

PERSPECTIVE ON JAPAN DIABETES MEDICAL DEVICES M&A

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For investment bankers, M&A activity in Japan for diabetes medical devices has been a virtual non-starter. Is this void a harbinger of what is to come or not come? Or does it present financial opportunities in the making? This is especially relevant given the current stricken financial situations of a number of the up and coming pure play diabetes medical device players, and are furthermore without borders.

Insulin Pens

One of the perhaps most venerable Japan institutions is the insulin injection pen monopoly currently held by Novo Nordisk, Sanofi, and Lilly over nearly the past decade. However, the dreaded pen injections continue to remain a painful, highly inconvenient, social stigma – thereby often and unfortunately not diligently adhered to, and clearly not the market path of least resistance. Does this mean that help may be or should be on the way?

Disposable Pump Patches and Tubeless Patch Pumps

The answer is yes. This in the form of the miniature disposable pump-patches and tubeless patch-pumps that are adhesively attached to the body to automatically administer continuous basal and on-demand bolus insulin delivery via a tiny needle or via a tiny soft plastic cannula.

These have recently become available in Japan thru the recent Terumo “Medisafe With”, as well as Abbott FreeStyle and Medtronic. But the overly-influential Japan Diabetes Society (JDS) may have put a dent in this effort with apparently some artificially imposed obstacles and requirements such as for dispensing hospitals to have at least 2 practitioners of diabetes on board.

Outside of Japan there are now patch-pump offerings both internally developed and via external M&A such as from Valeritas (BioValve h-Patch), EOFlow, Gerresheimer (Sensile Medical), Roche (Medingo), Omnipod, and CeQur (J&J Calibra’s OneTouch Via) with its perennial work-in-progress PaQ.

BGMs and CGMs

These come in the forms of invasive miniature disposable body worn patches and tubeless patches that are adhesively attached to the body to measure and monitor blood glucose levels via a tiny needle or a sensor inserted or implanted in the body, as well as the traditional invasive SBGM.

The invasive patch devices have recently become available in Japan such as through the recent Terumo DexCom CGM in Japan, as well as Abbott's needle inserted FreeStyle Libre CGM, plus the traditional invasive SBGM offerings such as from Roche, LifeScan, Bayer, Nipro, Terumo, Arkray, Nihon Koden, Edia, Foracare, Medtronic, and 33.4% market share leader Sanwa.

Outside of Japan there are now CGM patch offerings such as from DexCom, Abbott, Medtronic, Senseonics.

Crossing the Digital Divide -- Blood Glucose Monitoring and Closed-Loop Artificial Pancreas (AP)

These miniature insulin delivery devices are also now crossing the digital divide as they're advancing to combine and integrate with their brethren blood glucose monitoring (BGM and CGM) devices. These systems are integrating toward the ultimate holy grail of improved diabetes control via automatic closed-loop artificial pancreas (AP), such as advanced by Medtronic, Abbott, DexCom, and EOfFlow.

Non-invasive Blood Glucose Monitoring (BGM)

In the parallel brethren but ever elusive non-invasive BGM space, a clear pure play solution leader has emerged in Integrity Applications' GlucoTrack with its unique triple-technology based ear lobe measuring device. This is the leading successor to overcoming the dreaded painful legacy finger-sticking devices that have plagued diabetes patients for decades. The unique GlucoTrack device has critically shown to provide acceptable accuracy, especially and significantly as compared to the failed non-invasive attempts of Google Verily's contact lens teardrop approach and Apple's wrist watch sweat approach in their near-naked techno-medical attempts to solely cross the digital divide. The GlucoTrack device may thus be the closest to truly filling the major opportunity gap in the non-invasive BGM space. GlucoTrack has received approvals for CE Mark in Europe and from the Ministry of Food and Drug Safety in South Korea.

Cnoga Medical's Glucometer optical finger-tip measuring device has also demonstrated some acceptable accuracy, this despite their measuring of the highly-abused and thus less technically reliable finger-tip, but their device is combined and integrated with 15 other measurements. The devices have been CE certified as a 2a Medical Device thus far.

M&A Opportunities

The above present a quick summary matrix of diabetes medical device M&A financial opportunities for both within and outside of Japan, but which are especially relevant for the significant diabetic Japan market and product spaces. Although the Japan medical device sector may not be as transparent nor as well understood as the USA or Europe, many of the above currently stricken financial situations do present significant strategic and financial opportunities for Japan origination M&A that would confer substantial inherent medical-device-strategic advantages and benefits both domestically and internationally.

These opportunities are therefore especially strategically and timely relevant, enabling significant value-add, such as to the marketing, sales, and service companies sector for example – providing, leveraging, and propelling their complementary assets to these advanced diabetes medical device makers. These marketing, sales, and service companies are highly complementary and synergistic in covering virtually all of the value-add chain for these advanced medical device makers, but lacking their own up-to-date product lines and relevant technology knowledge base. Hence the age old MIT adage stressing and spelling out the classic strategic technologies and technology products that are sorely needed, and for which the marketing, sales, and service companies sector eagerly pay for. This constitutes timely technology-strategic prescience and foresight at the core.

This M&A train is already under way. Sensile Medical was just very recently acquired by Gerresheimer – even with its “nice-to-have” but not “got-to-have” product. Integrity Applications with its unique non-invasive BGM GlucoTrack device clearly stands out as a leading M&A candidate with its proven and sorely needed non-invasive diabetes medical technology product. Early-stage VC-backed EOFLOW is yet another on the M&A radars.

So, please stay tuned. The Japan diabetes medical device landscape has already begun to change. Let's not be lulled asleep in thinking that nothing changes in Japan.