



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



VUFINE

Company Name: Vufine

Arrival to Silicon Valley: February 2015

Business Location: 1202 Kifer Road, Sunnyvale CA 94086

Interviewee: Goro Kosaka

Interview Date: September 1, 2015

Website: www.vufine.com

US Entity Type: Delaware Corporation

Prepared by: Kei M. Ashizawa, Esq.

Company Overview:¹ What is the company's business purpose?

Vufine, operating as a Delaware corporation, is a high definition, wearable 0.19 inch micro display that allows users to access their current technology in a handsfree environment. With its ability to connect to anything capable of outputting a 720P HDMI signal like GoPro, smartphones, laptops, and tablets, Vufine offers real life picture-in-picture for a variety of devices. Vufine promotes a variety of use cases including as a handsfree tool for drones, maps and navigation, computing, sheet music reading, cooking, workouts, public speaking, baby monitors, and more. Vufine has a magnetic docking station where the display can connect to almost any pair of glasses, giving users the choice of adjustable sight lines. Although often compared to Google Glass, Vufine offers different benefits to users including affordability at just \$149, no operating system or software such that there is seamless integration into existing devices, and attachment to your own eyeglasses.

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

Founder Goro Kosaka moved from Japan to California in 2001 to work for IDK Technologies, Inc. At that time he was the US President of that corporation where his main duty was conducting international sales. He held this position for 6 years until he got an American green card. Once Kosaka separated from that company he started his own company for import and export of video related products. From 2008 until present, Kosaka also gained a valuable human

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.

network in the US-Japan entrepreneurship space through his efforts as a board member of the organization known as Silicon Valley Japanese Entrepreneur Network (SVJEN).

In April of 2013, Kosaka became Vice President of Operations at the Japanese startup, Telepathy, whose business centered around a wearable glasses display product. Kosaka believed the style and idea of Telepathy was great, and he helped raise \$5 million in funding from US venture capital firms and hired talent in 2013 and 2014. However, within a year the USA Telepathy office closed down and Kosaka was forced to lay off several employees, a difficult task which would impact his future hiring approach.

Kosaka recognized the strength in the Telepathy product, but also saw that the technology and pricing left a huge gap in the market for a better designed and more affordable product. With a revised vision and continued passion, Kosaka approached Telepathy's venture capital backers for additional funding, and got enough money to start a substantial marketing and fundraising campaign through Kickstarter. From this, Vufine launched in February of 2015, hired three of the former laid-off Telepathy employees, and promoted their business on Kickstarter in June of the same year.

Early on Kosaka recognized the benefits of being in Silicon Valley. From a business perspective, there is a network to support entrepreneurship in the region where people do not expect business founders to know everything. This includes the pursuit of funding. When compared to Japan, Kosaka's experience showed that Silicon Valley based venture capital firms gave more leeway and were more accommodating, whereas trying to obtain backing from Japanese venture capital firms and government proved far more burdensome. From a personal standpoint, Kosaka saw a deep benefit in having his kids educated in the United States.

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

The Vufine team is comprised of four full time employees, including Kosaka as Founder and Chief Executive Officer, Brendan Pierce as Vice President of Product Creation, Doug Lee as Chief Product Designer, and Daniel Rogan as Marketing Manager. All team members are USA based, non-Japanese, and all are former Telepathy employees. Finding those employees for Vufine was a seamless process because Telepathy had \$5 million to headhunt ideal candidates. Notably, the ones who made it over to Vufine were junior level people who were committed to the company's vision. Kosaka intentionally sought out a small group of local, young, and quick moving professionals as the best candidates for employees. For his human capital approach, Kosaka learned many lessons from Telepathy where he uses caution to balance employment and contract work, so as to avoid potential layoffs.

With regard to hiring, Vufine will need to hire more engineers and sales representatives, but the company is careful to not rush this addition because they want to make sure the fit is right and that timing is appropriate. Kosaka is careful about the hiring of Japanese because of the culture it creates. He endeavors to have an American company, and credits the teammates as the creators of that culture.

Vufine does not have a current diversity and inclusion plan, but the company welcomes diversity of ideas and perspectives as one of the best tools for company success.

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

\$500k / Seed

February 26, 2015

Investors: undisclosed

\$250k / crowdfunding

July 22, 2015

Investors: Kickstarter 1,466 backers

\$1MM / Series A

Summer 2015

Investor: a California venture capital firm

Series B is planned for the first quarter of 2016.

Business Challenges: What challenges does the company face?

As a very new company, Vufine feels certain that the company's biggest challenges are yet to come. Kosaka foresees that one of the hurdles will be marketing the product to retail stores. The team recognizes the importance of a business-to-business sales approach because businesses have been looking at the advantages and uses of wearable displays since Google Glass was released. Therefore, third party company collaborations and coupling products is seen as an important tool for getting the product to market.

With a device featuring reproducible components, technology, and features, another anticipated challenge is in building brand loyalty. The hope is to saturate the market as the first and best wearable display, and to continue product improvement to stay ahead of all potential competitors. The idea is that Vufine will be the brand name, and all competitors will feature generic lesser products.

While the company will begin shipping about 150 preordered products in November of 2015, the first mass production of 5,000 units will follow. The production of Vufine wearable displays pose logistical challenges where components are manufactured in China, but assembled locally.

Naturally, funding is a challenge for any startup. Vufine took advantage of industry knowledge when the team recognized that once they have initial funding, trends in crowdfunding become easier. Vufine was able to purposefully lower the Kickstarter target to \$50,000 in order to give a sort of "early bird special." This act doubled as a fundraising effort and a marketing approach to future venture capital contributors and consumers.

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

Technology Resources:

- Teamwork Projects – collaboration platform
- Slack – communications
- Zoho – business operating system
- Arena – business process simulator
- Celery - payment processing
- Amazon for Business
- Facebook – communications and marketing
- Evernote – digital workspace
- SolidWorks – solid model CAD software

Professional Resources:

- Lawyer – Yoshito Yamamoto
- Accountant – Danny Sato
- Public Relations – undisclosed, used to promote Kickstarter campaign
- Engineering – ProSource (contracted hourly)

Kosaka's advice to new Japanese entrepreneurs in Silicon Valley is to decide if you want to be an American company or a Japanese company doing business in the US because there are different work styles and expectations. If a company is going to hire locals, you must let them know if you are engaging in Japanese business style and explain what that is. Also, founders should be careful of liability risks, patents, etc.



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.