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GLOBAL FINANCE & TECHNOLOGY NETWORK

2025 Japan FutureTech Forum: Accelerating Technology Adoption

March 2025

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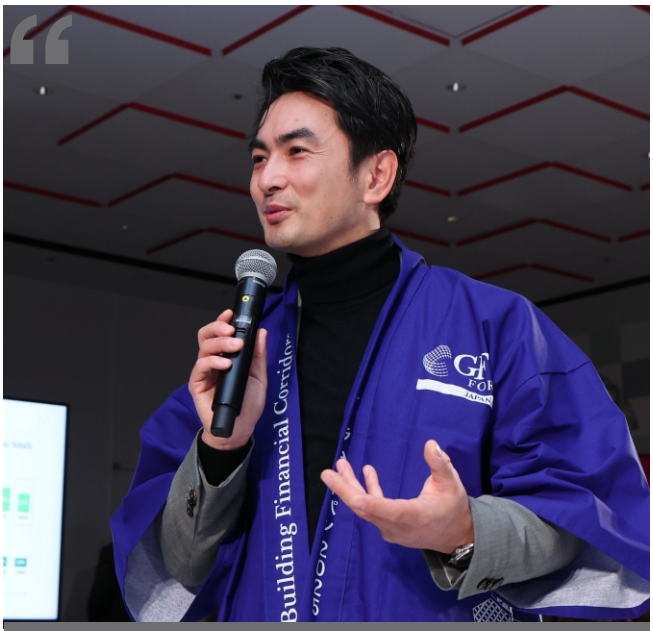
Introduction

This report captures the key insights and emerging trends discussed on the Future Tech Forum stage at GFTN Forum Japan 2025, hosted by the Global Finance & Technology Network (GFTN) in collaboration with Japan Financial Services Agency (FSA), Japan FinTech Week, Fincity.Tokyo, JPX, METI, Digital Agency, and the Monetary Authority of Singapore (MAS). Industry leaders, policymakers, entrepreneurs, and inspirational changemakers came together to share their expertise on critical topics like the future of digital assets, artificial intelligence, and quantum computing in the context of global economic and geopolitical shifts.



Akira Shibata, Country Manager Japan & Korea, Weights and Biases

Roadmap for AI and Quantum

State of Artificial Intelligence (AI) in Japan

Akira Shibata, Country Manager Japan & Korea, Weights and Biases, discussed the state of AI in Japan and the shift from building foundation models to leveraging existing AI tools for business applications. He highlighted the government's distinctive light-touch regulatory approach, where AI training models are being used on copyrighted material. They have also taken an active role with initiatives like the GEN AI Accelerator challenge, where the Ministry of Economy, Trade and Industry (METI) will provide computational resources for the development of generative AI (GenAI) models and encourage collaboration among stakeholders.

More companies are migrating towards applying AI in their industries, including in-house model development, moderate customisation, and low model customisation. As a result, there is an emerging AI ecosystem in Japan across various industries with significant investments from tech giants like Microsoft, AWS, OpenAI, and Google. Companies are actively incorporating AI into their existing lines of business, while digital natives are developing original GenAI models. Established tech corporations also producing highly relevant research, enabling the ecosystem to develop further. A key example is Mizuho FG, which has incorporated AI into its audit process to reduce manual work. Additionally, the company has partnered with Nippon Telegraph and Telephone (NTT) Data to refine NTT's Tzumi model, customising small language models in preparation for developing an AI agent system.

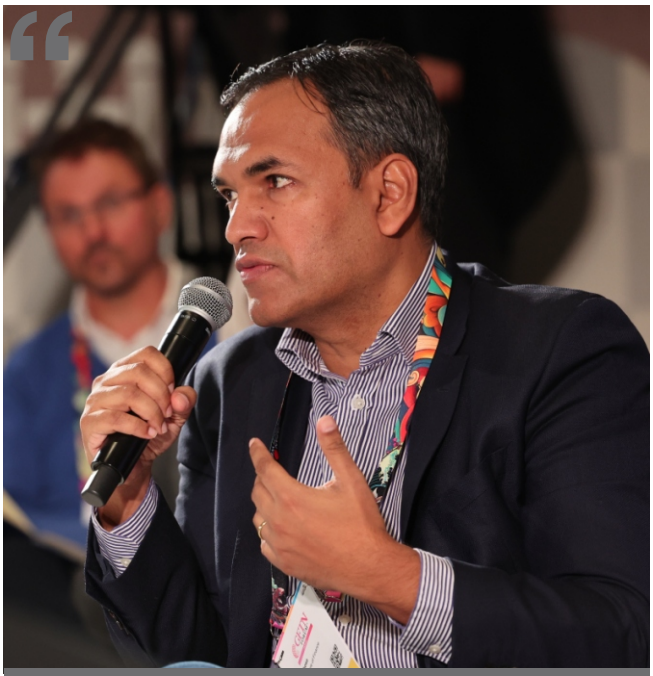
> *"The amount of money SoftBank pays to deploy AI is actually comparable to the amount they pay to their employees combined, so that's probably mind-boggling."*

Furthermore, Sumitomo Mitsui Finance and Leasing (SMFL) is building an in-house generative AI model, Sakana AI, to transform its sales process. Notably, Softbank is set to invest $40 billion dollars into Open AI.

Despite these advancements, public sentiment around GenAI in Japan remains cautious. Akira concluded his session with an interesting statistic revealing Japan's confidence in GenAI adoption to be the lowest globally at 27%, and the highest in anxiety at 28% (Boston Consulting Group, 2024). In contrast, there was general trend of higher confidence and lower anxiety towards GenAI in the Global South.

The Role of Incumbents and Challenges of AI Adoption

One of the panels focused on the role of incumbents in shaping AI's future, specifically the challenge of integrating AI into business models compared to personal use. Speakers discussed the risks associated with AI, such as hallucinations, illusions where it is hard to distinguish between real and AI images, hackers, and compliance, particularly in GenAI risk management. David Brunner, the Founder & CEO of ModuleQ, explained that GenAI is distinctive in its production of unpredictable output, hence the difficulty lies in characterising the range of distribution of these outcomes. The persisting challenge now is how AI



Ronit Ghose, Head of Future of Finance, Citi

> *"Your voice is your password – that is useless now. I mean the face ID, anything that is online, voice, video, is almost useless. So, what we've done is we've invested in a couple of deep fake analysis startups. The idea is that the only way to fight AI-based deep fakes is to use AI ourselves, or Genetic AI, to analyse and fight because obviously as we all know AI doesn't think like a human. Now it's beyond human, so we must have defence systems that are using AI."*

can be deployed securely and how the fragmented existing data can be transferred and integrated into GenAI. David Brunner, the Founder & CEO of ModuleQ, also notes that many incumbents are struggling to decide which technologies to adopt, given the rapid pace of development.

Ronit Ghose, Head of Future of Finance, Citi, emphasised the need for a centre of excellence to manage AI adoption and governance, in large companies.

Yan Jiang-Miang, Chief Innovation Officer, Ant International, noted that it was essential that AI products, especially those that make recommendations for insurance and investments, are approved by regulators to ensure they meet compliance standards.

Daisuke Aranami, Managing Executive Officers, Microsoft Japan, highlighted a viable opportunity for international fintech startups, which are already integrated into the large financial institutions, to collaborate with players in Japan. This could provide more customised solutions that are required for big partners and banking customers in Japan. The panel then came to an end with a final remark by Yan Jiang-MIang on how these solutions can be internalised by applying domain specified use cases and data models to the latest technology.

The Future of Quantum Computing, AI, and Evolving Cybersecurity Risks

A panel focusing on quantum computing highlighted the transformative potential for cybersecurity and financial services, leveraging qubits and superposition to perform complex calculations at unprecedented speeds. Shuya Kekke, Representative Director, Chief Executive Officer (Japan), Quantinuum K.K., noted that there would be a trillion-fold increase in computational power with the current quantum computing model they are working on. This could optimise aspects of financial services such as risk analysis and fraud detection, however, also pose significant encryption risks.

James Sanders, Programme Director, QAI Ventures

> *"So just as an example, cybersecurity that we're talking about now takes 30 million years to crack up a very strong password. In theory, in a few years when the quantum computers get strong enough, they'll be able to break them in 12 days."*

Thus, to safeguard against quantum threats, strong frameworks for quantum-resistant cryptography must be developed.

James Sanders, Programme Director, QAI Ventures, added that the quantum computing industry is also facing a talent shortage, with only about 500 quantum startups globally.

Educational initiatives and talent development programs are crucial to address this challenge and foster innovation in quantum technologies. Examples that were mentioned included the free accelerator programmes, and the GenQ Quantum Computing Hackathon at University of Calgary in Canada, which helped launch four companies.

Another panel discussed the evolving landscape of cybersecurity and financial crime in the age of AI and quantum computing, where ransomware, fragmented identities, and phishing remain major threats, with human error as the weakest link. Carole House, former White House Special Advisor, raised the immediate threat from democratized access to AI by malicious actors; She emphasised that this made it harder to detect and prevent social engineering attacks.

Carole House, Former White House Special Advisor & Senior Visiting Scholar, Georgetown University

> *"Privacy is still at play, just now with more scalability. They're even more scary if we don't put in place the guardrails for privacy and security. So I think, to me, it really underscores the need for us to invest in those building blocks for what we want, for the use of that data, because of the potential for that scalability, and, of course, the risk of all data becoming potentially open, or at least a lot of data becoming open, if it's not implemented post quantum state cryptography."*

Emerging short-term threats include challenges in accountability with rapid AI-enabled growth and the risk of data exploitation, **where most data today will be no longer be safeguarded**. Long-term, quantum computing poses a critical risk for data encryption.

To build robust and secure financial infrastructure, proactive security measures and frameworks for emerging technologies and their standardisation must be central to business leadership and the public sector. Many countries including Japan and the United Kingdom, do not cover ransom claims as part of cyber-insurance. The panel concluded with a note for investment in security capabilities, including AI and cyber-insurance, to ensure consumer trust, and training initiatives to improve cybersecurity resilience.

Hyper-Scaling of Start-up Ecosystems

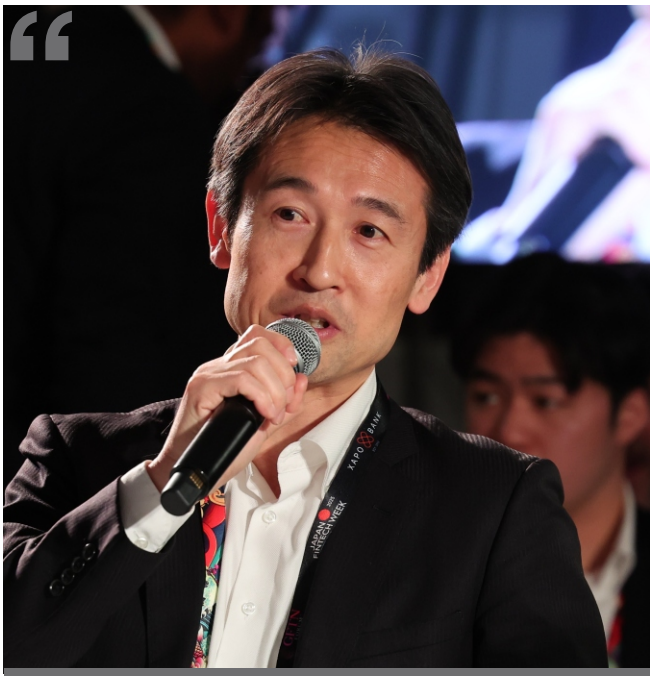
Playbook for Start-ups—A Strategic Approach to AI Adoption

One of the panels explored the integration of AI in the financial industry, emphasizing collaboration between large financial institutions and startups to scale innovation. Keiji Matsunaga, General Manager, Digital Strategy Department, Sumitomo Mitsui Banking Corporation (SMBC), highlighted their leadership in AI adoption with their $200 billion investment in Southeast Asia and India and implementation of tools like automated call centers and Robotic Process Automation (RPA) to enhance efficiency. Their AI assistant processes 22,000 transactions daily, boosting productivity, while their generative AI business intelligence tool integrates customer and Systems, Applications, and Products (SAP) data to deliver financial insights and recommendations. SMBC's approach sets a benchmark for startups to leverage AI to drive growth and improve customer service.

A recurring challenge in adopting AI systems is the lack of trust among banks and vendors. Dr. Joseph Breeden, CEO of Deep Future Analytics, emphasized the importance of integrating AI strategically into banking models, particularly for risk management and regulatory compliance. Dr.Joesph also stressed the need for testing products with a broader pipeline vision to ensure long-term success.

Generative AI's limitations, such as hallucinations, make it unsuitable for financial investment decisions. However, Jan Szilagyi, Co-founder & CEO, Reflexivity, explained that large language models can be leveraged for investment analysis as he evidenced with the success of his platform.

Jan Szilagyi, Co-founder & CEO, Reflexivity



Keiji Matsunaga, General Manager, Digital Strategy Department, Sumitomo Mitsui Banking Corporation (SMBC)

> *"If you think back to the early years of the internet when Google came out, it was not the first search engine, right? We had names that nobody now even remembers anymore, like Lycos Alta Vista and so on. Why did they suddenly take so much market share? They connected the information in a way that resulted in faster and more accurate answers and that underpinned virtually everything else. And so, they took something that had been commoditised at that point, which was internet search and made it incredibly more relevant to everybody."*

This underscores the importance for fintech startups to focus on enhancing user experience and solving critical problems effectively to differentiate themselves.

While startups offer cutting-edge technology, Keiji Matsunaga, General Manager at SMBC, noted challenges in aligning their single-point solutions with broader institutional strategies. He advised startups to adopt a long-term vision, considering factors like ROI, talent shortages, legacy systems, and regulatory constraints.

> *"Usually, our investment objective is strategic—how we can process product development, how we can utilise advanced technology or collaborate towards some transformation of the business for the future, and some growth areas. But sometimes startups tend to promote single point solution savings for the big organisational business companies and sometimes from our side, financial institutions are likely to narrow them to a very, very small scope. Or sometimes it's just an entity in narrow scope conservation, which makes it hard to justify the ROI and how to allocate inner resources for business development, and in the end, nothing happens."*

Blueprint for Digital Assets

State of Application Programming Interface (API) in Japan and Globally

A panel focusing on the adoption of API-driven fintech solutions highlighted the risks and challenges, and its impact on accelerating digital transformation. While APIs enable companies to expand networks and bridge product gaps, security concerns arise from unpredictable applications accessing systems. This makes it challenging for financial institutions to securely implement and use APIs.

Paul Chapman, Founder & Chief Executive Officer, Moneytree KK

Umang Moondra, Chief Executive Officer, APIX Platform

> *"I'm a teenager startup founder. My startup is 13 years old this year, so it takes time to really change things in Japan. One of our advisors who actually set up MasterCard many years ago and all sorts of companies said, it takes about 20 years to affect change in Japan."*

Paul Chapman, Founder & Chief Executive Officer, Moneytree KK, highlighted the slow progress of API adoption in the financial industry, especially in Japan. He attributed this to cultural factors, lack of developers, and insufficient funding for fintechs. Chapman also noted specific hurdles in Japan, including lack of technical standards, bilateral contracts, self-security reviews, and banks charging fees for API use.

Following this, Umang Moondra, Chief Executive Officer, APIX Platform, remarked on his observation of a positive shift towards partnerships in addressing complex challenges.

Varlam Ebanoidze, the Head of FinTech Development & Innovation Office at the National Bank of Georgia, emphasized the importance of addressing pain points in API adoption. He highlighted three use case scenarios: foreign exchange (FX) conversions, QR code-based payments, Know-Your-Customer (KYC) via opening banking vs digital KYC, where the average success of finishing is approximately 60%. Ebanoidze also noted the success of creating sandbox environments for newcomers and non-banks to experiment with APIs. In addition, he noted the rising trend of cross-border interoperability and collaboration with other countries on mutually beneficial use cases and systems.

> *"One of the challenges that one of my guys is working on right now is how to identify deep fakes and video game IC. Now this is new technology, and it's on a level where most banks don't have the capability or talent to address it. But for specialised programmes outside, this is their bread and butter. They can do it better than any bank, anywhere."*

To move forward, the industry must address security risks, liability issues, and authentication challenges. This will help reassure banks and encourage broader API access, potentially leading to growth in payment APIs and open systems for data access.

The Fungibility of Stablecoins and Potential Challenges for Cross-Border Transactions

Another panel on stablecoins explored their potential to bridge traditional and digital finance, emphasizing their $200 billion market opportunity. Stablecoins offer significant benefits, including fungibility, disintermediation of credit, and faster cross-border payments. However, liquidity risks and potential "runs" were highlighted as major concerns. Peter Goodrich, Member of the Secretariat at the Financial Stability Board (FSB), emphasized the need for collaboration between collaboration between policymakers, regulators, and industry leaders to create regulatory frameworks that address these risks. He noted that technology neutrality in regulations could help drive investment and adoption. The panel also highlighted a crucial difference between regulating at the issuer level,

which involves licensing and supervision, and regulating at the market access level, where the challenge is balancing innovation with the need to mitigate risks like liquidity mismatches and systemic vulnerabilities.

Challenges tied to stablecoin adoption were also discussed. With most stablecoins pegged to the US dollar, Peter highlighted risks to monetary sovereignty and macro-financial stability in countries with capital controls. However, Elise Soucie Watts, Executive Director, Global Digital Finance, pointed out that market abuse criteria for stablecoins are better defined than for other digital assets.

Elise Soucie Watts, Executive Director, Global Digital Finance

> *"Future proofing the requirements for both backing assets and redemptions, while looking at the models that are already in the market, is how industry leaders, regulators, and policymakers can harness the power of stablecoins for the global economy."*

In addition, Elise suggested practical solutions like market access, non-discrimination, and regulatory agreement alignment for the governance of stablecoins.

The panel also raised that there were different issuer models with different legal frameworks for redemption, backing assets, and localisation requirements. Peter noted two challenges: some jurisdictions lack sufficient government bonds to back stablecoins, and increased issuance could reduce the bank deposits available for lending.

The discussion was then concluded with emphasising the importance of public-private partnerships and the need for understanding existing regulations and stablecoin regimes to provide technical feedback to regulators.

The New Financial Corridor

Digital Civilisation and The Infrastructure of Technology

Professor Jun Murai's keynote shed light on the evolution of the internet and the infrastructure of technology and its dynamic components, including the globally interconnected future and national ambitions and goals for Japan. He highlighted the International Telecommunication Union's restructuring of operations, emphasising Asia's strong internet coverage, with 65% of the Asia-Pacific region using the internet. However, there are still opportunities to expand high-speed internet connectivity and access in the region.

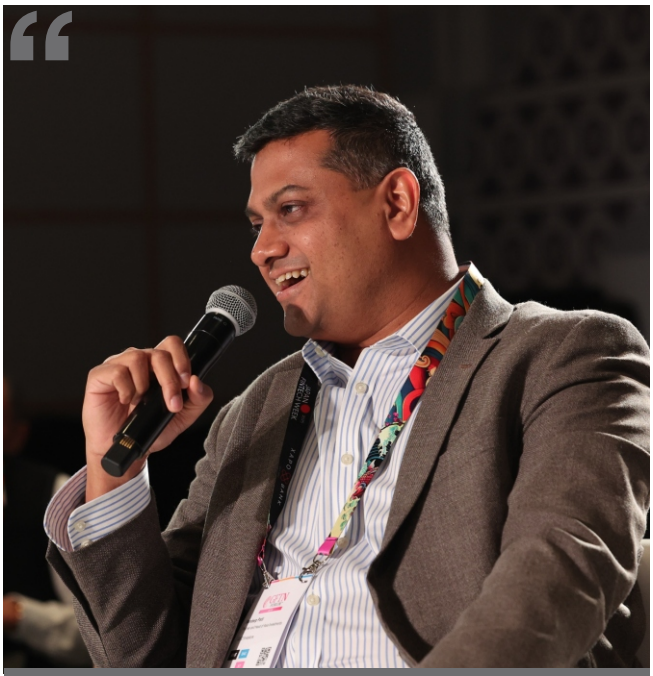
Professor Jun Murai, Distinguished Professor, Keio University

> *"So, you see Netflix is on every single computer, right? And that's because a standard is achieved, and therefore Netflix doesn't use decoding technology, because it's a standard. It's costless – YouTube, Netflix, they're all able to do whatever they want, because the infrastructure is designed properly. Therefore, the standard is really important to reduce the cost of any industry sitting on the top. "*

He also detailed their efforts in enhancing university networks to 800 gigabits per second, with a focus on improving internet connectivity across national borders. One example is the Pacific Connect Project in collaboration with Google to be completed by 2027, where the goal is to establish global connectivity. The subsea cables will be expanded to connect from Chile to Australia, Singapore, India and Africa, to South pacific and beyond. At the centre of this lies Positioning, Navigation and Timing (PNT) technology, where precision and timely data become increasingly relevant and critical; data and technology must be synchronised with accurate timing. A key takeaway from this address was the need to build global financial corridors with digital technology, data, and computation connecting the entire world.

The explosive potential for AI, robotics, and quantum computing in navigation can be leveraged to bridge this gap in accuracy and precision of data and information for various applications in space and beyond.

With the current shift in AI models and processes from large scale to personal scale computing, the transparency in data exchange and secure sharing and use becomes increasingly critical. In his final remarks, Professor Murai mentioned government silos and the Japanese government's efforts to overcome them by creating trust with secure web architecture and standardisation.



Sandeep Patil, Partner & Head of Asia Investments, QED Investors

> *"I am an identity optimist because of the positive change that has happened with Aadhaar in India. I think similar things can happen in other parts of the world, Africa, parts of Latin America, even parts of Southeast Asia, where that level of digital infrastructure at that scale doesn't exist. Identity will be the single thread holding cross border payments and trade together, so if you can have a global identity network, I think that would be fantastic. It will revolutionise the financial industry like nothing else has."*

Digital Identity and Global Financial Infrastructure

In a panel discussion about the relevance of digital identity, the need for a global standard in financial services was raised. As of 2024 the World Bank reported that 3.3 billion people still lack access to digital identity, underscoring the urgency for widespread adoption, especially in blockchain technologies, to combat rising impersonation cases.

Sandeep Patil, Partner & Head of Asia Investments, QED Investors, emphasized the challenges of validating credentials globally, citing India's Aadhaar system as a transformative example, especially with taxation and commerce in India.

Furthermore, Alexandre Kech, Chief Executive Officer of Global Legal Entity Identifier Foundation (GLEIF), noted that a global identity network could streamline cross-border transactions by reducing intermediaries. He stressed the importance of trust, consistent standards, and multi-regulator oversight in establishing a global identity system. The Legal Entity Identifier (LEI) system, overseen by 70 regulators from 50 countries, was presented as an example of a trusted global identity framework.

Brazil's progress was also highlighted, with over 150 million users having full digital identity capacity on the General Data Protection Regulation (GDPR) platform, including payment rails like Unified Payments Interface (UPI). Bruno Batavia, the Principal and Director of Emerging Tech from Valor Capital Group, noted domestic growth in open finance initiatives with over 30 million users but emphasized the need for greater interoperability across platforms.

The panel underscored the importance of investing in startups offering digital identity services, especially with emerging technologies like quantum computing and AI. Key investment criteria mentioned were positive unit economics, growth potential, strong founding teams, and regulatory compliance. Flexibility of tech stack, and Small and Medium Enterprises (SME) lending are also crucial to accelerate the growth of startups.

The session concluded by emphasizing the need for collaboration between regulators, central banks, the International Monetary Fund (IMF), and governments to

establish global standards for digital identity. This collaborative approach, involving both public and private sectors, is crucial for creating a successful and integrated digital identity ecosystem that can address current issues of trust and fragmented regulatory frameworks.

Conclusion

The insights presented at the FutureTech Forum underscored the importance of advancements in AI, quantum computing, digital assets, and cybersecurity. In 2025, **proactive AI regulation and quantum-resistant cryptography** are vital for navigating the evolving technological landscape while mitigating risks. Integrating digital assets into financial ecosystems requires careful consideration of **regulatory frameworks and security protocols** to foster trust and stability. Collaboration between startups, established financial institutions and regulators is critical to accelerate the development and deployment of innovative solutions, drive growth, and foster seamless and secure cross-border transactions. GFTN Forum Japan 2025 reinforced the need for **strategic investment** in these emerging technologies and **collaborative ecosystems** to unlock new financial corridors and build a more resilient, interconnected, and inclusive financial future.

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