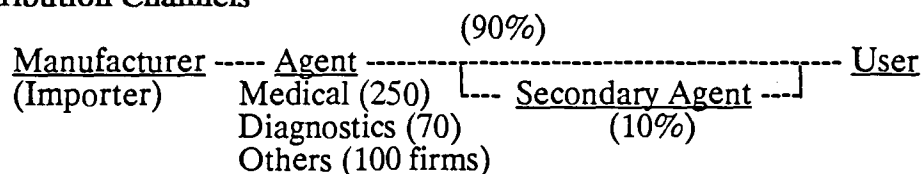


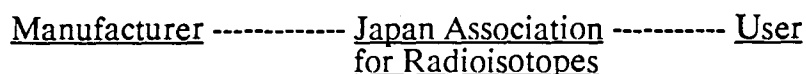
3. Characteristics of the Japanese Diagnostics Market

3-1) Distribution Channels



This is the sales channel common to each company. Normally, it is a route of flow from manufacturers to representative agents (through secondary agents in some cases) and then users. There are no direct sales when hospitals are the subjects.

A case where some sales are direct is the case of large commercial laboratories, etc. Moreover, the following channel, which is different from the aforementioned, is used for RIA (in-vitro) reagents:



The Japan Association for Radioisotopes is the only representative and is the aforementioned flow for all RIA reagents. However, flow of substances is from manufacturer directly to user and there are cases where the association handles some of the substances. Consequently, in almost all cases, the same association gives a note of receipt as a voucher and is in charge of money.

3-2) Presence of Agents

The following reasons can be given for the existence of representatives between manufacturers and users.

A) Users usually prefer to have one contact for each category, i.e. drugs, diagnostics and medical equipment, in order to avoid complexities in the handling of business transactions. All preparations necessary in hospitals and commercial laboratories cannot be done by the manufacturer, and therefore, special representative functions are necessary.

Representative branches can respond to the needs of users by corresponding with other branches without directly talking with the manufacturer.

B) On the manufacturer's side, the appropriate number of businessmen, marketing points, stock points, etc., are needed in order to directly deal with 6,000 to 7,000 users nationwide.

This puts a considerable economic burden on each company, regardless of their business scale. The use of businessmen as agents is very advantageous to the manufacturer. The use of agents has been discussed from the user's point of view and the manufacturer's point of view. The main role and functions of the agents are shown below.