

Sanyo Denki's leadership 'fears debt' and lacks skills required to create value, says activist Strategic Capital

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Proprietary

by [Norie Hata](#)

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- Activist CEO seek to change Articles so board can discuss capital management
 - Chairman Shigeo Yamamoto's mentality is 'debt is scary', says SC
 - Sanyo Denki should 'publicise' its product's use in AI servers with NVIDIA's chips
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Strategic Capital is seeking to overhaul the board of industrial electric equipment maker Sanyo Denki as its members "fear debt" and are ill-suited to creating corporate and shareholder value, said Tsuyoshi Maruki, president and CEO of the Tokyo-based activist.

The activist, which has an almost 16% stake in the maker of cooling fans aimed at high-end AI servers, last week submitted a set of proposals for the June AGM including the appointment of Maruki as director, a reduction of directors' terms from two years to one, a stock split and capital policy review.

The activist said the current board lacks sufficient governance experience and is ill-suited to judge the measures required to enhance shareholder value.

"We are proposing to change the article of incorporation so that the board of directors can discuss capital costs and capital policies," said Maruki in an interview with this news service. "This time, we didn't make any proposals such as dividend hikes and share buybacks, but I would like to discuss such matters as well when appointed."

Chairman's "fear of debt"

For about the past year and a half, Strategic Capital has carefully explained to Sanyo Denki how to think about the cost of capital and why it needs to improve capital efficiency.

"We have been trying hard to explain it. We made dozens of pages of materials and explained the cost of capital twice, but it was hard for them to understand," said Maruki. "Basically, Chairman Shigeo Yamamoto's mentality is 'debt is scary'."

The chairman's extreme fear of debt has led to a disregard of shareholders. Sanyo Denki's equity ratio stands as high as 77%, notably higher than Nidec's 51%, Yaskawa Electric's 58% and Delta Electronics (Taiwan)'s 41%, said the activist.

If Sanyo Denki were to adjust its equity ratio to around 60% – on par with Yaskawa Electric – it could improve its return on equity (ROE) to approximately 1.3x (about 10% based on current profit margin and asset turnover) while maintaining financial soundness, according to Strategic Capital.

Sanyo Denki maintains a level of profitability that is highly competitive when compared to domestic peers. Nevertheless, because it makes insufficient use of financial leverage, its ROE is being unnecessarily depressed, the activist said.

Strategic Capital also wants Sanyo Denki to improve its investor relations activities to adequately communicate its strength and growth potential with the investing public so that investors will be able to fully recognize the company's true value.

Sanyo Denki is a key player in the market for cooling fans for high-end AI servers equipped with NVIDIA's latest chips, a niche segment but one that plays a critical role in addressing heat generation in data centers.

No mention of NVIDIA

"Yet, the company does not disclose their customers' name. It does not transmit publicly the fact that its product is being used AI servers with NVIDIA's chips," said Maruki.

As a result, 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, as per the activist.

On the other hand, Taiwan's Delta Electronics is actively promoting its collaboration with NVIDIA to develop advanced power and cooling solutions. As a result, Delta Electronics' stock has gained market recognition as an "AI play," and its valuation has risen accordingly, the activist said.

Competitors in Japan and abroad actively disclose their major customers and delivery track records, clearly highlighting their growth potential and competitive advantage. By contrast, Sanyo Denki has made no such external disclosure despite boasting superior technological capabilities and proven delivery record, according to the activist.

Asked about the odds of winning at the AGM, Maruki said: "It is not easy," but added that if not only my appointment, but also other proposals receive 20%-30% of the votes in favor, it will have an impact in its own way.

Maruki also said Strategic Capital is waived from filing under the Foreign Exchange Foreign Trade Act (FEFTA) for submitting the AGM proposal as a director nominee because as a 100% Japanese unit it has 100% voting rights.

Meanwhile, a Sanyo Denki spokesperson said the company is currently in the stage of considering the schedule for a future Board meeting. Once the date is set, the Board of Directors will carefully study and discuss the shareholder proposals, and their opinions will be promptly disclosed as soon as they are decided, she said.

by Norie Hata in Tokyo



Relationships

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Sanyo Denki Co Ltd

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Topics

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