DC advisory

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# The Future of Tech

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AI is no longer a technology trend – it is redefining value creation, capital allocation, and deal dynamics across the global technology landscape. From software and data infrastructure to hardware, automation and national security, AI is redefining business models, investment priorities, and M&A strategy.

At the 2026 Montgomery Summit in Santa Monica, conversations with founders and investors consistently pointed to a common conclusion: the next phase of growth will be driven by companies that can operationalize AI across the full stack and translate innovation into real-world impact.

Drawing on our participation at the Montgomery Summit and DC Advisory's global transaction experience, we highlight five key themes shaping where capital, innovation, and deal activity are converging in technology and software today; and how to navigate an increasingly AI-led market.

# On our radar

## 1 Transforming SaaS businesses for AI-driven growth

- AI adoption is unlocking a massive global market opportunity for SaaS businesses, doubling the total addressable market and providing extraordinary growth prospects for companies willing to transform
- Software companies that embrace AI-first strategies are achieving stronger financial performance, including faster revenue growth, improved unit economics, and favorable cost structures as AI capabilities mature

## 2 When Software meets the physical world

- Advances in hardware, affordable computing, and versatile AI models are empowering a new era where intelligent machines, robots, and connected devices are seamlessly integrated into the physical world, unlocking enormous automation opportunities and expanding the global workforce
- The shift toward scalable, general-purpose systems supported by robust data infrastructure and ecosystem collaboration promises rapid growth in sectors facing urgent labor shortages and paves the way for transformative innovation across industries.

## 3 AI's transformation of Defense, Healthcare and Industry

- AI is revolutionizing these industries by driving faster innovation, streamlining operations, and fostering agile business models that outperform legacy structures, resulting in significant opportunities for growth and investment
- In Healthcare and Life Sciences, AI is supporting breakthroughs in drug discovery and personalized medicine, improving patient outcomes and accelerating development timelines while opening new paths for collaboration and global leadership
- In Defense, AI-driven innovation is fundamentally transforming the sector, fostering a dynamic ecosystem of agile and specialist firms, and unlocking new opportunities for rapid integration, scalable growth, and sustained mission success

## 4 AI's impact on authenticity and Cybersecurity

- Innovative detection technologies are rapidly advancing, enabling organizations to proactively embed authenticity verification within enterprise workflows and stay ahead of evolving deep fake threats
- The growing intersection of AI-generated content and cybersecurity is driving robust investment opportunities, empowering security leaders to safeguard trust and protect against high-impact attacks with scalable, real-time solutions

## 5 Why Japanese investment in US Tech is at an all-time high

- Japanese corporates, fueled by record cash reserves and supportive government policy, are actively seeking international investments to drive innovation and address demographic challenges, especially in automation and productivity.
- The combination of Japan's world-class hardware expertise and the US's leadership in software and AI is creating fresh opportunities for founders and investors, promising breakthrough advancements in robotics, industrial automation, and next-generation physical technology.

# Transforming SaaS businesses for AI-driven growth

BCG and Google's joint analysis estimates a $3 trillion agentic AI market opportunity globally[1], set against approximately $800 billion in B2B software spend today[2], with a total addressable market currently somewhere between $1.5 and $2 trillion[3]. In practical terms, the total addressable market available to software companies has roughly doubled in the space of a few years. That is an extraordinary expansion of opportunity. Especially when considering the rapid change in pace of AI adoption that we have seen over the last six months and the partial decoupling of historic valuation trends driving the need to look for longer term themes.

Yet that same expansion represents an existential challenge for any software company that does not move to claim it. The same AI capabilities that are expanding the opportunity for transformed businesses are simultaneously undermining the competitive position of those that stand still. IT budget data is unambiguous on this point as enterprise buyers are not allocating incremental spend to SaaS but likely re-allocating from workforce reductions. They are redirecting it towards AI, ML, and the infrastructure that supports them. The base-case growth trajectory for an unreconstructed SaaS business is weakening, even as the upside for an AI-native one is growing.

The narrative that AI-native startups have already won is one we push back on firmly. Overall generative AI revenue today stands at somewhere between $25 and $30 billion against a $3 trillion opportunity[4]. Declaring winners at this stage misreads both the data and the dynamics.

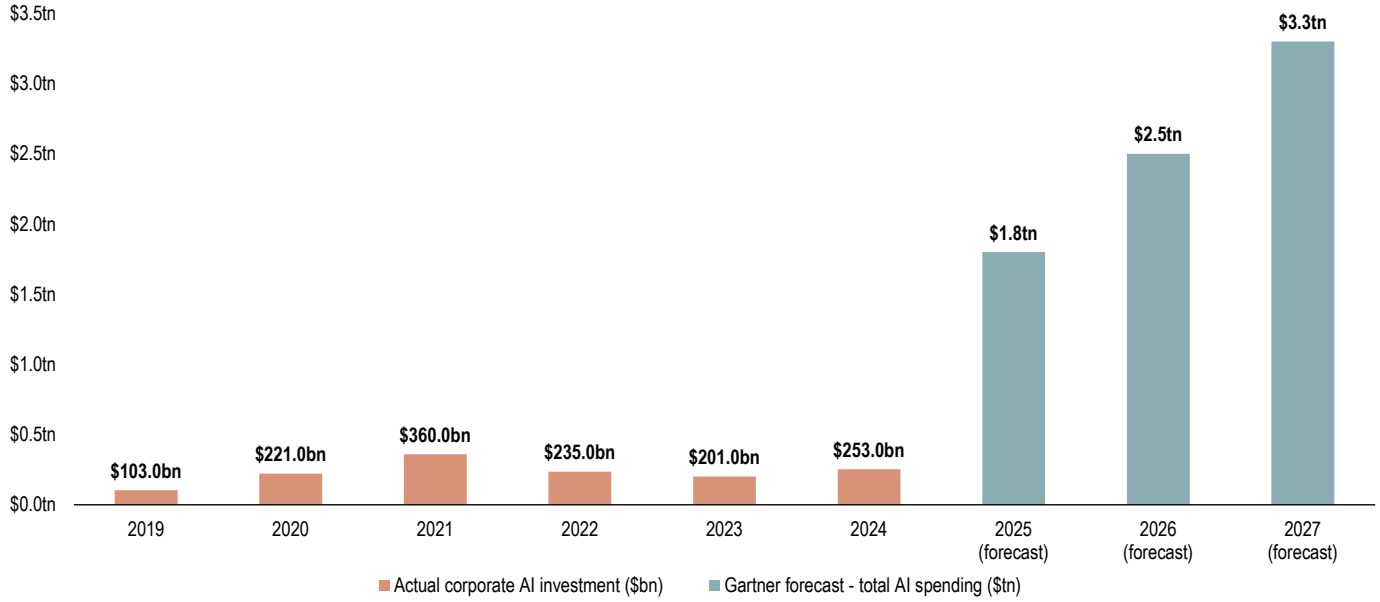
> "Corporate AI investment is accelerating faster than historic software spend cycles"

We are yet to see an established M&A market in India despite best efforts to become AI native. We find that strategic buyers are reluctant to invest millions in assets with SaaS technology they may be able to replicate in a matter of months. Equally, private equity buyers are hesitant to commit without exit visibility. For many subsectors of SaaS, the writing may be already on the wall.

Figure 1

# Corporate AI investment has broken from historic software spend trends

Total corporate AI investment (actual) and total AI spending forecast (Gartner), USD billions



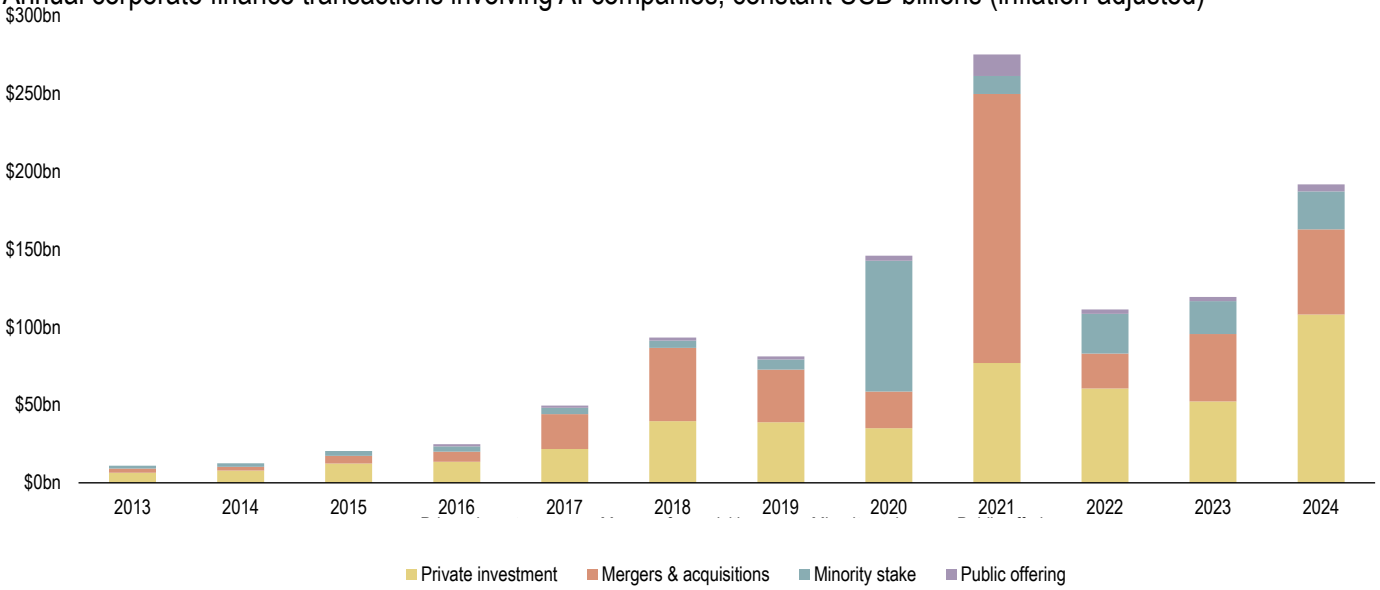

*Sources: Actual figures from Maslej, N. et al., AI Index Report 2025: "Section 4.1 Economy - Global private AI investment hits record high with 26% growth", AI Index Steering Committee, Stanford Institute for Human-Centered AI, Stanford University, April 2025: https://hai.stanford.edu/ai-index/2025-ai-index-report/economy; Spending forecast figures from Gartner, 15 January 2026: "Gartner Says Worldwide AI Spending Will Total $2.5 Trillion in 2026" press release, https://www.gartner.com/en/newsroom/press-releases/2026-1-15-gartner-says-worldwide-ai-spending-will-total-2-point-5-trillion-dollars-in-2026*

**Actual corporate AI investment figures denote: Merger / Acquisition, Minority stake, Private investment, Public offering*

Figure 2

# Corporate AI investment by deal type, 2013–2024

Annual corporate finance transactions involving AI companies, constant USD billions (inflation-adjusted)




*Source: Maslej, N. et al., AI Index Report 2025, AI Index Steering Committee, Stanford Institute for Human-Centered AI, Stanford University, April 2025. Underlying data from Quid; inflation-adjusted using US Bureau of Labor Statistics data. Excludes publicly traded companies and internal R&D spending. hai.stanford.edu/ai-index/2025-ai-index-report*

The companies we see beginning to pull ahead are those that have made a non-incremental commitment to transformation, not layering AI features onto an existing product roadmap but restructuring the organization, the development process, the go-to-market motion and the pricing model around an AI-first identity. The companies that are hedging, maintaining parallel product lines and managing the transition cautiously, are accumulating strategic risk they may not yet be able to see.

That transformation requires clarity of conviction at the leadership level, a willingness to accept short-term growth sacrifice in exchange for long-term relevance. It requires an organization that prizes rapid experimentation, that rewards outcomes rather than outputs, and that rebuilds cultural norms around AI-native ways of working before it rebuilds the product. And it requires a go-to-market reset. Selling AI is not the same as selling SaaS. The sales cycle is now anchored in demonstrating value on the customer's own data before any commercial conversation begins. The language has to move from technical to business-centric. The customer being sold to is increasingly a business buyer, not a technical one.

On pricing, the honest answer is that no one has fully solved it yet, and the companies most likely to get it right are those willing to admit that openly and experiment in partnership with their customers. The death of the seat-based model is overstated as some customers still want the predictability it provides. But the direction is headed for consumption and outcome-based models, and the companies building towards unlimited usage, aligning their growth with the customer's growth, are facing where the market is heading.

> "AI deal activity has shifted from minority bets to scaled private capital and M&A"

AI-transformed software businesses are demonstrating materially better financial profiles, with accelerating revenue growth, improving unit economics, and a cost structure that compounds favorably as AI capabilities mature. The companies that successfully navigate this transition are likely to command valuation multiples that reflect the superior economics of software that executes work rather than merely enabling it.

The threshold question is not whether to make the transition. It is whether there is enough time left to make it well.

# When Software meets the physical world

The phrase most often used to describe physical AI, robots, autonomous systems and intelligent machines operating in the real world, is that it represents a large opportunity. That framing, we think, significantly understates what is happening. Physical AI is arguably the largest unaddressed market in the history of technology, because what it is really doing is adding labor to the global workforce. The ILO estimates labor accounts for roughly half of global GDP, which at ~$100 trillion puts the total value of human labor at approximately $50 trillion annually[5]. Even capturing a small fraction of that through automation represents a market that dwarfs anything the software industry has historically addressed.

What has changed to make this moment different from earlier cycles of industrial robotics and connected devices is the convergence of three things arriving at the same time: hardware commoditization, dramatically cheaper compute, and foundational AI models capable of generalization. Although robotics represents the peak of this, current IoT and hardware connectivity are already producing proprietary data, delivering AI insights, and enabling real-time monitoring. This technology is rapidly expanding on top of the existing infrastructure. Previous generations of industrial automation were bespoke by necessity, customized for specific environments, specific tasks, and specific customers. The software stack had to be rebuilt from scratch for each deployment. That model did not scale, and when a pilot failed, the investment was largely stranded.

Learning from one deployment transfers to the next. General-purpose hardware form factors, combined with foundation models trained on diverse real-world data, allow systems to be deployed across different environments and tasks without starting from zero each time. The failed pilot no longer kills the company.

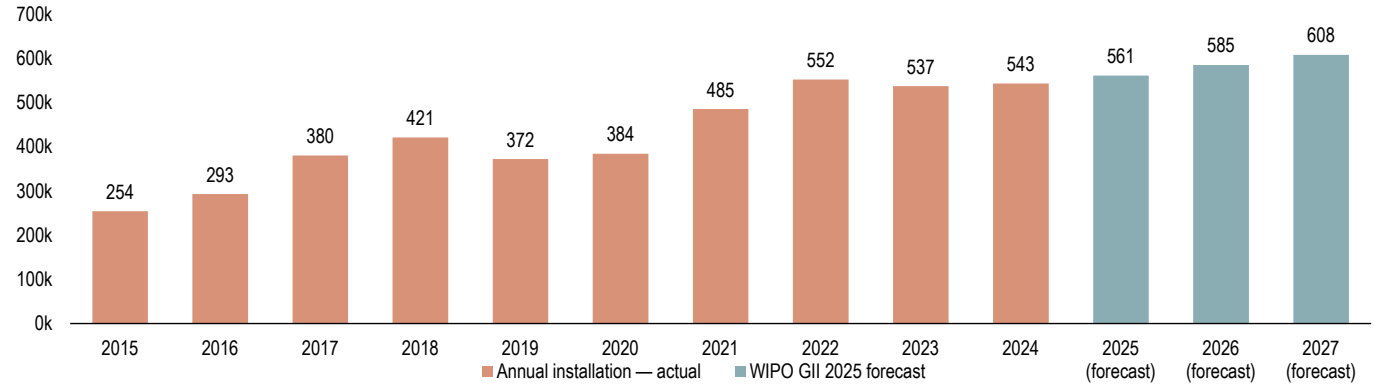
> "Physical AI deployment is entering a scale-up phase across global industry"

The sectors seeing the strongest early pull are the ones where the combination of labor shortage, repetitive task structure and economic urgency is most acute. Manufacturing, logistics and industrial services top the list, not because they are the easiest environments technically (they are often the hardest), but because the business case is immediate and the customer cannot wait. In the same way, consumer demand for enhanced service and personalization – from AI-powered real estate furnishing to autonomous home devices – is driving appetite for tech-enabled development in products that can transform the physical world. In East Asia, demographic decline is already making the labor shortage structural rather than cyclical[6]; facilities cannot

Figure 3

# Industrial robot installations: actuals and forecast, 2015–2027

Annual global industrial robot installations, thousands of units




*Sources: Actual annual installations from Maslej, N. et al., AI Index Report 2025, AI Index Steering Committee, Stanford Institute for Human-Centered AI, Stanford University, April 2025. Underlying installation data from International Federation of Robotics. hai.stanford.edu/ai-index/2025-ai-index-report; Forecast annual installations from World Intellectual Property Organization (WIPO) (2024). Global Innovation Index 2025: Innovation at a Crossroads. Geneva: WIPO. DOI: 10.34667/tind.58864. Forecast bars represent DC Advisory calculations applying WIPO's stated 4% CAGR to the 2024 actual base of 542,000 units. The Secretariat of WIPO assumes no liability or responsibility with regard to the transformation or translation of the original content*

hire the workers they need regardless of wage levels. In the United States, the recognition that industrial automation is now a matter of economic competitiveness and national security is reshaping both private investment and policy[7].

The form factor debate, humanoid versus purpose-built, is less settled than the volume of coverage might suggest. The case for humanoid systems rests on generality: the world was built for human bodies, so a human-form robot can slot into existing workflows without retrofitting infrastructure. It also creates the conditions for a developer ecosystem, a platform shift akin to what the smartphone did for mobile software. But the more immediate commercial reality is that purpose-built systems optimized for specific tasks deliver better ROI in the near term, and the customers deploying at scale are making decisions on that basis. The most likely near-term outcome is a parallel evolution: purpose-built systems capturing the earliest, highest-ROI use cases while humanoid platforms build the scale and developer ecosystem that makes them the dominant general-purpose layer over a longer horizon.

Two challenges dominate the path from laboratory demonstration to real-world scale.

1. **The first challenge is data.** The gap between model performance in controlled settings and model performance in the real world is a distribution problem; real environments are messier, more varied, and less predictable than training data, and remote operation alone cannot generate the diversity of data needed to close that gap. Simulation, video-based learning, and reinforcement learning are all part of the answer, but the fundamental architectural challenge of building systems that are grounded in physical reality rather than purely in probability, remains the deepest unsolved problem in the field

2. **The second challenge is operational integration.** The component-level capabilities of physical AI systems are advancing rapidly. What determines whether those capabilities deliver ROI to a customer is whether they can be embedded into existing workflows at the right cost and the right level of reliability. That operational layer, the cognitive infrastructure above the physical, is where the difference between a compelling demo and a deployed, value-generating system is made

The investment opportunity in physical AI is real and substantial, and it is attracting capital. What investors should be looking for beyond the obvious market size are differentiated solutions to specific unsolved problems, early and genuine customer validation (not just interest), teams with deep domain expertise, and a clear path from pilot to scale. Capital alone does not build the industrial data pipelines and customer relationships that physical AI requires. Ecosystem depth matters as much as funding.

# AI's transformation of Defense, GovTech and Healthcare

A clear takeaway from this year's Summit is that industries implementing AI now see it as more than just an isolated capability layer. It is being absorbed into core operations, into workflows, decision cycles, and infrastructure that those industries cannot function without. The transformation is structural, and it is happening simultaneously across sectors that might otherwise seem quite different from one another.

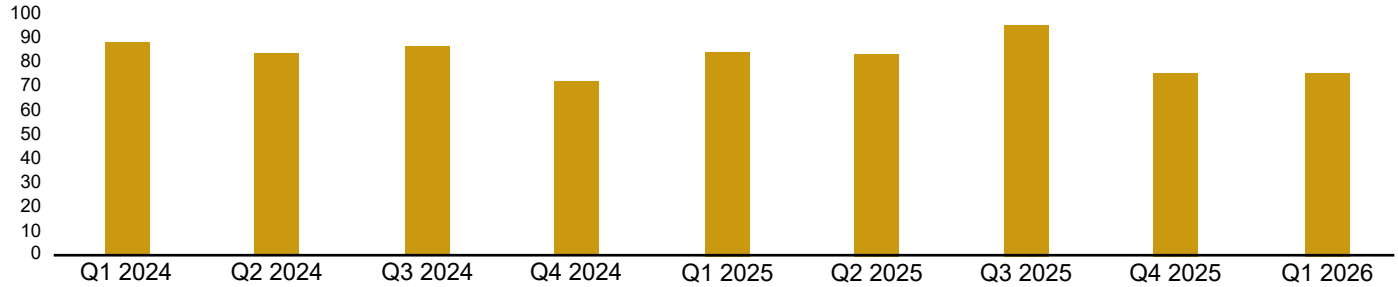
## Defense – Rewiring the industrial base

The question we found most clarifying in the defense technology discussions was whether what is happening in the sector constitutes incremental modernization or a fundamental rewiring of the defense industrial base. The weight of evidence points to the latter.

For decades, US defense procurement was defined by scale, consolidation and decade-long acquisition cycles dominated by a small number of large prime contractors. What is emerging now looks more like the defense industrial base of an earlier era, a large number of specialist firms building missiles, sensors, satellites, edge compute infrastructure, and software systems that the primes cannot build as quickly, as cheaply or as effectively. The integration challenge is real and unsolved, but the direction of travel is unmistakable.

Figure 4

### Number of Aerospace, Defense & Government Services deals in the US, by quarter




*Source: PitchBook, a Morningstar company, www.pitchbook.com, search parameters in the appendix. The cited data has not been reviewed by PitchBook analysts and may be inconsistent with PitchBook methodology.*

Venture-backed, software-native defense companies are demonstrating that they can deliver mission-critical capability faster and at materially better economics than the legacy system. Procurement cycles are shortening, and program structures are shifting from decade-long unchanged contracts to milestone-based tranches that reward iteration and penalize stagnation. The Department of Defense is applying financial discipline to acquisition decisions in ways that have not been seen before[8], and the appetite for innovation from smaller, faster-moving companies is genuine and structural rather than rhetorical.

> "US defense deal activity reflects a structural shift toward software-native suppliers"

The businesses winning in this environment share a set of characteristics. They are building for integration as a competitive advantage rather than treating it as a cost. They are operating with software-driven, high-margin business models that look nothing like the billable-hours, cost-plus structures of traditional systems. And they are moving fast enough to keep pace with a warfare environment that is itself accelerating, and the definition of the battlefield is expanding across domains simultaneously.

For investors, the opportunity is significant and the timing is compelling. The financial profile of AI-driven, software-native defense businesses, with genuine gross margins, scalable products, and growing addressable markets, represents a fundamental departure from the historical asset class. The capital flowing into this space is not just chasing a narrative; it is following real revenue, real program wins and a structural shift in how the world's largest defense budget is being deployed.

# GovTech – Supporting public safety

AI is improving efficiency and responsiveness, particularly in the realm of public safety. Technology ranging from licence plate reading cameras to drones are being deployed to help police departments identify criminals, expedite arrests, and resolve cases more efficiently. Where cities once operated as isolated "data islands", AI-enabled public safety platforms allows better collaboration, which can lead to more cohesive and effective public safety efforts.

Companies are developing software and AI solutions specifically designed to help people uphold the law, rather than circumvent it. These innovations support public sector efforts to maintain safety and order, reinforcing the fundamental role of technology as a tool for good.

The public sector faces a different set of challenges to private. While in the private sector, there is more freedom in exploring avenues to adopt AI from a commercial perspective, i.e. to boost profits, cut costs, or help streamline process. In government, the same tools that transform a business can spark public debate, legal scrutiny, or political backlash when they touch policing, permits, or public budgets.

Similarly, in the public sector, greater transparency leads to less reliance on AI. Staffing can be less of an issue, as the focus is on reskilling rather than replacing personnel. Unlike the private sector, staffing is less of an issue in public sector organisations as focus is on reskilling rather than replacing personnel. Therefore, there remains a clear need for investment in technology that is both effective and accountable, with robust audit trails and well-defined workflows to ensure proper reporting. AI can bring neutrality to areas where it previously did not exist.

# Healthcare and Life Sciences – The human impact

The intersection of AI and Life Sciences represents what may be the most consequential application of the technology, not in terms of market size, but in terms of human impact. What is becoming possible in drug discovery, gene editing, and targeted therapy is a direct consequence of AI's ability to navigate biological complexity at a scale and speed that no human scientific effort could match.

> "AI is rapidly moving from discovery into regulated healthcare adoption"

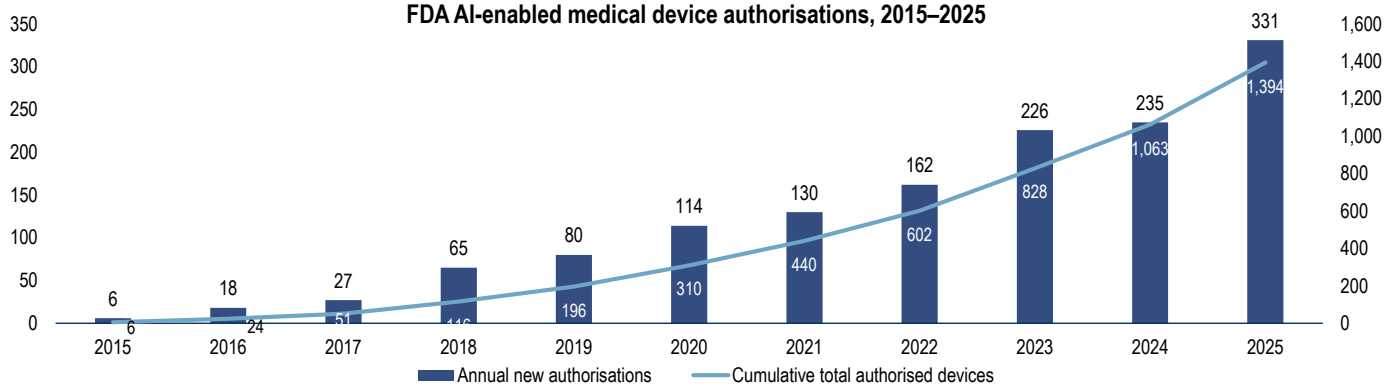
The core insight is that biology, most fundamentally, is an information science. Every cell in the human body is regulated by approximately 30,000 genes whose expression changes constantly across the arc from healthy to diseased. The journey of a cell from health to disease, across years, through thousands of molecular changes, is a data problem of extraordinary dimensionality. AI is the tool that makes it navigable.

We are seeing companies use AI to make leaps that would take human researchers decades to explore manually, from mapping how disease progresses at single-cell resolution, to optimizing the molecular structure of drugs across multi-dimensional design spaces. The results are striking: success rates in building delivery systems that were one-in-a-trillion a few years ago are converging towards 10–30% today[9]. Drug development timelines are compressing. The failure rate that has historically plagued pharmaceutical development, 90% or higher in clinical trials, is beginning to move.

Figure 5

## FDA AI-enabled medical device authorisations, 2015–2025

Annual new authorisations (left axis) and cumulative total authorised devices (right axis)




*Source: Artificial Intelligence-Enabled Medical Devices, US FDA (Food and Drug Administration) — (www.fda.gov). Annual counts compiled from publicly available information in the FDA live database, at 1430 entries, access 03/30/2026;. https://www.fda.gov/medical-devices/software-medical-device-samd/artificial-intelligence-enabled-medical-devices. This list is updated periodically and can be downloaded.*

What we are moving towards is medicine designed for defined patient populations with known genetic profiles, rather than tested across broad populations to extract a statistical signal. This suggests that while pharma's commercial and regulatory systems are hard to duplicate, the traditional R&D model is facing major disruption. Companies with AI-native platforms are creating commercial partnerships with large pharma on terms that reflect genuine mutual dependency.

China is advancing in clinical development at a pace that exceeds the United States by a significant margin and at a fraction of the cost, driven by both regulatory flexibility and sustained government investment at a scale that has no US equivalent. Additionally, there is the national security aspect of biotechnology leadership, which we believe is often overlooked in capital allocation decisions.

# AI's impact on authenticity and Cybersecurity

There is a cybersecurity threat maturing faster than most enterprise security functions currently appreciate, and it does not fit neatly into the frameworks that organizations have spent the last decade building. It does not arrive through a compromised endpoint or a misconfigured network. It arrives as a phone call, a video meeting, a hiring interview, or an identity verification check, and the person on the other side is not who they appear to be.

Deep fake technology, AI-generated audio, video and imagery capable of convincingly impersonating real individuals, has crossed a threshold in the past eighteen months. The question is no longer whether the technology is sophisticated enough to fool people. It demonstrably is. Creating a convincing audio-visual impersonation of a named individual can be accomplished with no specialist technical knowledge[10]. The question now is whether the enterprises and institutions that depend on human identity as a trust signal have adapted their defenses accordingly. The answer, in most cases, is that they have not, yet.

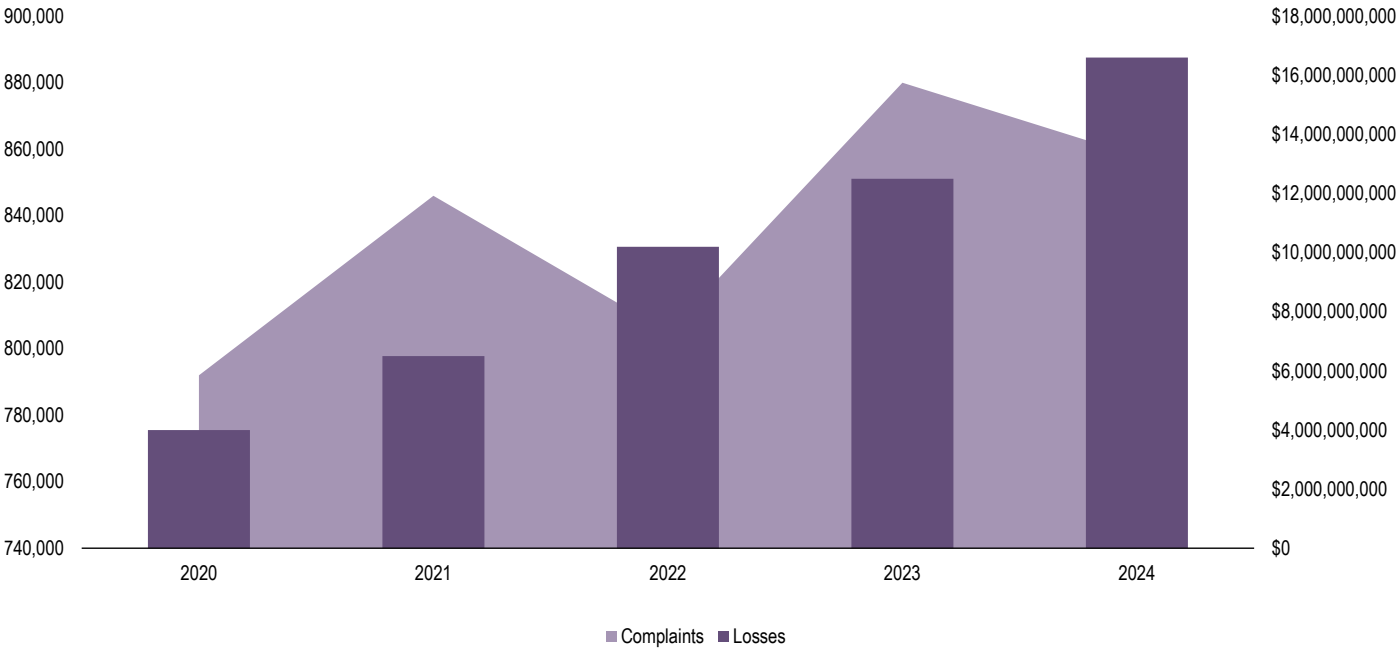
In a recent survey of 1,500 enterprise security professionals, 43% reported experiencing a deep fake incident within the previous twelve months[11]. That figure, striking as it is, almost certainly understates the true prevalence: most organizations lack the detection infrastructure to identify incidents they have not already been alerted to by other means. The incidents that have been reported span a wide range of attack vectors, identity verification bypass, contact center fraud, executive impersonation leading to financial transfer authorization, and hiring fraud (where candidates present one person at interview and another in employment).

What makes this threat category structurally different from conventional cybersecurity threats is the attack surface it exploits. Traditional enterprise security has been built around protecting systems: networks, endpoints, data stores and applications. Deep fake attacks exploit trust in people: in the voice of a CFO authorizing a payment, in the face of a job candidate passing a liveness check, in the identity of the caller requesting account access. No firewall catches that. No endpoint detection agent flags it. The controls that matter are the ones embedded in the workflows where high-trust human interactions occur.

Figure 6

# US cybercrime complaints and losses reported to FBI IC3, 2020–2024

Total annual complaints and losses reported to the FBI Internet Crime Complaint Center, USD billions




*Source: FBI Internet Crime Complaint Center 2024 Annual Report, (https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf). Figures represent losses reported by US victims; actual losses are likely higher due to under-reporting.*

The attack routes that concern us most from an enterprise risk perspective fall into three categories.

1. **Contact center compromise.** Contact centers are by design, open access points. They exist to handle interactions from unknown parties. AI-generated voice calls are already being used to bypass authentication, extract account information and conduct social engineering attacks at automated scale. The implications extend beyond commercial disruption: the same technique applied to emergency services infrastructure is a national security concern that has not yet received the policy attention it warrants

2. **Identity verification**. The standard identity verification flow – i.e. document upload, selfie capture, 'liveness' check – was designed to defeat human fraudsters. It was not designed to defeat generative AI. Documents can be sourced from the dark web. Synthetic faces matching those documents can be generated in seconds. 'Liveness' checks that were considered robust eighteen months ago are now routinely bypassed. The organizations most exposed are those in Financial Services, Healthcare, and any regulated sector where onboarding depends on establishing verified identity remotely

3. **Executive impersonation.** Organizations train their employees to respond to instructions from authority figures. That behavioral norm, entirely reasonable in a world of authentic communication, becomes a vulnerability when the authority figure can be convincingly fabricated. Video call impersonation of senior executives directing employees to authorize payments, share credentials or take other high-consequence actions, is no longer a theoretical threat scenario. It is happening, and the financial losses being generated are material

Although it may seem complex, the detection challenge is manageable when addressed properly. The key insight is that AI-generated content is designed to fool human perception, not computer analysis. At the technical level, AI-generated audio and video carry traits that are invisible to the human eye and ear but detectable by models trained specifically for this problem. Signals such as irregular frequency smoothing, distributional signatures of specific generation models, and inconsistencies between linguistic and acoustic patterns in translated content. Well-trained detection models can identify these tells with high reliability, even as the underlying generation technology improves. What that means in practice is that detection capability needs to be embedded in the flows where the threat

manifests – in contact center platforms, in identity verification infrastructure, in video collaboration tools used for high-stakes interactions – rather than sitting as a separate analytical layer consulted after the fact. The framing we find to be most useful is authenticity infrastructure: a persistent, real-time capability that operates within existing enterprise workflows and returns a signal on every high-trust interaction, in the same way that fraud detection operates within payment flows without requiring the payment to pause.

The enterprise security market has historically been driven by high-profile breaches that force category-defining investment responses. The deep fake equivalent of that breach has not yet occurred at the scale required to drive universal adoption. But in our view the rate of incidents, the growing accessibility of tools, and the expanding range of attack routes all point to a tipping point that is approaching faster than most security functions would expect.
For enterprise security leaders, they would prefer not to wait and see what happens. Detection infrastructure embedded in appropriate workflows are deployable today, and the cost of deploying them is a fraction of the potential loss exposure from a single successful executive impersonation or large-scale contact center attack. For investors in enterprise security, the deep-fake-detection category sits at the intersection of two of the most durable growth paths in the market: the acceleration of AI-generated content and the foundational enterprise requirement to know who it is we are actually communicating with.

> “AI-enabled fraud is driving a step-change in both cybercrime scale and impact”

The authenticity problem is not going away. The software is getting more sophisticated and the cost to attackers is getting cheaper. The infrastructure to address it exists, and the window to deploy it before a crisis is narrowing.

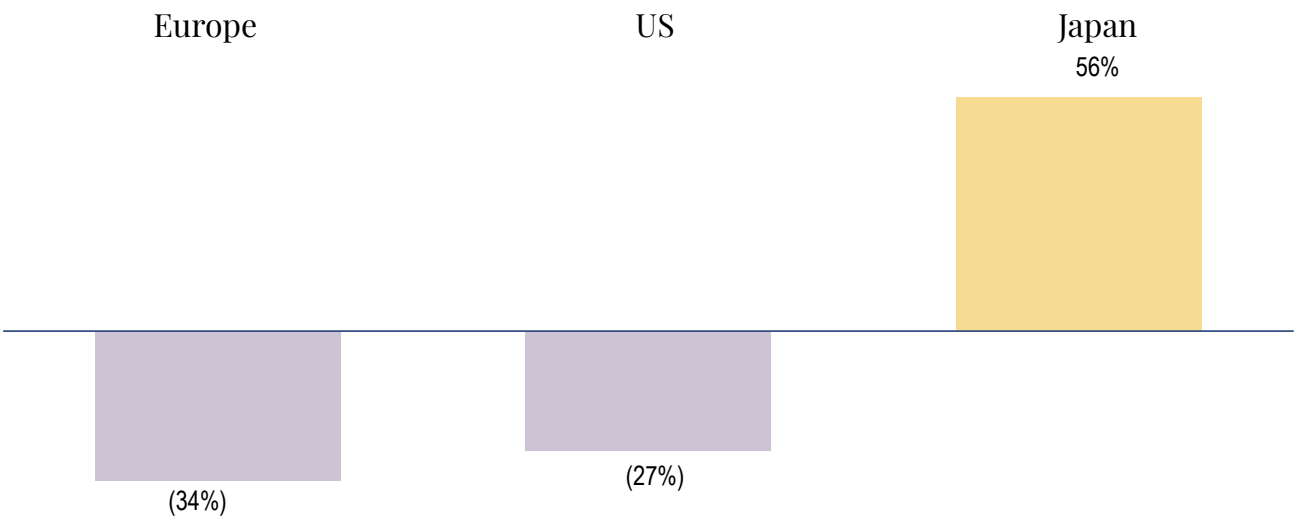
# Why Japanese investment in US Tech is at an all-time high

Against a backdrop of global M&A retreat, deal volumes in the US are still approximately 27% below their post-COVID peak, Europe closer to 34% down while Japanese outbound M&A activity has moved in the opposite direction as demonstrated in Figure 7[12]. 2025 was a stellar year for Japan related deals, with transaction volume reaching $350 billion by the end of the year[13]. Outbound acquisitions by Japanese companies have grown more than 2x in aggregate value since 2020[14].

DC Advisory recently surveyed 100 of Japan's leading corporates on their investment intentions for the next three years. Over 60% expect to undertake more or significantly more overseas M&A and investment activity. Approximately 40% are targeting deals above $500 million in size and roughly half told us they are seriously evaluating transactions exceeding $1 billion[15].

Figure 7

## Global deal volume % change, by region




*Source: LSEG (FYE 2021 vs FYE 2025)*

Japan's largest corporates are sitting on record cash balances accumulated during years of domestic caution, and today's domestic growth environment is insufficient to deploy that capital productively. Aging demographics and declining working-age population are creating an existential urgency around automation and productivity. And the shift in Japanese government policy, actively encouraging outbound investment and international engagement[16], has reduced the institutional friction that historically slowed corporate decision-making.

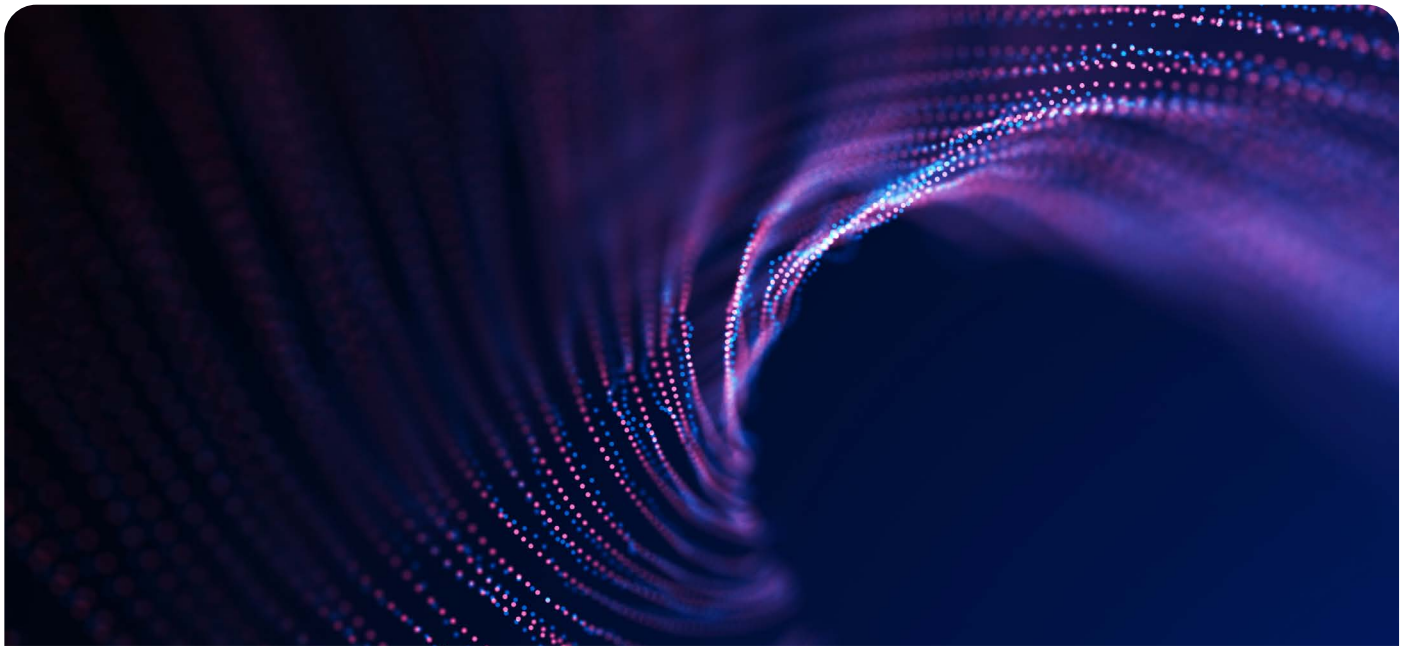
> "Japanese outbound M&A is accelerating as US and European deal volumes lag"

What is less understood outside Japan is the quality and depth of what Japanese capital brings beyond the cheque. Japan retains extraordinary engineering depth in the physical technology domains that are now at the center of the AI investment thesis: semiconductors, sensors, precision manufacturing, industrial automation, robotics components. The technology inside Tesla's vehicles, programmable logic boards, battery systems, semiconductor components, is substantially Japanese in origin[17]. The sensors enabling autonomous vehicles largely run on Japanese imaging technology. The physical AI era, which demands the integration of software intelligence with hardware systems built to extraordinary tolerance and reliability standards, plays directly to Japan's long-accumulated industrial strengths.

There are challenges to working with Japanese capital that Western founders and investors should understand. Decision-making processes remain slower in Japan compared to Silicon Valley norms, even though we do see structures getting faster and more dedicated. Corporate venture arms are increasingly separating their investment decision-making from broader corporate governance cycles specifically to address this. The appetite for hyper-growth narratives and large, speculative TAM arguments is lower than in US venture markets; Japanese investors expect claims to be backed by data, progress to be real and demonstrable rather than projected, and business fundamentals to be sound. The relationship-building investment required is real and front-loaded.

However, the reward for making that investment is access to capital that is patient, strategic, and deeply connected to the industrial ecosystems where the physical AI opportunity is most immediately addressable. For founders building in robotics, automation, deep tech hardware and healthcare, ie. the sectors where Japanese industrial expertise and strategic motivation are strongest - the next significant investor or acquirer may well come from Japan. The data suggests that with increasing force, and DC Advisory's own deal activity reflects it: in the past 12 months, one-third of the companies we have sold went to Japanese buyers[18].

While the US leads in software, AI models and venture-scale ambition; Japan leads in hardware engineering, industrial reliability and the kind of patient, systems-level thinking that complex physical technology requires. The combination of those two things is not just complementary, it is, we believe, generative of something genuinely new.



# Our final thoughts

The unifying insight from this year's Summit is that AI is no longer a discrete technology shift, but a structural one. Value creation is increasingly determined by the ability to integrate AI across the full stack from the data input through to real-world adoption. We see this playing out simultaneously across Software, Defense, Healthcare and Industrial markets, blurring traditional sector boundaries and reshaping competitive advantage.

Winning in this environment requires more than technical excellence. It demands global, cross-sector teams with deep domain knowledge, a clear understanding of underlying value drivers, and the capability to translate AI innovation into scalable, operational outcomes.

DC Advisory's global Technology & Software team is comprised of nearly 70 bankers distributed across Europe, Asia, and the US. The Technology & Software practice covers a broad range of sub-sectors, including Vertical Software, Infrastructure Software, Cybersecurity, FinTech, E-commerce & Marketplaces, and IT Services.

DC Advisory advised on 184 transactions globally over the past 12 months, including 55 cross-border deals, across its product and sector teams. Technology & Software related transactions made up one-eighth of this total, of which nearly 40% were cross-border.

Get in touch with the team >

# Appendix*

**Pitchbook search criteria for Figure 4**

Deal Date: From 01/01/2025 to 03/31/2026; Deal Size: Min: 75M; Max: 500M; Deal Options: Search on a full transaction; Search Deals without an Amount; Deal Status: Completed; Announced/In Progress; Deal Types: All Buyout Types; M&A/Control Transactions; Other M&A Transactions; Acquisition financing; Asset acquisition; Asset divestiture (corp); Corporate divestiture; Secondary transaction - open market; Secondary transaction - private; Spin-Off; Location: United States; Industries: Aerospace > Government > Armoured vehicles, etc. > Defense aircraft and parts manufacture > Missiles and missile guidance systems > Other ordinance > Small arms manufacturing; Search Primary Industry Only;

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18. DC Advisory and Daiwa transactions advised between 01/04/2025 – 30/03/2026, including those not yet publicly announced, in all sectors with Japan involved as a primary or secondary location. Please note that others may differ in how to categorize the subcategories we reviewed or how to define those categories. Publicly available transactions may be viewed, using the ‘Japan’ country filter, on www.dcadvisory.com/transactions


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