

Interview with Jim Davidson, Managing Principal, Eldar Capital

Global Fund Analyzes Japanese Firms – a Perspective from the Heartland of America

By *Japan SPOTLIGHT*

As Asian markets continue to grow, the Japanese services sector which has been in the doldrums might be able to jump-start itself based on a perspective provided by a fund management company located in the United States. *Japan SPOTLIGHT*'s Editor-in-Chief Naoyuki Haraoka interviewed Jim Davidson, who as managing principal heads the private equity and investment firm Eldar Capital.

Named after the J. R. R. Tolkien characters known for their wisdom, it early on adopted an investment strategy honing in on market disruption and blue ocean opportunities. Investments in advanced cybersecurity, fintech, healthcare information technology, the Internet of Things (IoT), including consumer and industrial usage, aerospace and cryptocurrencies are its strengths, although it is also involved in other future prospects including food and beverages, a promising service segment globally due to the increasing popularity of Japanese food. Eldar Capital boasts of competitive differentiators like the mentorship approach plus active operational leadership/board participation in portfolio companies to ensure effective decision-making and corporate direction.

(Interviewed on Nov. 14, 2025)

Assessment of Japanese Finance Business Competitiveness

JS: How do you assess Japanese firms' competitiveness in the financial field?

Davidson: Globally there are many difficulties in finance that are being resolved slowly. Higher interest rates have resulted in higher delinquency and defaults in commercial real estate and auto sales. The number of financial firms has consolidated from tens of thousands to several thousand over the course of the last century, which has strengthened those that have survived.

Japanese institutions remain strong and competitive globally because they have the experience and wealth necessary to perform well in this environment, despite decades of decline in the overall Japanese economy. It is not a good time to be defensive, though, because the opportunities will be exploited by those companies with bold leadership.

JS: So are such markets where Japanese enterprises held global dominance in the past still good playing fields? Are you saying that Japanese players are competitive even now?

Davidson: Some bigger players in finance are hunkered down. However, innovations in the sector definitely include many strong



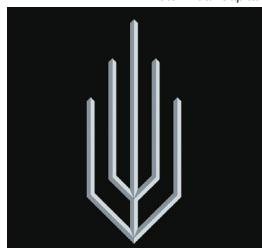
Jim Davidson

Japanese players, so I would anticipate considerable improvements in revenues and profits over the next few years. Attention must be paid to decentralized finance and the innovations that cryptographic protocols have added to finance. In only 16 years the cryptocurrency sector of finance has gone from zero to \$3.1 trillion with notable participation from Japanese institutions such as the Sumitomo Mitsui group companies. We're looking into the Astar Network, Jasmy and MonaCoin in particular.

I understand that recently Asahi Mutual Life Insurance has been involved in merger and acquisition (M&A) activities in Southeast Asia. I also hear that the Sony Financial Group, which handles the insurance and banking-related operations for the Japanese conglomerate widely renowned for its consumer electronics lineup, is mulling extensive M&A in the Asia-Pacific region. We expect other major corporate entities will remain active or soon enter the M&A fray as well. Currently, Mitsubishi UFJ and Mizuho Bank are especially active in this area.

I have had experience working with the insurance sector and am aware of the specialized requirements like those entailing network security and actuarial needs. Speaking of security our fund has an adjunct endeavor (in

Photo: Eldar Capital



Eldar Capital Logo

tandem with Secure Perimeter Institute) ongoing to cover similar aspects tangential to our fund management thrust. We are engaged in a structural roll-up of the cybersecurity industry.

As an aside to highlight Eldar Capital's area of primary fund coverage until recently centered on the Americas and the European region, we have in the past lined up an educational services company's pre-seed effort for security learning. Then again there are secondary coverage areas like those offering entertainment systems in Indonesia that we consider part and parcel of our business purview.

Digital Technologies in Banking

JS: As with consolidation of US financial institutions ranging from banking to insurance, not to mention adoption of digital technologies in banking and such operations, so too you foresee such moves in Japan and Asia then?

Davidson: Economic transactions are changing, as with banking activities. Digital transformation (DX) as exemplified by a focus on digital assets, in addition to Green transformation (GX) including those related to Carbon Offset trading, is coming to the fore. Emphasizing profitability remains vital both to measure success and to remain loyal to investors who expect returns on their investments. There are other important benchmarks aimed for by successful businesses, with health and environmental concerns of the public being expressed in careful evaluation of business enterprises that are sensitive to these matters.

By the way, Eldar Capital's clientele list, typically under a Non-Disclosure Agreement (NDA), is expansive, as it ranges the gamut from resource-oriented dealings like mining and oilfields (we are headquartered in a region replete with petrochemical plant operators, not just farms; both oil and wheat are major exports from our area) to companies handling software and aerospace peripherals.

Perhaps not as well-known in Japan as Berkshire-Hathaway's Warren Buffett over in neighboring Nebraska, we also have experience with seed financing for media evaluation service as well as a game development outfit, and even logistics operations for chocolate and sugar concerns, among food, healthcare and commodities businesses. As "food for thought" for those in Asia, the food and beverage industry might be a business segment still open to Japanese and Asian enterprises seeking market success when demand for Asian fare is on the rise. This situation is borne out by

the fact that currently there is a boom in Japanese dishes beyond sushi and similar items. Takoyaki becoming a boom at Dodgers' games has been in the news, and a friend in Tokyo tells me that the American rock band Aerosmith are *taiyaki* sweet fans, noting the growing Japanese food and gourmet market should not be overlooked.

JS: Were you referring to cryptocurrency transactions when you earlier mentioned secondary coverage areas?

Davidson: There are moves worldwide involving tokens, but "stable coins" of all sorts, whether US\$-pegged, gold-backed or futures Exchange Traded Funds (ETF), are ones that have a basis of "stability". If you look at the monetary inflation since 2020 as a lack of stability, something besides a dollar-stable token is needed. There are several innovative companies working on gold-stable tokens that are directly redeemable for metal.

The establishment of smart contract automation with the Ethereum system has had remarkable results in the last decade. However, most of the really interesting development has passed beyond the Ethereum ecosystem. For example, zero knowledge proofs allow for non-custodial trading and a huge array of secure computing. Two of these innovative currencies, Zcash and Internet Computer Protocol (ICP), now have our attention.

Back in 2017, Jamie Dimon of JP Morgan Chase was completely against Bitcoin, saying that if he caught any of his team members trading Bitcoin it would reflect poorly on them. Today his company has announced their own blockchain currency. So the good news is that there is still time to shift the rudder on very large enterprises so as to take advantage of the winds and ocean currents that have been speeding changes. Today there are tens of millions of different cryptocurrencies, traded on hundreds of digital exchanges. About \$3 trillion in market cap is deployed in these currencies, and there is around \$47 trillion in annual trading amongst them, which has grown from exactly zero at the start of 2009.

JS: Indeed there appears to be an overall acceptance by the legacy-prone financial industry of digital technology. Is Eldar Capital active in that field?

Davidson: A recent offer we have made available is a working and revenue generating Digital Transfer Agent and Tokenization Platform which installs on the client cloud architecture. We have had over 100

clients use and test the service over a four-year period. The Digital Transfer Agent platform provides efficiency gains and reduced costs for transfer agents, middle and back office operations. The system integrates legacy financial institutions and third party services while tokenizing seamlessly on multiple blockchains. The platform, which uses an automated data exchange/transfer based on Application Programming Interface, can also provide keyless custodial wallets to investors (i.e., no private key management). We received instructions from the seller of this system that further information to prospective buyers would become available after an NDA approval.

Capabilities include tokenization of a share ledger within minutes, minting and distribution of tokens to investors, production of immutable records and integration with any chain as it is chain agnostic. By chain agnostic, we mean it is compatible among integrated chains such as Tezos, Ethereum and Ethereum Proprietary (private chain built on Ethereum) ones.

Another group we've been examining closely offers a method for securing the privacy of transactions on Ethereum and Ethereum Request for Comment (ERC) 20 currencies using public-private key pair encryption. I've worked with some of the pioneers in encryption since 1992, who have always had a focus on communications privacy and financial autonomy.

Cryptocurrency Explosion

JS: What do you think is the general impetus behind this “cryptocurrency explosion”? Is this shift due to the wider acceptance of artificial intelligence (AI) we see today?

Davidson: Explosion might be the right description for the cryptocurrency situation now, given the dramatic changes in the last 16 years. Prominent banking and financial conglomerates are leading players, with their investments buoyed by the basics of accountability, immutable ledger and openness in line with tenets of good book-keeping taught at business schools.

As for AI, it has yet to exert a permanent influence on industry and society. The progress was wrought by progress in software applications, but it seems the lower costs cannot last forever. The image I have is that people being replaced means cost savings. You can conserve electricity by turning off more and more lights, but eventually you stand in a completely dark place and there are no more lights to shut down. Similarly you may be able to replace some experts and some assistants with Large Language Model AI systems,

but eventually you run out of people to replace and stand in an empty building wondering where everyone went.

Change in Terms of Globalization

JS: Would a complete change in terms of globalization, reaching beyond borders, therefore be needed?



Starfire rocket flight

Davidson: I believe we need more business innovators, and the managers on the frontline need to become more “entrepreneurial” and not adhere to old styles of handling business, to scrutinize global changes and assess risks. Demographics change and in response managing finances where populations shrink and age needs to be altered accordingly. Keeping track of foreign exchange and various fluctuations of indices from a global standpoint is a must for everyone involved in finance.

Jim Davidson is managing principal of Eldar Capital LLC, headquartered in Kansas. Prior to his current position, he was Eldar Capital's principal for Education, Mining & Business Development. He has worked since the 1980s in banking, finance, real estate and digital gold currency exchange, in addition to aerospace and education. He has a bachelor's degree from Columbia University in New York and an MBA from Rice University in Houston, Texas. **JS**

Written by C. A. Pomeroy, a Texan who has been working in Tokyo for the vernacular press since 1989. He has also contributed to the Japanese-language *Global Keizai* magazine and the *Oriental Economist's Bio Business Explained* book. He is seismological technology/disaster mitigation education and business continuity planning specialist.