



STANFORD SV-NJ CASE STUDY SERIES:
JAPANESE FIRMS IN SILICON VALLEY (STARTUP-UPS)



Company Name: VALUENEX, Inc.
Arrival to Silicon Valley: June 2015
Business Location: 525 Middlefield Rd #120, Menlo Park, CA 94025
Interviewee: Tatsuo Nakamura, Ph.D.
Interview Date: June 18, 2015
Website: www.valuenex.com
US Entity Type: California Corporation
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Company Overview:¹ What is the company's business purpose?

VALUENEX, Inc. is an intellectual innovator business that transforms large volumes of patent data into visualization graphics. This visualization enables clients, such as patent lawyers and portfolio companies, to “find” information rather than “search” for it, thereby helping to identify unnoticed patterns and find new inspiration. The structuring of unstructured data requires using proprietary algorithms for intellectual property content analysis; a service far beyond a collection of key words. In addition to the bird's-eye-view visualization analysis tool called XLUS, VALUENEX, Inc. also offers a range of services to help evaluate information displayed. In order to sort through data, VALUENEX's proprietary cluster analysis utilizes three processes: 1) quantifying the similarity between documents in numerical terms, 2) grouping highly similar documents together, and 3) distribution of clustered documents according to their similarity. Services help clients recognize technology trends and grasp other companies' initiatives.

The estimated average fee to have a patent lawyer look, for a specific purpose, through volumes of patents is \$100,000.00 and takes about 4-6 months. VALUENEX now provides the same or better data analysis in one day at a cost of \$5,000.00, and a charge to the client at \$50,000.00. There are currently over 70 clients in Japan, mostly major automobile manufacturers, and also in the electronics, chemical, finance, and security sectors.

Company Story: What are the company's origins and connections to Silicon Valley?

¹ Company overview information is collected from the company's website and marketing materials. Any merits of the company's abilities and technologies expressed herein do not reflect the opinions of Stanford nor SV-NJ.

With a background in operations research and data modeling, Chief Executive Officer, Dr. Tatsuo Nakamura, founded VALUENEX Consulting, Inc. in Japan in August of 2006. As of June 2015, Nakamura has been in Menlo Park where he is being incubated by, and is sharing an office with, international consulting firm, AZCA, Inc. Operating in the United States as a California corporation, VALUENEX, Inc. is the American side of the Japanese company focused on US promotions and product development. In the next year, the American arm hopes to develop new systems in Silicon Valley to take back to Japan, and a strong client base. The choice to come to Silicon Valley was a strategic move to hire talented data scientists and mathematicians for superior product development. Regarding future growth, Nakamura articulated potential expansion to New York City or Washington DC. Nakamura foresees his business moving into other type of data mapping beyond patents; however, other data is low quality and must be scrubbed. Therefore, the next data mapping target for the company may be log data (i.e. search engine keywords or action data) for marketing purposes.

Human Capital: Who are the key leaders and employees of the company, and what plans exist for personnel expansion?

Nakamura, CEO, graduated from Graduate School of Waseda University in 1991 and became a consultant at a think tank in Japan, the Mitsubishi Research Institute. Later, he became an Assistant Professor at University of Tokyo where he also obtained a PhD in operations research. Then he rejoined Mitsubishi Research Institute where he worked on three types of projects: 1) evaluating efficiency of national R&D projects, 2) designing traffic partitions in cities to alleviate traffic and improve the environment, and 3) working for the Intergovernmental Panel on Climate Change. All of these are operations research projects where Nakamura made data models for the subject at hand, thus giving him the experience and know-how to create VALUENEX's technologies.

VALUENEX Consulting, Inc. has three directors, an auditor, and nine staff members in Japan – including three women. New to the United States, VALUENEX, Inc. is comprised only of Nakamura, but seeks human capital to address product development, promotions, and sales. As such, hiring of data scientists, data engineers, statisticians and mathematicians is necessary, as is someone to run promotions for the creation of a US market and also a sales specialist.

There is currently no diversity and inclusion program at VALUENEX, Inc. Nakamura perceives strength in women's abilities to describe and sell services to clients, especially to other women.

Funding: What are the sources of funding for the company?

As of March 27, 2015 funding of the Japanese entity is 100 million Japanese yen with shareholders including Weru Investment Co., Ltd, Japan Asia Investment Co., Ltd., Mitsubishi UFJ Capital Co., Ltd., Waseda University, and others.

The American investment follows requirements for Nakamura's E2 visa, where two-thirds of the capital is funded personally by Nakamura, and one-third is share from AZCA, Inc. and Weru Investment, a venture capital firm with origins from Waseda University.

Business Challenges: What challenges does the company face?

Nakamura, like others, acknowledges that hiring talent is hardest and most expensive aspect of conducting business in Silicon Valley. He notes particular difficulty in finding and retaining data scientists whose salaries are over \$200,000.00. He observed that big data, intellectual property, and analytics are separate communities who don't necessarily communicate. Nakamura finds analytics services are not common in the region, as compared to a litany of other services, thereby making it hard to penetrate opportunities to promote in this closed community.

Tools, Reference, & Resources: What technology and professional resources are used by the company?

Technology Resources:

LinkedIn - as a headhunting tool
SalesForce – client relationship management
Google Apps - email, maps, scheduling, data storage
BaseCamp – project management
LeadLander – sales lead generation

Professional Resources:

AZCA – shared office space and administrative staff, plus mentorship
WiL – resources and funding
Immigration lawyer - Layer and Layer
Intellectual property and corporate lawyer Mr. Investro
CPA and corporate law - John Ritchie from Wilson Marshall Taylor



About the SV-NJ Case Studies Series: Japanese Silicon Valley Firms (Start-Ups)

The Stanford Silicon Valley – New Japan Project case study series investigates Japanese firms in Silicon Valley. The purpose is to understand each firm’s business purpose, its journey from Japan to Silicon Valley, human capital issues, business challenges and best practices, funding, and resources utilized. Information was compiled by interviewing leaders of start-ups based in Silicon Valley with one or more Japanese nationals as founders. The subject companies range from bootstrapped to fully funded companies with or without a presence in Japan, but all of which contain a technology element such that they are scalable enterprises. For more information or to refer a case study interviewee, please email Stanford.svnj@gmail.com.