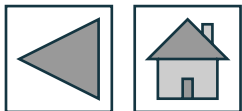
For example, on Delta Electronics' YouTube channel, the company highlights its collaboration with NVIDIA:

*"Delta is collaborating with NVIDIA to develop advanced power and cooling solutions that support 800 VDC power architectures for next-generation AI factories."*

Delta & NVIDIA: Powering the Next-Gen 800 VDC Data Centers

While on CNBC's YouTube channel, an NVIDIA employee explicitly stated that Delta Electronics components are extensively used in the liquid cooling system of Grace Blackwell, NVIDIA's current-generation AI platform.

Deconstructing Nvidia's Vera Rubin — The Successor To Blackwell That's 10x More Efficient

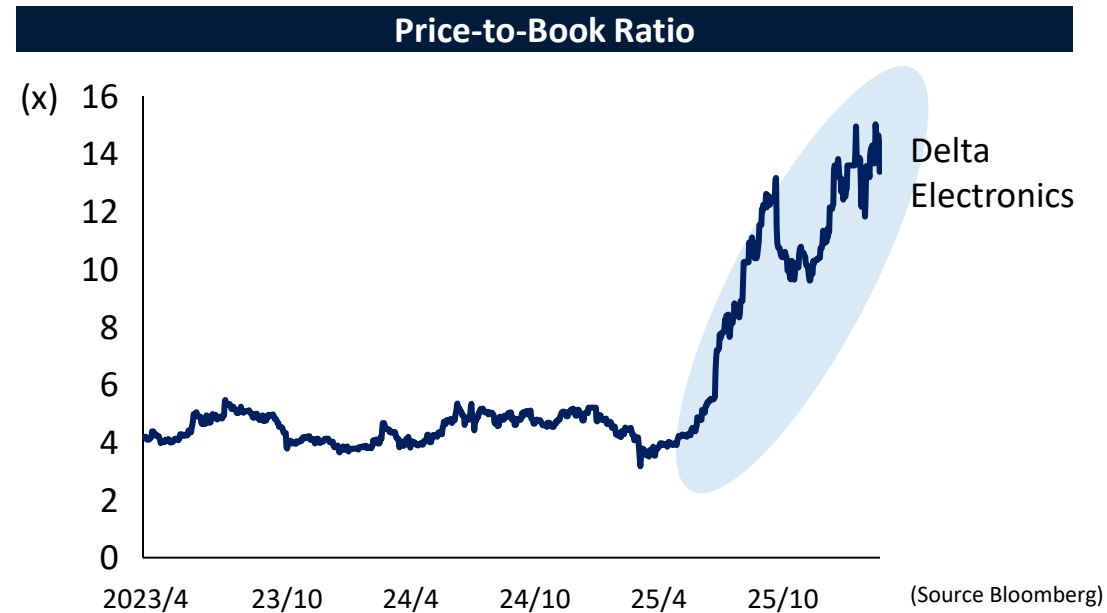
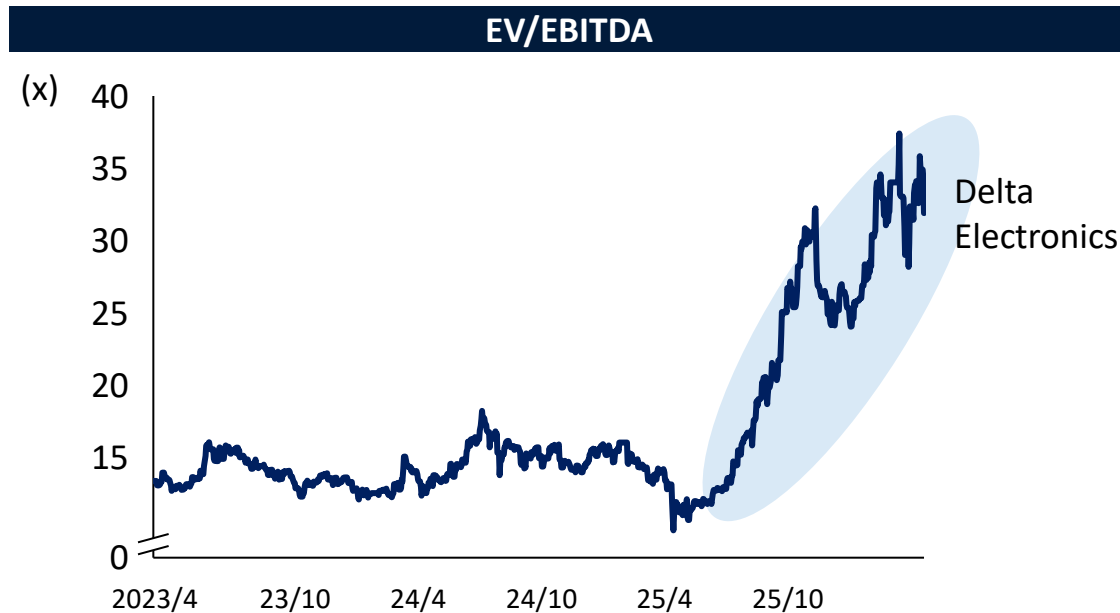




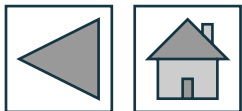
## Delta Electronics has achieved remarkable growth in its valuation... cont'd

Since last year, Delta Electronics' stock has gained market recognition as an "AI play," and its valuation has risen accordingly. At present, as many as 29 securities firms cover Delta Electronics, and nearly all of them assign bullish ratings such as "Buy," "Outperform," or "Overweight."

The rise in Delta Electronics' stock valuation is truly like a soaring dragon.



(Source Bloomberg)



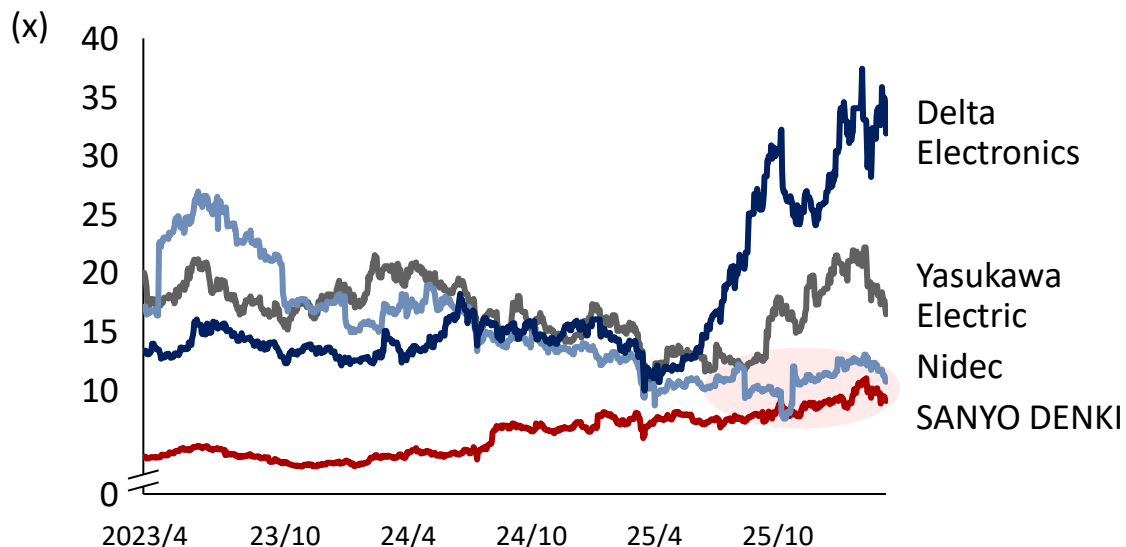


## While SANYO DENKI, doesn't even surpass accounting scandal stricken Nidec

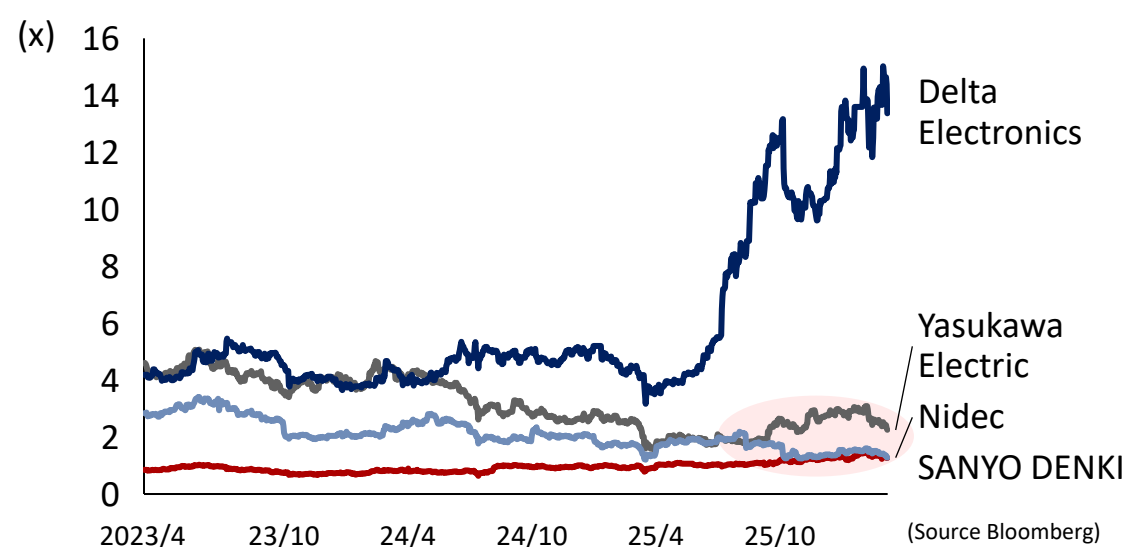
On the other hand, despite boasting products with performance and reliability that rival those of Delta Electronics, SANYO DENKI's valuation remains stranded at an extremely low level.

The valuation is such that it is even trading below Nidec, whose stock plummeted after the discovery of an accounting scandal in September 2025 and has remained depressed ever since.

EV/EBITDA



Price-to-Book Ratio



(Source Bloomberg)

At present, only three securities firms cover SANYO DENKI and assign ratings to the stock. The continued low valuation by the markets makes it seem as though only SANYO DENKI's share price has been left on the ground by an industry that is soaring.





So why is SANYO DENKI’s shares so undervalued. We believe that this is due to three “lows”

### Three “Lows” Dragging Down SANYO DENKI’s Equity Value

#### **Low Appeal of the Business**

Despite its strong technological competitiveness and positive customer reviews, the **company has failed to adequately communicate its strengths and growth potential**, resulting in a stock valuation that does not reflect its true business value.

#### **Low Awareness of Capital Efficiency**

As a result of management’s “**extreme aversion to debt**”, excessive equity capital has been allowed to accumulate unchecked, keeping ROE and PBR at low levels.

#### **Low Share Liquidity**

Last year’s stock split was limited to a 3-for-1 ratio, leaving each investment unit in the JPY300,000–500,000 range. **With an eye toward compressing equity ratio, measures to improve liquidity are essential.**





## Low appeal of business: A track record that no one recognizes

Competitors in Japan and abroad, including Delta Electronics, actively disclose their major customers and delivery track records, clearly highlighting their growth potential and competitive advantages.

By contrast, SANYO DENKI has made no such external disclosures despite boasting superior technological capabilities and proven delivery record. In fact, even industry-specialist reports had until recently failed to capture its supply track record.

It is entirely understandable that the investing public have not fully recognized SANYO DENKI's true value.

Source: Fuji Chimera Research Institute, "2024 Comprehensive Survey of the Data Center, AI, and Key Device Markets" and "2025 Comprehensive Survey of the Data Center, AI, and Key Device Markets"



### Cooling Fan Supply to Server Manufacturers

	Supermicro	Inspur	Lenovo	Others
Delta	○	○	○	○
SUNON	○	○	◎	○
Nidec	○	○	○	○
SANYO DENKI	○	○	○	○
MinebeaMitsumi				○
Oriental Motor				○

2024	Supermicro	Inspur	Lenovo	Dell	HPE	その他
Delta	○	○	○	○	○	○
SUNON		○	○			○
Nidec		○				○
SANYO DENKI	○	○	○	○	○	○
MinebeaMitsumi						○
Asia Vital		○				○
Others						○

Supply to Supermicro had not been captured even by industry research firms until recently





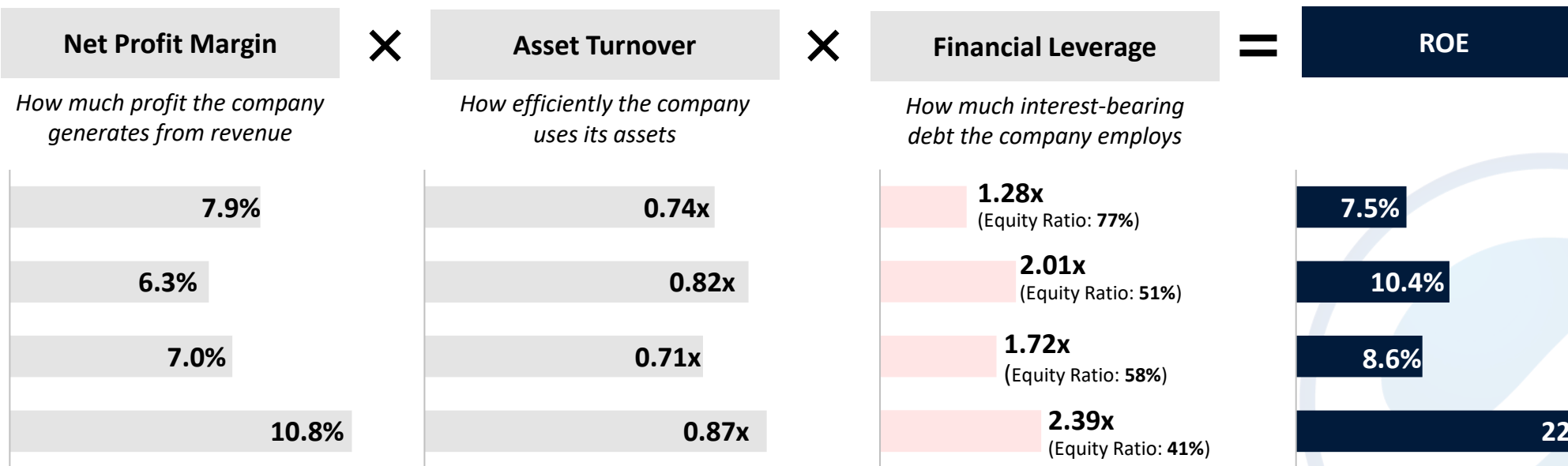
### Low awareness of capital efficiency: How an "extreme fear of debt" leads to a disregard of shareholders

SANYO DENKI's equity ratio stands as high as 77%. This is strikingly higher than Nidec's 51%, Yaskawa Electric's 58%, and Delta' 41%.

SANYO DENKI maintains a level of profitability that is highly competitive even compared to its domestic peers.

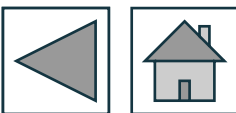
Nevertheless, because it makes insufficient use of financial leverage, its ROE is being unnecessarily depressed.

#### Decomposition of ROE for SANYO DENKI and Its Peers (DuPont Analysis)



Source: Bloomberg.

Note: For the ROE decomposition, total assets and shareholders' equity are based on the most recent full-year figures. For revenue and net income, Sanyo Electric and Yaskawa Electric use their full-year forecasts for FY2025, while Delta Electronics and Nidec use the most recent full-year figures. For Nidec, a provisional impact amount of 139.7 billion yen resulting from accounting irregularities has been deducted from shareholders' equity and total assets.





## Low awareness of capital efficiency: How an "extreme fear of debt" leads to a disregard of shareholders cont'd

If SANYO DENKI were to adjust its equity ratio to around 60%, —on par with Yaskawa Electric—it could improve its ROE to approximately 1.3 times (about 10% based on current net profit margin and asset turnover) while maintaining financial soundness.

However, the understanding of the top executive, Chairman Yamamoto was surprising.



SC

Could you tell us how you think about financial strategy ?

**In our dealings with banks, they always give us the most favorable treatment.** For example, even when there is a sudden funding need, they respond flexibly. I suppose you could say they do not make a fuss about it. Their stance is basically, **"Please use as much as you need, whenever you need it."**



Yamamoto



SC

The fundamental question is whether it is really appropriate for a listed company to be debt-free. I think this is something that needs to be properly understood. Why do you want to keep raising the shareholder equity ratio? Is it simply because it provides greater peace of mind in case something goes wrong?

No, not exactly. **Borrowings come with interest costs. That's the most important point.**



Yamamoto





## **Low** awareness of capital efficiency: How an “extreme fear of debt” leads to a disregard of shareholders cont’d

For about the past year and a half, SC has carefully explained to SANYO DENKI how to think about the cost of capital, the need to improve capital efficiency, and the measures that should be taken to enhance shareholder value. The company has also, at least formally, disclosed its “Initiatives to Strengthen Management Focused on Capital of Capital and Stock Performance.”

Nevertheless, the company has been stuck in **an irrational, “debt is scary” mentality.**

**Chairman Yamamoto’s mindset is effectively equivalent to treating the cost of equity as zero.**

Accordingly, SC makes the following proposals:

- **SC proposes that Tsuyoshi Maruki, Representative Director of SC, who has expertise in capital markets and experience both as the head of an investment management firm and as an investment professional, be appointed as a director of SANYO DENKI.**
- **SC proposes that the board of directors, at least once a year and from the perspective of enhancing shareholder value, deliberate on KPIs relating to financial soundness, as well as the evaluation of and policy toward capital allocation based on those KPIs, and disclose both a summary of those discussions and the resulting shareholder return policy.**





## Low share liquidity: Investment units remain too large for individual investors to access easily

Share liquidity is also a critically important factor in stock valuation.

To broaden its investor base and improve share liquidity, SANYO DENKI carried out a 3-for-1 stock split last September. However, even after that split, buying one standard trading unit has remained in the JPY 300,000 to 500,000 range, which still not an easily accessible level for individual investors.

As of the end of September 2025, 79% of listed companies had investment units priced below JPY 300,000. In addition, according to a survey of retail investors conducted by the TSE, an investment unit of around JPY100,000 is considered desirable.

Moreover, for SANYO DENKI to break free from the structural destruction of shareholders' equity, it needs to reduce its equity ratio and increase its use of debt. In carrying out equity reduction through share buybacks, we believe it would be effective to implement measures to improve liquidity at the same time.

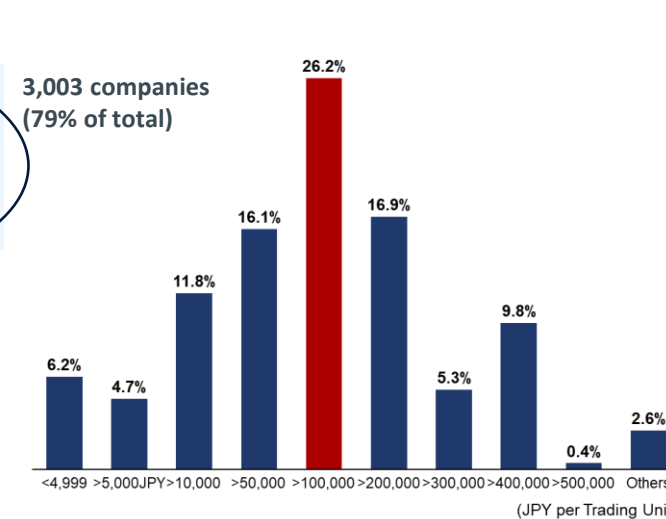
**Accordingly, SC proposes that stock splits be made subject to approval at the AGM rather than by the Board of Directors, and, upon approval of this proposal, further proposes a 5-for-1 stock split.**



JPX: Distribution of Trading Units

Trading Unit	# Companies
JPY <50,000	573
JPY 50,000-100,000	737
JPY 100,000-200,000	1,076
JPY 200,000-300,000	617
JPY 300,000-400,000	357
JPY 400,000-500,000	169
JPY 500,000-1,000,000	204
JPY 1,000,000-1,500,000	27
JPY 1,500,000-2,000,000	7
JPY >2,000,000	11
<b>Total</b>	<b>3,778</b>

TSX: Preferred Trading Unit Retail Investors





Failure In governance

## One cause of the destruction of shareholder value is failure in governance

Why has management undermining of shareholder value persisted for so long? SC believes **that the failure of governance within the Board of Directors in one major reason.**

At SANYO DENKI, directors serve two-year terms. Compared with one-year terms, **this halves shareholders’ opportunity reflect their views of management.** This weakens discipline over the board and further reduces the effectiveness of governance.

~~In addition, the company has not established a nomination committee. Since only outside directors can meaningfully participate in the dismissal of representative directors, decisions regarding nominations and dismissals require a high degree of independence, objectivity, and accountability. Nevertheless, while the company has established a remuneration committee, it has not established a nomination committee, and it has not provided a sufficient explanation for why.~~

## To rebuild from the failure in governance

Accordingly, SC makes the following proposals:

- **We propose to shorten directors’ terms from two years to one year to strengthen shareholders’ oversight function through annual elections and to enhance the board’s accountability and sense of discipline.**
- ~~We propose to establish a nomination committee to ensure independence, objectivity, and accountability in the nomination of directors.~~

*Proposal to establish a nomination committee was withdrawn in light of the Company’s announcement on April 15, 2026 that it had established a voluntary nomination committee*





Strategic Capital

Shareholder  
Proposal

At the heart of  
the AI trade

Yet, stock price is  
far too cheap

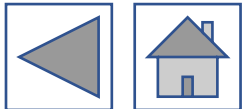
Three “lows” undermining  
SANYO DENKI

Failure in  
governance

Revision History  
Disclaimer

## Revisions

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## Important Legal Disclaimer

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- This presentation is composed of analysis of Strategic Capital, information from our activist activities and release from companies. Information and documents in this presentation are composed of materials we believe to be trusted and latest, however we do not guarantee the accuracy, completeness etc.
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