



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

Company Name: Sigmax Technologies Inc. 1995-1996

Arrival to Silicon Valley: 1995

Business Location: Sunnyvale, California

Interviewee: Hiro Kozato

Interview Date: July 7, 2016

US Entity Type: California Corporation

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

Sigmax Technologies was reoriented in 1995 to build controller chips for CD-ROM drives. The company was sold to Adaptec in 1996 for \$20 million.

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

Sigmax was originally a Taiwanese company with a branch office in Silicon Valley. In 1994, the company was not doing so well. At the time, Hiro Kozato had been working in Silicon Valley for Ricoh. Kozato saw that there was a lot of potential in CD's, and correctly predicted that it would become a booming industry. At the time, Oak Technology, Inc. was not just dominating the market for CD-ROM controller chips, but was also the only company making this product.

Kozato, confident of the high potential in CD-ROM technology as well as the lack of competitors in the field, proposed to the then failing Sigmax that if they reoriented their focus to CD-ROMs he would start funding the company as an angel investor. However, nobody in the company's management was familiar with this particular industry, and so it was at this point that they asked Kozato to join Sigmax. In 1995 Kozato joined the company as president, and under Kozato's leadership, Sigmax was reorganized as a U.S. company, acquiring their Taiwan headquarters shortly after.

At the time, Ricoh was in the wafer foundry business, and had made connections with many Silicon Valley based fabless semiconductor companies. Kozato based his business model on some of these already established companies, and using these connections that he had made in Silicon Valley, found his way into the industry. Sigmax set itself apart from its main competitor, Oak Tech, with the speed of its product – while Oak Tech was creating chips that were reading

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.

and writing at a speed of about 4x, Sigmax had developed a product that was reading and writing at a much faster speed of 20x. Sigmax went on to develop products in collaboration with Panasonic (at the time, Matsushita).

In 1996, Sigmax rolled out its first sample, gaining the attention of US and Japanese electronics trade publications. A product release was published in the Electronics Engineering Times, attracting the attention of computer storage product company Adaptec. It was at this point that Adaptec offered to buy the company. Although Sigmax had still only ever really seen the R&D stage, at the strong urging of Sigmax's angel investor (and also CEO), Kozato sold his company to Adaptec later that year.

When asked his opinion on this early stage M&A, Kozato reflected that at the time he had been inexperienced and had easily succumbed to the strong urging of the CEO. In retrospect, seeing as the high tech industry had continued to flourish until around 2000, and Sigmax had barely come out of its R&D stage at the time of its acquisition, he wonders if Sigmax would have been able to continue its growth and eventually IPO if it had not been sold at such a nascent stage.

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

Hiro Kozato was born in Taiwan and raised in Japan from age 12 until college. He graduated from the University of California Santa Barbara with a degree in Mathematics. Prior to Sigmax, Kozato worked in Tomen's automobile export divisions, and then Ricoh's semiconductor sales and marketing division based in Silicon Valley. It was in this position that he first saw the great potential in controller chips for CD-ROM.

The original Sigmax CEO in Taiwan stayed on as CEO of the company, but he was physically in Taiwan and never became engaged in management, and Kozato became president of the company. The company CTO, Feng Kuo was introduced into the company through a mutual acquaintance. Kuo had studied in the US, and had experience in a superconductor related startup and a Japanese semiconductor company.

When Sigmax was reorganized under Kozato's leadership, there were about 5 employees. Kozato and Kuo recruited personnel with backgrounds ranging from management to engineering and sales, through their personal networks from Asia, and eventually grew their team to 23 employees.

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

Kozato raised about \$2 million in first round funding from Silicon Valley angel investors, and contributed a large portion himself. Most of these investors were executives at high tech companies around Silicon Valley.

Business Challenges: What challenges does the company face?

At the time, the high tech industry was booming, making the recruitment of engineers very difficult. A graphics company called S3 Graphics was hiring engineers en masse, and was raising

wages all around Silicon Valley. To further exacerbate the problem, working for startups was seen as high risk and unstable even in Silicon Valley, which made recruiting even more difficult. Due to the high competition, a general mistrust of startups, and a high turnover rate, finding and hiring good engineers to work for Sigmax was expensive, with no guarantee that they would stay.

However, despite challenges and setbacks, Kozato comments that other aspects of company establishment such as finding professional resources including locally based accountants and attorneys, was a relatively easy process. Although he did not have any experience in starting a business, what he found in Silicon Valley was an infrastructure that was already in place to support entrepreneurs much like himself.



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

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 startups 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 us at: stanford.svnj@gmail.com