

# sustainable japan

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## Digital marketer Netyear zeros in on generative AI

### Unraveling Japanese companies

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With the continuing rise of artificial intelligence technologies, the digital marketing firm Netyear Group Corp. announced last year that it would fully shift to generative AI in its services.

"When I took this post about two years ago, generative AI was just starting to emerge, and I told my coworkers that we would spend all our resources on it and needed to completely change our mindset, otherwise we would not be able to remain competitive in the market," said President and CEO Ryuzo Hironaka in a recent interview, part of a monthly series by Naonori Kimura, a partner for the consulting firm Industrial Growth Platform Inc.

### Shifting to generative AI

Hironaka said not many companies in the country have yet incorporated generative AI technologies into their operations despite the accelerated technological development, although businesspeople have already started to adopt it on their own. "Since our main business field is marketing, we must think about how effectively and efficiently we can utilize it with our customers," he said.

It may be natural for the company to do

so, as the magnitude of how AI has been transforming the world is similar to how the internet has affected society. Netyear was established in 1999, during the early development phase of the internet. The company soon posted growth, which made it possible to list its stock on the Tokyo Stock Exchange's Mothers market for young emerging companies in 2008. Currently, Netyear is traded on the TSE's Standard market.

### Growth and market expansion

Netyear's business network has come to involve more than 1,000 firms, and it makes more than 2,800 deals a year. In 2019, the company became a group company of NTT Data Corp. in order to maximize the value of its digital marketing by achieving synergy with the system developer.

"Since Netyear had accumulated data on customers' purchases, we needed to analyze it for marketing and, as the next step, develop new services to further deepen relationships with our customers," Hironaka said, adding that this view was not fully shared in the company. As a result, he said, workers had mainly focused on tasks like creating websites and mobile applications.

Hironaka's announcement of the company's complete shift toward generative AI aimed to help it bounce back from a decline. For the business year that ended in March 2025, it marked a net loss of ¥33.75 million (\$210,000), down from



President and CEO Ryuzo Hironaka COSUFI

¥106.11 million in net profit a year earlier, on sales of ¥3.38 billion, against the previous year's ¥3.63 billion.

### Strengthening AI partnerships

In the following business year, the company started to reinforce cooperation with NTT Data and other group companies in the field of generative AI technologies to attract new corporate customers and build a stronger customer base.

For Netyear, it is essential to strengthen its relationship with NTT Data, which launched a strategic alliance with OpenAI Inc. last year, becoming the first OpenAI agent in Japan. NTT Data experts are now providing an OpenAI acceleration program to 100 major Japanese firms.

Meanwhile, Netyear aims to develop its human resources in the field of generative AI, trying to utilize them in AI-related internal operations that had been outsourced and increase business efficiency.

The battle among generative AI technologies has grown fierce since OpenAI

launched the revolutionary AI chatbot ChatGPT in November 2022. The potential of artificial intelligence has prompted companies around the world to transform their business operations to boost efficiency and create new services.

Netyear said in its latest business plan, released last June, that business fields that would likely increase in value through introducing generative AI — customer operations, marketing and sales, software engineering, and research and development — coincided with the company's major business domains. Citing a 2023 McKinsey & Co. report, the plan said those fields would be impacted most because customer operations would likely automate and improve the efficiency of replies to customers, marketing and sales would benefit from data analysis and the creation of personalized advertising, software engineering would automate code creation and bug fixes, and R&D would accelerate the speed of new product design and simulations.

### Focus on personalization

Hironaka said companies should emphasize two aspects of generative AI: personalization and automation. "In the upcoming generative AI era, if we don't have customers' personalized data, that means we don't have armor to protect ourselves" from harsh competition, he said. In the future, AI could automate processes related to consumer activities such as credit card payments and settlements, he said.

Another key aspect that companies need to focus on when they utilize generative AI is its ability to update consumer data in real time, he added.

Netyear thinks interactions between companies and their customers will eventually involve AI agents on both sides, a model it calls "AI agent-Based Autonomous Communication®" (ABAC). For example, an AI agent for an end user would let an agent for a corporation know about the user's consumption behavior and the latter agent, which has knowledge about products and how to reply to frequently asked questions, would autonomously process the data.

"Whether to utilize generative AI will determine the critical turning point of corporate activity in the future," a company's report says.

### Future AI-driven strategy

As the first step, Netyear will support corporate customers in converting digital media designed for web searches into ones geared for generative AI.

At the same time, the company will improve its own productivity in developing corporate customers' digital media by utilizing generative AI. Lastly, it will develop AI agents for them in cooperation with NTT Data.

To support future growth in the field of generative AI, Netyear plans to expand its AI taskforce into a larger organization, enabling it to collaborate with customers on experimental projects. It will also send employees to a generative-AI training program run by Yutaka Matsuo, a professor at the University of Tokyo specializing in artificial intelligence, deep learning and big data.

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Netyear Group is moving to elevate customer value creation through the utilization of generative AI, anticipating the full arrival of the generative AI era. Long recognized for its strength in customer experience-driven marketing support, the company at one time placed emphasis on production services such as for websites and system development. However, Netyear has shifted its focus toward leveraging customer data and delivering tangible outcomes, redefining its value.

In particular, the company has recognized changes in the decision-making environment, where choices are increasingly made without relying on online search, and is evolving its offerings toward value creation centered on personalization and real-time responsiveness. At the same time, it is constructing the "ABAC model," in which AI agents representing companies and customers connect, with the aim of redefining the nature of future customer touchpoints. Furthermore, as a member of the NTT Group, Netyear is well positioned to drive social implementation by leveraging the group's advanced technologies and data platforms — an important factor underpinning its competitive advantage.

In pioneering these new domains, where value creation and risk are inseparable, maintaining a stance of working alongside customers to explore optimal solutions based on mutual trust is essential. President Hironaka stressed that he wants the company to enhance its productivity and reputation as an organization while evolving into a workplace where every employee can take pride in their work. Netyear's evolution is poised to present a new direction for value creation in the digital society.



"Since our main business field is marketing, we must think about how effectively and efficiently we can utilize it with our customers," Hironaka said.  
COSUFI

## Family business heirs pitch ideas at Atotsugi Koshien

### ESG/SDGs

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Small and medium-size enterprises (SMEs), which account for about 99% of all companies in Japan, play a vital role in supporting the economy as providers of employment and technological expertise. However, many are now facing a serious challenge: a lack of successors.

In response, the Small and Medium Enterprise Agency has been implementing measures to address various issues associated with business succession, providing strong backing to SMEs undertaking succession efforts.

One such initiative is the Atotsugi Koshien, a pitch contest for business successors. The final round of the sixth competition, in which successors and successor candidates age 39 or younger from across Japan present new business ideas based on their companies' existing resources, was held on Feb. 11 at Otemachi Mitsui Hall in Tokyo.

### Critical turning points

Generational change in a company is not merely a transfer of leadership; it is a critical turning point that can significantly shape its future growth and direction. Smooth business succession is therefore essential to maintaining the vitality of SMEs and ensuring their sustainable development.

However, succession requires time and careful preparation. More than half of SME owners say it takes at least three years to transfer leadership to a successor, underscoring the importance of early and well-

planned efforts.

Another major challenge, cited by both current leaders and successors, is the managerial capability of successors. Strengthening these capabilities requires improving their ability to formulate business strategies, communicate effectively and execute new initiatives. The Atotsugi Koshien, launched in 2020, is one effort aimed at helping them develop those skills.

Many past participants have gone on to develop their ideas into actual businesses after taking part in the competition, which has evolved beyond a simple contest into a platform that fosters new initiatives.

This year, 225 applicants from across Japan entered the competition, with 90 advancing to regional rounds after an initial screening process. A total of 18 finalists selected from six regional blocks — Kyushu and Okinawa, Chugoku and Shikoku, Kansai, Chubu, Kanto, and Hokkaido and Tohoku — advanced to the final stage.

Toshiyuki Ochi, a parliamentary vice minister of economy, trade and industry, highlighted the importance of challenges undertaken by business successors in his opening remarks, saying, "Successors who confront issues facing their communities and industries and overcome them to grow their businesses will help shape the future of regional economies and Japan as a whole."

At the final round, entries were evaluated based on criteria including originality, sustainability and social impact, as well as how effectively participants leveraged their companies' existing resources and the level of passion and narrative behind their ideas.

Awards including the economy minister's prize, the SME Agency commissioner's



The Koshien finalists and past participants SMALL AND MEDIUM ENTERPRISE AGENCY (SMEA)

prize, the innovation and environment bureau director's prize, the excellence award and corporate special prizes were presented, with a total of eight successors selected.

### Value for family businesses

Turning waste into a resource while addressing local challenges — the initiative by Ken Sato of Mold Model Co. Ltd., a casting company based in Yamanashi Prefecture, stood out as a compelling example of a circular business model. It received the economy minister's award.

The company, which produces metal products using gypsum molds, has been grappling with the disposal of waste gypsum generated in its manufacturing process. Rising disposal costs, fewer available disposal facilities and stricter regulations had put the continued use of its long-established technology at risk.

Against this backdrop, Sato focused on converting waste gypsum into liquid calcium fertilizer. The idea was sparked by a local grape grower who was struggling with fruit cracking caused by extreme heat. By

repurposing what had previously been treated as waste, the initiative aims to reduce environmental impact while supporting agriculture. Based on university research, the technology was adapted for practical use and brought to market by leveraging the company's on-site expertise.

The initiative also points to the potential of a localized circular model in which waste generated within a region is reused locally, helping to reduce transportation costs and stabilize supply. Sato said he aims to start in Yamanashi and eventually expand nationwide and overseas, with the goal of establishing a regionally rooted circular model. His decision to take over the family business was driven in part by a strong desire to protect both his employees and the company's technology.

Rather than simply inheriting the business, his approach — creating new value by addressing existing challenges — was highly regarded.

Unlocking new value from underutilized resources and connecting local materials to global markets — this approach by Tsubaki

Hokama of Japan Biotech Co. Ltd., a company engaged in land-based cultivation of sea grapes in Okinawa Prefecture, was recognized with the SME Agency commissioner's prize.

Founded by her grandparents and expanded under her mother to export to 14 countries, the family business has grown steadily but has faced limits in production capacity and its ability to accommodate tourists.

To address these challenges, Hokama proposed a new venture that repurposes off-spec sea grapes, normally discarded, as raw materials for beauty products. Focusing on the approximately 6.4 tons of unused resources generated annually, she aims to convert them into cosmetic ingredients by leveraging their rich nutritional properties. With products using Okinawan ingredients on the rise, she has chosen a business-to-business strategy rather than targeting consumers directly.

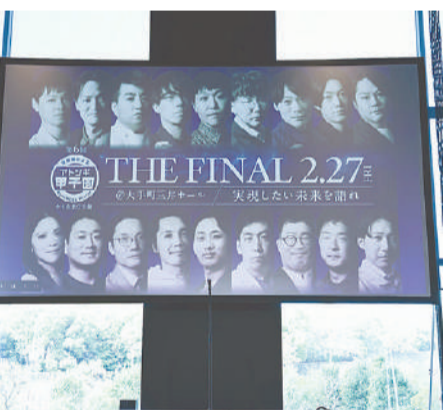
She has set her sights on Paris as her target market. As demand for seaweed-based cosmetics continues to grow, sea grapes remain relatively unknown, offering significant room for differentiation. By leveraging the company's existing export experience, she aims to establish value in overseas markets before expanding into Japan.

The innovation and environment bureau director's prize was awarded to Naoto Takamashi of Takamashi Manufacturing Co. Ltd. Corporate special prizes were presented to Mold Model's Sato and Japan Biotech's Hokama, while the excellence awards went to Hiroaki Kobayashi of Marukin Co. Ltd. and Ryota Inagaki of Inagaki Sekizaiten Co. Ltd.

### Challenges and opportunities

A panel discussion featuring experienced business leaders and past award winners was also held at the final round, moderated by Mariko Mabuchi, a representative director of the Japan Institute of Finance and Economics, and focusing on the challenges commonly faced by business successors and how to address them.

Participants included Ichiro Kawanabe, a director of Nihon Kotsu Co. Ltd.; Hironori Tomoyasu, president of Tomoyasu Seisakusho Co.; Takuhiro Ashida, winner of the



This year's finalists SMALL AND MEDIUM ENTERPRISE AGENCY (SMEA)

economy minister's prize in the fifth competition; and Tetsuya Nanbara, winner of the SME Agency commissioner's prize in the fourth competition.

The discussion highlighted that business succession does not always proceed smoothly, with successors often facing gaps between expectations and the realities of management, as well as challenges in building trust within their organizations. Participants also shared the view that pursuing new business initiatives is essential for sustainable growth, as relying solely on existing operations can limit a company's future potential.

They further noted that successors already possess valuable assets, such as established customer bases and relationships with financial institutions, and that effectively leveraging these resources is key to success. The importance of networks among successors was also emphasized, as connections with peers facing similar challenges can help generate new ideas and solutions.

Overall, the session underscored both the difficulties faced by successors and the opportunities for innovation based on existing business foundations.

Feedback from both panelists and judges indicated that the finalists' presentations stood out for their quality, execution and strong sense of purpose. Their efforts to build new markets and create value while drawing on existing businesses pointed to the potential for sustainable growth rooted in local industries and communities.



Ken Sato (left) of Mold Model Co. Ltd., which received the economy minister's award.  
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