

## Special Feature Article

### Business Succession of **Parts Suppliers**

#### ~How to Survive in a Period of Great Change, Including M&A

In this once-in-a-century transformation of the automobile industry, parts manufacturers are under increasing pressure to adapt to emerging trends such as electrification and intelligent technologies. However, in order to make future investments, it is essential to stabilize their business foundations both in the short term and in the medium to long term. Business continuity is the key — not only for the small and micro enterprises that make up the majority of the supply chain, but also for large corporations aiming to grow as global suppliers through strategies such as M&A. This article explores the current state of the industry, with a look at specific initiatives from both the public and private sectors.

#### **A changing trend away from family-based succession**

In November 2024, Teikoku Databank published survey results under the headline “*Business Succession, Shifting Away from Family Ties.*” According to its nationwide survey of approximately 270,000 companies across all industries, Looking at the replacement of representatives in 2024 by the circumstances of their appointment, although this is a preliminary figure, “internal promotion” (36.4%) topped “family succession” (32.2%) for the first time. “M&A etc.” (20.5%) and “external recruitment” (7.5%) also grew from the previous year, showing that business succession methods that do not focus on “family” are becoming more widespread.

While the correlation with these trends is not necessarily clear, the same report indicates that in 2024, the percentage of companies without a successor fell to 52.1% — the lowest level since the survey began — suggesting an overall improvement. In the “transportation machinery and equipment manufacturing” sector, which includes automobile parts, the rate was even lower at 41.4%, ranking fifth from the bottom among 48 industry categories, a notably favorable level. Teikoku Databank analyzes that “there has been a growing recognition that business succession issues at companies that make up supply chains, including in the automotive industry, could have an impact on the entire supply chain, and the focused support that has been provided has played a major role in improving the lack of successors.”

In fact, the Japanese government has taken proactive steps to establish guidelines for business succession, particularly among small and medium-sized enterprises (SMEs). In 2021, the Small and Medium Enterprise Agency launched the “Atotsugi Koshien,” a pitch event targeting successor candidates. Each year, passionate young

individuals from various industries—including the Automobile Parts Industry—enter the competition, aiming to grow their family businesses and create new ventures.

Support for succession outside of family lines has also evolved. In 2015, the Small and Medium Enterprise Agency also formulated the "Business Succession Guidelines" to support business succession to non-family members, outlining M&A procedures, points to note, and how to respond when problems arise, and updated them as the "Small and Medium-sized M&A Guidelines" in March 2020. Since then, the guidelines have been revised several times to encourage small and medium-sized enterprises without successors to calmly pass on their businesses to third parties.

A noteworthy aspect of these initiatives is that they aim not merely to ensure the survival of individual companies, but to maintain and strengthen the entire supply network. In the area of M&A, the Small and Medium Enterprise Agency has conceptualized its efforts under the framework of "Supply Chain Business Succession," presenting models in which manufacturers take over the operations of their suppliers or client companies. In October 2024, the agency published a booklet titled *Supply Chain Business Succession Case Studies*, which includes an example from the Automobile Parts Industry. The case features Fukutaka Co., Ltd., a small parts manufacturer based in Katsuyama City, Fukui Prefecture, highlighting its M&A process and succession strategy.

According to the case study booklet, in 2020, Fukutaka Co., Ltd. acquired Sigma Co., Ltd., a mold manufacturer based in Takaoka City, Toyama Prefecture, which was facing a crisis due to declining performance, the aging of its owner, and the absence of a successor. The M&A between the two neighboring companies, which had an existing business relationship, proved to be a mutually beneficial example. "As a founder, there's nothing more satisfying than seeing the company I started grow," said Sigma Co., Ltd. Meanwhile, Fukutaka Co., Ltd. commented, "By internalizing mold production that had previously been outsourced, we stabilized our supply chain and evolved into a manufacturing company with a robust, integrated production system." The case stands as a successful model that brought satisfaction to both parties involved.

### **Technologies Rased by SMEs Represent Hidden Corporate Value**

Recognizing M&A as a means of growth, some companies have begun actively seeking strategic partners. One company is Serendip Holdings Co., Ltd. listed on the Tokyo Stock Exchange Growth Market and engaged in management consulting. Over the past decade, the company has steadily brought a series of automobile parts manufacturers under its umbrella.

In 2015, it acquired Sato Industry Co., Ltd. a specialist in precision metal processing. Then in 2018, it took over MITSUIYA KOGYO based in Toyota City, Aichi Prefecture,

which manufactures interior and exterior automotive components. Both companies are long-established firms with proven track records, having received commendations from TOYOTA MOTOR CORPORATION and AISIN CORPORATION, among others.

Continuing its expansion, Serendip Holdings Co., Ltd. has actively acquired manufacturing companies that form part of the automobile supply chain. In 2022, it brought Mikawakousan Co., Ltd. a producer of auxiliary materials for automobile parts based in Hekinan City, Aichi Prefecture, into its group. In 2024, it acquired Iwai Co., Ltd. a metal processing company located in Tsu City, Mie Prefecture, and Excel Group, a resin parts manufacturer headquartered in Chuo-ku, Tokyo. Most recently, in July 2025, SURTECKARIYA Co., Ltd. a surface treatment processing company based in Kariya City, Aichi Prefecture, joined the group.

In an interview with *Nikkan Jidosha Shimbun* in October 2024, Mr. Ari Takeuchi, President of Serendip Holdings Co., Ltd., pointed out challenges facing the automobile supply chain. “It is becoming increasingly difficult for companies with annual sales below 10 billion yen to survive. In the past, small manufacturers had strengths such as flexibility and adaptability, but today, disadvantages like delays in digital transformation (DX) and limited financial resources are more pronounced. Without a certain scale, purchasing power also falls short,” he noted. He also commented on the shift in business succession trends: “During the Showa era, the industry as a whole was growing, and it was common to pass businesses down within the family. Today, with the declining birthrate, more business owners are saying, ‘I want to hand over the company while I’m still healthy,’ and are beginning to prepare for succession.”

In the case of Iwai Co., Ltd., the company was forced into civil rehabilitation proceedings just prior to its acquisition, due to a combination of succession issues and a sharp decline in orders during the COVID-19 pandemic. Nevertheless, Serendip Holdings Co., Ltd. proceeded with the acquisition, stating, “We are confident that through management reform and digital transformation, the company can achieve significant growth.” In April 2025, Iwai Co., Ltd. was integrated with Sato Industry Co., Ltd. within the group, and a new company, UNICREA Co., Ltd was established. The new entity handles a wide range of processing operations, from body parts to transmission components.

Mr. Ari Takeuchi, President of Serendip Holdings Co., Ltd., who also has a background in IT industry marketing, shared the philosophy behind his M&A strategy: “I want to create a role model for how small and medium-sized enterprises can survive by inheriting and building upon their technologies.” He further elaborated on his vision for future growth: “Scale is essential for expansion. With Japan’s population in decline, it is only natural to leverage our technologies and enter growth markets such as India. Merging local companies with Japanese firms is also a possibility.”

### Management structure required even for listed companies

“Our company was struggling financially before joining the group, and we even faced accounting issues. At the time, all we could think about was how to wind down operations. But by accepting the acquisition, we were able to protect both the company and our employees’ livelihoods.”

This comment was made during a press conference held by NIDEC CORPORATION in Tokyo in April 2025. The speaker was Mr. Yoshihide Morimoto, formerly of OKK Corporation (based in Itami City, Hyogo Prefecture), which was acquired by NIDEC CORPORATION in 2022 and now operates as NIDEC OKK CORPORATION.

OKK Corporation, a long-established machine tool manufacturer listed on the Tokyo Stock Exchange Standard Market, traces its origins to Matsuda Seisakusho, founded in Osaka by Jujirou Matsuda, the founder of Mazda Motor Corporation. Known for its independent operations, the company faced a sudden management crisis in the summer of 2021 following the emergence of accounting irregularities. The downturn in orders during the COVID-19 pandemic further exacerbated its financial troubles. It was NIDEC CORPORATION that stepped in, reportedly at the suggestion of financial institutions. At the time of the acquisition, Mr. Yoshihide Morimoto, a long-time employee of OKK Corporation, was serving as its president. His remarks carry the weight of personal experience and deep emotion.

The press conference in the photo was hastily convened by NIDEC CORPORATION amid its move to launch a tender offer (TOB) for Makino Milling Machine Co., Ltd., a major player in the machine tool industry. As Makino Milling Machine Co., Ltd. made its opposition to the acquisition clear, NIDEC CORPORATION sought to counter the negative perception surrounding M&A by providing a platform for a former president of a company it had acquired to speak directly and candidly.



In the case of OKK Corporation, Mr. Yoshihide Morimoto continues to serve on the front lines as Chairman, even after the organizational restructuring. The fact that the former management remains actively involved in the business sets this case apart from typical M&A scenarios. Although the acquisition of Makino Milling Machine Co., Ltd. ultimately did not materialize, the press conference became a symbolic moment amid growing public attention toward “hostile TOBs.” It reflected NIDEC CORPORATION’s intent to dispel negative perceptions of M&A by showcasing the

voice of a leader from a previously acquired company.

Around the same time, a takeover battle erupted over SHIBAURA ELECTRONICS CO., LTD., a major sensor manufacturer, involving MinebeaMitsumi Inc. and Taiwan-based Yageo Corporation. The cross-border competition stirred various concerns and speculations, including fears over the outflow of Japan's manufacturing technologies to overseas markets.

What stands out in both cases is that globally recognized corporations pursued M&A with listed companies as part of their growth strategies. Amid sweeping transformations such as electrification and intelligent systems, even major suppliers serving domestic and international automakers cannot afford to be complacent. These companies are drawing up blueprints for rapid business expansion by acquiring mid-sized manufacturers with established scale, and leveraging their human resources, facilities, and sales networks. Faced with such market dynamics, traditional manufacturing firms are being forced to consider how to preserve their spirit of independence and continue writing their corporate histories.

In 2014, U-Shin Ltd., a leading manufacturer of door lock mechanisms, made headlines by publicly recruiting candidates for its next president. The initiative was the brainchild of Mr. Koji Tanabe, a prominent figure from the founding family who had served as president for nearly 40 years and actively pursued M&A strategies. Although the selection process ultimately stalled after various twists and turns, the approach attracted widespread attention, with more than 1,700 applicants from both inside and outside the industry.

One of the factors that led to the public recruitment was the absence of younger members within the then management team who could take over leadership, making generational transition difficult. In later years, Mr. Tanabe stated in an interview with *Nikkan Jidosha Shimbun*, "Succession planning is a complex issue. In Japan, it is common for someone already within the company to be appointed president. However, executive management is a specialized profession. To speak frankly, it is more rational to bring in professional managers from outside the company, as is often the case in Europe and the United States."

Even U-Shin Ltd. came under the umbrella of MinebeaMitsumi Inc. through a tender offer in 2019, following Mr. Tanabe's retirement—underscoring the rapid pace of change within the industry during this period. The success or failure of business succession, a process for which there is no single optimal solution, must be assessed with a long-term perspective.