UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33609

SUCAMPO PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	30-0520478
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
805 King Farm Boulevard, Suite 550 Rockville, MD *(Address of principal executive offices)*	20850 *(Zip Code)*

(301) 961-3400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☑ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ☑	Non accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes ☑ No

As of November 1, 2015, there were 45,316,971 shares of the registrant's class A common stock outstanding.

Sucampo Pharmaceuticals, Inc.

Form 10-Q Index

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands of U.S. dollars, except share and per share data)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 91,505	$ 71,622
Investments, current	38,022	22,393
Product royalties receivable	19,328	18,576
Accounts receivable, net	6,682	5,338
Restricted cash, current	1,927	213
Inventory	296	-
Prepaid expenses and other current assets	3,686	4,182
Total current assets	161,446	122,324
Investments, non-current	5,124	13,540
Property and equipment, net	2,296	763
Intangible assets, net	136	151
Deferred tax assets, non-current	3,136	571
Deferred charge, non-current	1,474	1,695
Restricted cash, non-current	-	2,224
Other assets	160	306
Total assets	$ 173,772	$ 141,574
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,936	$ 4,143
Accrued expenses	10,151	8,467
Deferred revenue, current	1,152	2,051
Collaboration obligation	5,552	6,000
Income tax payable	691	1,291
Notes payable, current	8,411	8,240
Other current liabilities	2,581	3,618
Total current liabilities	33,474	33,810
Notes payable, non-current	13,330	17,578
Deferred revenue, non-current	4,586	5,118
Deferred tax liability, non-current	210	820
Other liabilities	4,384	1,936
Total liabilities	55,984	59,262
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized at September 30, 2015 and December 31, 2014; no shares issued and outstanding at September 30, 2015 and December 31, 2014	-	-
Class A common stock, $0.01 par value; 270,000,000 shares authorized at September 30, 2015 and December 31, 2014; 45,312,051 and 44,602,988 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	453	446
Class B common stock, $0.01 par value; 75,000,000 shares authorized at September 30, 2015 and December 31, 2014; no shares issued and outstanding at September 30, 2015 and December 31, 2014	-	-
Additional paid-in capital	95,749	83,646
Accumulated other comprehensive income	14,411	14,265
Treasury stock, at cost; 524,792 shares at September 30, 2015 and December 31, 2014	(2,313)	(2,313)
Retained earnings (accumulated deficit)	9,488	(13,732)
Total stockholders' equity	117,788	82,312
Total liabilities and stockholders' equity	$ 173,772	$ 141,574

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)
(In thousands of U.S. dollars, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Research and development revenue	$ 2,714	$ 1,797	$ 7,468	$ 5,281
Product royalty revenue	19,328	16,811	51,209	44,200
Product sales revenue	11,022	11,717	36,678	25,572
Co-promotion revenue	-	936	-	2,021
Contract and collaboration revenue	384	202	2,457	619
Total revenues	33,448	31,463	97,812	77,693
Costs and expenses:				
Costs of goods sold	5,286	4,974	18,656	12,163
Intangible assets impairment	-	5,631	-	5,631
Research and development expenses	8,368	5,297	22,285	14,684
General and administrative expenses	7,752	8,117	22,363	23,571
Selling and marketing expenses	385	3,801	1,617	11,461
Total costs and expenses	21,791	27,820	64,921	67,510
Income from operations	11,657	3,643	32,891	10,183
Non-operating income (expense):				
Interest income	62	26	155	106
Interest expense	(243)	(384)	(784)	(1,176)
Other income, net	87	519	1,947	143
Total non-operating income (expense), net	(94)	161	1,318	(927)
Income before income taxes	11,563	3,804	34,209	9,256
Income tax provision	(4,327)	(2,324)	(10,989)	(5,410)
Net income	$ 7,236	$ 1,480	$ 23,220	$ 3,846
Net income per share:				
Basic	$ 0.16	$ 0.03	$ 0.52	$ 0.09
Diluted	$ 0.16	$ 0.03	$ 0.51	$ 0.09
Weighted average common shares outstanding:				
Basic	44,731	43,796	44,576	43,613
Diluted	46,309	43,796	45,939	43,613
Comprehensive income:				
Net income	$ 7,236	$ 1,480	$ 23,220	$ 3,846
Other comprehensive income (loss):				
Unrealized gain on pension benefit obligation	57	-	38	-
Unrealized gain (loss) on investments, net of tax effect	(6)	(5)	6	-
Foreign currency translation income	264	287	102	42
Comprehensive income	$ 7,551	$ 1,762	$ 23,366	$ 3,888

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited)
(In thousands of U.S. dollars, except share data)

	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Treasury Stock		Retained Earnings (Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Shares	Amount	Deficit)	Equity
Balance at December 31, 2014	44,602,988	$ 446	$ 83,646	$ 14,265	524,792	$ (2,313)	$ (13,732)	$ 82,312
Stock-based compensation	-	-	5,607	-	-	-	-	5,607
Stock issued under exercise of stock options	703,621	7	4,822	-	-	-	-	4,829
Stock issued under employee stock purchase plan	5,442	-	74	-	-	-	-	74
Windfall tax benefit from stock-based compensation	-	-	1,600	-	-	-	-	1,600
Unrealized gain on pension benefit obligation	-	-	-	38	-	-	-	38
Unrealized gain on investments, net of tax effect	-	-	-	6	-	-	-	6
Foreign currency translation income	-	-	-	102	-	-	-	102
Net income	-	-	-	-	-	-	23,220	23,220
Balance at September 30, 2015	45,312,051	$ 453	$ 95,749	$ 14,411	524,792	$ (2,313)	$ 9,488	$ 117,788

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands of U.S. dollars)

	Nine Months Ended September 30,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 23,220	$ 3,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	433	984
Intangible assets impairment	-	5,631
Loss on disposal of property and equipment	77	-
Deferred tax provision (benefit)	(2,828)	48
Deferred charge	221	2,576
Stock-based compensation	5,607	1,379
Amortization of premiums on investments	121	69
Unrealized currency translation losses (gains)	2	(301)
Transfer and assignment of licensing rights	(2,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(911)	(3,047)
Unbilled accounts receivable	(436)	(2)
Product royalties receivable	(752)	(1,982)
Inventory	(296)	74
Prepaid and income taxes receivable and payable, net	(600)	(4,091)
Accounts payable	785	(1,682)
Accrued expenses	1,672	1,501
Deferred revenue	(1,399)	18
Collaboration obligation	(448)	-
Accrued interest payable	227	304
Other assets and liabilities, net	1,510	2,207
Net cash provided by operating activities	24,205	7,532
Cash flows from investing activities:		
Purchases of investments	(39,775)	(12,224)
Proceeds from the sales of investments	2,398	1,700
Maturities of investments	30,054	11,750
Purchases of property and equipment	(2,023)	(62)
Transfer and assignment of licensing rights	2,000	-
Changes in restricted cash	548	-
Net cash (used in) provided by investing activities	(6,798)	1,164
Cash flows from financing activities:		
Repayment of notes payable	(4,077)	(3,905)
Proceeds from exercise of stock options	4,829	2,167
Proceeds from employee stock purchase plan	74	23
Proceeds from "at-the-market" stock issuance	-	5,327
Windfall benefit from stock-based compensation	1,600	(97)
Net cash provided by financing activities	2,426	3,515
Effect of exchange rates on cash and cash equivalents	50	(226)
Net increase in cash and cash equivalents	19,883	11,985
Cash and cash equivalents at beginning of period	71,622	44,102
Cash and cash equivalents at end of period	$ 91,505	$ 56,087

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

1. Business Organization and Basis of Presentation

Description of the Business

Sucampo Pharmaceuticals, Inc. (the Company) is a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal and oncology-based inflammatory disorders.

The Company currently generates revenue primarily from product royalties, development milestone payments, product sales and reimbursements for clinical development activities. The Company expects to continue to incur significant expenses for the next several years as the Company continues its research and development activities, seeks regulatory approvals and additional indications for approved products and other compounds and seeks strategic opportunities for in-licensing non-prostone clinical candidates.

In the United States (U.S.), AMITIZA® (lubiprostone) is marketed for three gastrointestinal indications under the collaboration and license agreement (as amended in October 2014, the North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, the Company is primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, the Company and Takeda executed amendments (Takeda Amendment) to the North America Takeda Agreement which, among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term, Takeda and the Company will split the annual net sales revenue of the branded AMITIZA products. In addition, the North America Takeda Agreement was amended to terminate the Company's right to perform commercialization activities with respect to AMITIZA and Takeda's obligation to reimburse the Company for such commercialization activities.

In Japan, AMITIZA is marketed under a license, commercialization and supply agreement (the Japan Mylan Agreement) that was transferred to Mylan, Inc. (Mylan) from Abbott Laboratories, Inc. (Abbott), as of February 2015, as part of Mylan's acquisition of a product portfolio from Abbott. Mylan markets AMITIZA in Japan for chronic constipation (CC) excluding constipation caused by organic diseases. AMITIZA is Japan's only prescription medicine for CC. The Company did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

In the People's Republic of China, the Company entered into an exclusive license, development, commercialization and supply agreement (the China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria), for AMITIZA in May 2015. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. The Company will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Upon entering into the China Gloria Agreement, the Company received an upfront payment of $1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC; as a result the Company received an additional payment of $500,000 from Gloria. In addition to the $1.5 million in payments received and recognized as revenue through June 2015, the Company is eligible to receive an additional payment in the amount of $1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

In October 2014, the Company entered into an exclusive license, development, commercialization and supply agreement (the Global Takeda License Agreement) for lubiprostone with Takeda, through which Takeda has the exclusive rights to further develop and commercialize AMITIZA in all global markets, except the U.S., Canada, Japan and the People's Republic of China. Takeda became the marketing authorization holder in Switzerland in April 2015 and is expected to become the marketing authorization holder in the United Kingdom (U.K.), Austria, Belgium, Germany, Italy, Ireland, Luxembourg, the Netherlands and Spain in the first half of 2016. Takeda will be responsible for all commercialization and regulatory activities in these areas covered by the Global Takeda License Agreement. Takeda currently markets AMITIZA for CIC and OIC in Switzerland, and for CIC in the U.K. The Company filed for the OIC indication in the U.K., but in March 2014 the Company received notification from the Medicines and Healthcare Products Regulatory Agency (MHRA) that the application for the OIC indication was not approved and the Company subsequently resubmitted the application for OIC for re-review to the MHRA. The Company currently is awaiting the MHRA's decision on the OIC indication. In January 2015, the Company successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in Austria, Belgium, Germany, Italy, Ireland, Luxembourg, the Netherlands and Spain, resulting in marketing authorization approvals.

In June 2015, the Company and Takeda filed a clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia and, in October 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico. The Company expects to initiate phase 3 registration trials in Russia and Mexico in the first half of 2016.

The Company's clinical development programs include the following:

Lubiprostone Alternate Formulation

The Company is developing an alternate formulation of lubiprostone, both for adult and pediatric patients who are unable to take capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work and the Company expects to initiate a phase 3 trial of the alternate formulation of lubiprostone in adults in the second half of 2016.

Lubiprostone for Pediatric Functional Constipation

The phase 3 program required to support an application for marketing approval of lubiprostone for pediatric functional constipation comprises four clinical trials, two of which are currently ongoing and are both testing the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of the two trials is a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. Following the successful completion of the phase 3 trial for the alternative formulation of lubiprostone, as described above, the Company is also planning to initiate two additional trials in its phase 3 program for pediatric functional constipation, which will be in children aged 6 months to less than 6 years testing the alternative formulation. Takeda has agreed to fund 70% of the costs, up to a cap, of this pediatric functional constipation program.

Cobiprostone for Oral Mucositis (OM)

In September 2015, the Company initiated a phase 2a clinical trial of cobiprostone oral spray for the prevention of OM in patients suffering from head and neck cancer receiving concurrent radiation and chemotherapy. In May 2015, the FDA granted Fast Track Designation for cobiprostone for the prevention of OM.

Cobiprostone for Proton Pump Inhibitor-Refractory Non-Erosive Reflux Disease (NERD)/symptomatic Gastroesophageal Reflux Disease (sGERD)

In December 2014, the Company initiated a phase 2a program for cobiprostone in NERD/sGERD in patients who have had a non-satisfactory response to proton pump inhibitors. The trial, being conducted in Japan, is currently ongoing.

Unoprostone Isopropyl

In March 2015, the Company announced that it would return all licenses for unoprostone isopropyl to R-Tech Ueno, Ltd. (R-Tech). These licenses had provided the Company with exclusive development and commercialization rights to unoprostone isopropyl globally except for Japan, the People's Republic of China, Taiwan and Korea, and covered certain indications including the lowering of intraocular pressure (IOP) in patients with open-angle glaucoma or ocular hypertension, retinitis pigmentosa and geographic atrophy. Effective May 6, 2015, the Company and R-Tech executed a transfer and termination agreement to effectuate the return of the licenses as well as regulatory, commercial and pharmacovigilance information. As a result of this transfer and termination agreement, the Company received a payment of $2.6 million from R-Tech, consisting of $2.0 million for the transfer and assignment of certain rights and assets, and $0.6 million as a reimbursement of an FDA fee.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's Consolidated Financial Statements as of and for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 9, 2015. The financial information as of September 30, 2015, the three and nine months ended September 30, 2015, and the three and nine months ended September 30, 2014 is unaudited. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of the Company's management, all adjustments, consisting only of normal recurring adjustments or accruals, considered necessary for a fair statement of the results of these interim periods have been included. The results of the Company's operations for any interim period are not necessarily indicative of the results that may be expected for any other interim period or for a full fiscal year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries: Sucampo AG (SAG) based in Zug, Switzerland, through which the Company conducts certain of its worldwide and European operations; Sucampo Pharma, LLC (SPL) based in Osaka, Japan, through which the Company conducts its Asian operations; Sucampo Pharma Americas LLC (SPA), based in Rockville, Maryland, through which the Company conducts its North American operations; and Sucampo Pharma Europe, Ltd. (SPE), based in Oxford, United Kingdom. All significant inter-company balances and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

Certain Risks, Concentrations and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, restricted cash, investments and receivables. The Company places its cash, cash equivalents and restricted cash with highly rated financial institutions and invests its excess cash in highly rated investments. As of September 30, 2015 and December 31, 2014, approximately $30.6 million, or 22.4%, and $37.0 million, or 33.6%, respectively, of the Company's cash, cash equivalents, restricted cash and investments were issued or insured by the U.S. government or U.S. government agencies. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Revenues from Takeda, an unrelated party, accounted for 66.3% and 62.4% of the Company's total revenues for the three months ended September 30, 2015 and 2014, respectively, and 60.4% and 66.7% for the nine months ended September 30, 2015 and 2014, respectively.

Revenues from Mylan (formerly Abbott), an unrelated party, accounted for 30.8% and 36.2% of the Company's total revenues for the three months ended September 30, 2015 and 2014, respectively, and 36.7% and 31.8% for the nine months ended September 30, 2015 and 2014, respectively.

Accounts receivable, unbilled accounts receivable and product royalties receivable from Takeda accounted for 84.1% and 88.5% of the Company's total accounts receivable, unbilled accounts receivable and product royalties receivable at September 30, 2015 and December 31, 2014, respectively.

The Company depends significantly upon collaborations with Takeda and Mylan, and its revenues may be impacted if these relationships are disrupted.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments approximate their fair values based on their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, current and non-current investments, receivables, accounts payable and accrued expenses. The carrying amounts of the notes payable at September 30, 2015 and December 31, 2014 were less than the estimated fair values (see Note 10.) The carrying amounts of the collaboration obligation at September 30, 2015 and December 31, 2014 approximated the fair values. The Company's debt and collaboration obligation are subject to the fair value disclosure requirements as discussed in Note 5 below, and are classified as Level 2 and Level 3 financial instrument, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued authoritative guidance which sets forth a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance was originally scheduled to be effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016, but in July 2015 the FASB voted to defer the effective date to December 15, 2017 for interim and annual reporting periods beginning after that date. Early adoption is permitted, but not before the original effective date of December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt this guidance. The Company is currently evaluating the impact of this guidance on its results of operations, financial position and cash flows.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years. ASU 2015-03 will have no effect on the Company's results of operations or liquidity.

3. Net Income per Share

Basic net income per share is computed by dividing net income by the sum of the weighted average class A common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average common shares and potential dilutive common shares outstanding. Diluted net loss per share, when applicable, is computed by dividing net loss by the weighted average common shares outstanding without the impact of potential dilutive common shares outstanding because they would have an anti-dilutive impact on diluted net loss per share.

The computation of net income per share for the three and nine months ended September 30, 2015 and 2014 is shown below:

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ 7,236	$ 1,480	$ 23,220	$ 3,846
Basic net income per share:				
Weighted average class A common shares outstanding	44,731	43,796	44,576	43,613
Basic net income per share	$ 0.16	$ 0.03	$ 0.52	$ 0.09
Diluted net income per share:				
Weighted average class A common shares outstanding	44,731	43,796	44,576	43,613
Assumed exercise of stock options under the treasury stock method	1,578	-	1,363	-
Weighted average dilutive shares outstanding	46,309	43,796	45,939	43,613
Diluted net income per share	$ 0.16	$ 0.03	$ 0.51	$ 0.09

The following securities were excluded from the computation of diluted net income per share as their effect would be anti-dilutive for the three and nine months ended September 30, 2015 and 2014:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee stock options	273	1,759	884	438

4. Current and Non-Current Investments

At September 30, 2015 and December 31, 2014, current and non-current available-for-sale investments consisted of the following securities:

	September 30, 2015			
(In thousands)	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Current:				
Certificates of deposit	$ 8,250	$ -	$ -	$ 8,250
Corporate bonds	6,264	-	-	6,264
U.S. commercial paper	7,246	4	-	7,250
U.S. government agencies	14,735	-	-	14,735
U.S. treasury bills and notes	1,523	-	-	1,523
Total	$ 38,018	$ 4	$ -	$ 38,022
Non-current:				
Certificates of deposit	$ 2,750	$ -	$ -	$ 2,750
U.S. government agencies	2,374	-	-	2,374
Total	$ 5,124	$ -	$ -	$ 5,124

	December 31, 2014			
(In thousands)	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Current:				
Certificates of deposit	$ 2,500	$ -	$ -	$ 2,500
Corporate bonds	4,575	-	(3)	4,572
U.S. commercial paper	11,109	8	-	11,117
U.S. government securities	4,203	1	-	4,204
Total	$ 22,387	$ 9	$ (3)	$ 22,393
Non-current:				
Certificates of deposit	$ 5,000	$ -	$ -	$ 5,000
Corporate bonds	509	-	(1)	508
U.S. government agencies	8,047	-	(15)	8,032
Total	$ 13,556	$ -	$ (16)	$ 13,540

5. Fair Value Measurements

The Company performs fair value measurements in accordance with the FASB's guidance for fair value measurements and disclosures, which defines fair value as the exchange price that would be received for selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is established which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company classifies its financial instruments into the following categories based on the three levels of inputs used to measure fair value:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company's financial instruments approximate their fair values based on their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, current and non-current investments, receivables, accounts payable, accrued expenses, debt and the collaboration obligation, which are subject to the fair value disclosure requirements discussed above.

The Company's financial instruments measured at fair value on a recurring basis, which are subject to the fair value disclosure requirements, are as follows:

	Fair Value Measurements at Reporting Date Using			
September 30, 2015 (In thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Certificates of deposit	$ -	$ 11,000	$ -	$ 11,000
Corporate bonds	-	6,534	-	6,534
Money market funds	518	-	-	518
U.S. commercial paper	-	8,250	-	8,250
U.S. government agencies	-	17,109	-	17,109
U.S. treasury bills and notes	-	1,524	-	1,524
Total assets measured at fair value (a)	$ 518	$ 44,417	$ -	$ 44,935
(a) includes approximately $1.8 million of cash equivalents				
Notes payable	$ -	$ 22,241	$ -	$ 22,241

	Fair Value Measurements at Reporting Date Using			
December 31, 2014 (In thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Certificates of deposit	$ -	$ 8,000	$ -	$ 8,000
Corporate bonds	-	10,181	-	10,181
Money market funds	3,111	-	-	3,111
U.S. commercial paper	-	15,092	-	15,092
U.S. government agencies	-	12,686	-	12,686
U.S. government securities	-	14,850	-	14,850
Total assets measured at fair value (b)	$ 3,111	$ 60,809	$ -	$ 63,920
(b) includes approximately $28.0 million of cash equivalents				
Notes payable	$ -	$ 26,317	$ -	$ 26,317

In determining fair value for Level 2 instruments, we apply a market approach using quoted active market prices relevant to the particular instrument under valuation, giving consideration to the credit risk of both the respective counterparty to the contract and the Company. To determine our credit risk we estimated our credit rating by benchmarking the price of outstanding debt to publicly available comparable data from rated companies. Using the estimated rating, our credit risk was quantified by reference to publicly traded debt with a corresponding rating. The estimated fair value of the Company's notes payable, including the current portion, have been calculated for the Company by a third party based upon rates and terms for similar instruments and are classified as Level 2 within the fair value hierarchy.

6. Inventory

As of September 30, 2015, finished goods inventory consisted of product held under the Global Takeda License Agreement.

7. Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Research and development costs	$ 3,968	$ 2,409
Commercial supplies	-	1,128
Employee compensation	3,073	3,459
Selling and marketing costs	41	163
Legal service fees	1,426	612
Other accrued expenses	1,643	696
Total	$ 10,151	$ 8,467

Other current liabilities consisted of the following as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Indirect taxes payable	$ 1,963	$ 3,075
Other liabilities	618	543
Total	$ 2,581	$ 3,618

8. Commitments and Contingencies

Operating Leases

The Company leases office space in the U.S., Switzerland and Japan under operating leases with terms through 2027.

Total future minimum, non-cancelable lease payments under operating leases are as follows:

(In thousands)	September 30, 2015
2015	$ 327
2016	1,191
2017	586
2018	889
2019	906
Total minimum lease payments	$ 3,899

Rent expense for all operating leases was approximately $482,000 and $343,000 for the three months ended September 30, 2015 and 2014, respectively, and $1.1 million and $1.0 million for the nine months ended September 30, 2015 and 2014, respectively.

Research and Development Costs

The Company routinely enters into agreements with third-party contract research organizations to oversee clinical research and development studies on an outsourced basis, and to assist in other research and development activities. The Company generally is not contractually obligated to pay the third party if the services or reports are not provided. Total future estimated costs under these agreements as of September 30, 2015 were approximately $5.6 million.

Numab AG Commitment

In September 2011, the Company entered into a Loan Guarantee and Development Agreement (Numab Agreement) with Numab AG (Numab), which extends through September, 2016, to guarantee Numab's loan with Zurcher Kantonalbank. The Company's maximum liability under the Numab Agreement is CHF 2.2 million or approximately $2.3 million. As of September 30, 2015, Numab's outstanding loan balance was CHF 1.5 million or approximately $1.5 million. As of September 30, 2015 and December 31, 2014, the Company had a recorded guarantee liability of $206,000 and $1.0 million, respectively, related to the Numab Agreement.

9. Related Party Transactions

Supply Agreements with R-Tech Ueno, Ltd.

The Company recorded the following expenses for the three and nine months ended September 30, 2015 and 2014 under all of its agreements with R-Tech, including various exclusive supply agreements with R-Tech related to the supply of lubiprostone and cobiprostone:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Clinical supplies	$ 106	$ 88	$ 143	$ 254
Other research and development services	258	139	347	170
Commercial supplies	4,860	4,507	18,038	12,133
	$ 5,224	$ 4,734	$ 18,528	$ 12,557

The following table summarizes the amounts included in deferred revenue resulting from the deferral of upfront payments relating to the exclusive supply agreements with R-Tech as of September 30, 2015 and December 31, 2014:

(In thousands)	**September 30, 2015**	**December 31, 2014**
Deferred revenue, current	$ 613	$ 453
Deferred revenue, non-current	3,566	4,141
Total deferred revenue, R-Tech	$ 4,179	$ 4,594

The Company recognized approximately $356,000 and $160,000 of revenue relating to its agreements with R-Tech for the three months ended September 30, 2015 and 2014, respectively, and $829,000 and $369,000 for the nine months ended September 30, 2015 and 2014, respectively. Such revenue was recorded as contract and collaboration revenue in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

The Company recognized a $2.0 million payment from R-Tech for the transfer and assignment of certain rights and assets for the nine months ended September 30, 2015. Such payment was recorded in other income, net in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income.

The Company's founders, Drs. Ryuji Ueno and Sachiko Kuno, individually or through S&R Technology Holdings, LLC, are no longer controlling stockholders of R-Tech as they completed an underwritten public offering in April 2015 to reduce their ownership in R-Tech to below 50.0%.

Acquisition of R-Tech Ueno, including Stock Purchase Agreement with Founders

On August 26, 2015, the Company entered into a share purchase agreement with Drs. Ryuji Ueno and Sachiko Kuno and S&R Technology Holdings, LLC, to acquire 44% of outstanding R-Tech shares. The total purchase price for these shares was 1,400 Japanese Yen (JPY) per share, or 12 billion JPY in the aggregate, or approximately $100 million.

In August 2015, the Company launched, through its wholly-owned Japanese subsidiary (the Offeror), an all-cash tender offer in Japan to acquire the remaining 56% of the outstanding shares and stock acquisition rights of R-Tech for a total consideration of up to 21 billion JPY, or approximately $175 million. The price offered in the tender offer reflected that R-Tech held approximately $57 million in cash and 2.5 million shares of the Company's common stock as of the commencement of the tender offer. In connection with the Tender Offer, on August 26, 2015, the Company entered into a Strategic Alliance Agreement (the Alliance Agreement) by and among the Company, the Offeror, and R-Tech. The Alliance Agreement sets forth the conditions to the obligation of the Offeror to commence the Tender Offer and includes a number of covenants on behalf of R-Tech related to the support of the Tender Offer and the conduct of R-Tech's business during the tender offer and squeeze-out periods. In addition to the foregoing, the Alliance Agreement contains customary representations, warranties and covenants made by the Offeror and R-Tech. The Offeror or R-Tech are permitted in limited circumstances to terminate the Alliance Agreement upon a breach of the agreement by the other party.

On October 20, 2015, the transactions contemplated by the share purchase agreement were completed, and the tender offer was concluded. As a result of these transactions, the Company acquired approximately 98% of R-Tech's outstanding shares. The Company intends to acquire the remaining 2% of outstanding shares of R-Tech through a squeeze-out process under Japanese law in the fourth quarter of 2015.

Numab AG

Numab is a related party of the Company as a result of the Company hiring as an executive officer an individual who holds an ownership interest in Numab. Under the terms of the Numab Agreement, the Company provided Numab with collateral and serves as guarantor for Numab on a loan from a third party, Zurcher Kantonalbank (see Note 8 above).

10. Notes Payable

In connection with the Company's acquisition of SAG in December 2010, the Company issued a subordinated unsecured promissory note to each of the Ueno Trust and the Kuno Trust (the Notes). Effective June 1, 2015, the interest rate on the Notes is 4.42%. Due to changes in LIBOR rates, the Company has estimated the fair value of the notes payable as shown in the table below.

Notes payable at their fair value (see Note 5) and carrying value consist of the following as of September 30, 2015 and December 31, 2014:

	Fair Value		Carrying Value	
(In thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2015**	**December 31, 2014**
Promissory notes, Sellers of SAG	$ 22,241	$ 26,317	$ 21,741	$ 25,818
Notes payable, current			$ 8,411	$ 8,240
Notes payable, non-current			13,330	17,578
			$ 21,741	$ 25,818

As described in Note 17, subsequent to September 30, 2015, the Company entered into a credit facility and incurred additional indebtedness.

11. Collaboration Obligation

Under the Global Takeda License Agreement, the Company received an upfront payment from Takeda of $14.0 million in 2014, of which the Company is obligated to reimburse Takeda or fund the first $6.0 million in development expenses. The obligation as of September 30, 2015 and December 31, 2014 was $5.6 million and $6.0 million, respectively.

12. Collaboration and License Agreements

North America Takeda Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the North America Takeda Agreement for the nine months ended September 30, 2015:

(In thousands)	Amount Deferred at December 31, 2014	Cash Received for the Nine Months Ended September 30, 2015	Revenue Recognized for the Nine Months Ended September 30, 2015	Change in Accounts Receivable for the Nine Months Ended September 30, 2015*	Amount Deferred at September 30, 2015
Collaboration revenue:					
Up-front payment associated with the Company's obligation to participate in joint committees	$ 882	$ -	$ 110	$ -	$ 772
Research and development revenue:					
Reimbursement of research and development expenses	$ -	$ 5,112	$ 7,468	$ 2,356	$ -
Product royalty revenue	$ -	$ 50,457	$ 51,209	$ 752	$ -

* Includes billed and unbilled accounts receivable.

Global Takeda License Agreement

Product sales to Takeda under the Global Takeda License Agreement for the nine months ended September 30, 2015 were approximately $8,000.

Japan Mylan Agreement

The following table summarizes the cash streams and related revenue recognized or deferred under the Japan Mylan Agreement for the nine months ended September 30, 2015:

(In thousands)	Amount Deferred at December 31, 2014	Cash Received for the Nine Months Ended September 30, 2015	Revenue Recognized for the Nine Months Ended September 30, 2015	Change in Accounts Receivable for the Nine Months Ended September 30, 2015	Foreign Currency Effects for the Nine Months Ended September 30, 2015	Amount Deferred at September 30, 2015
Collaboration revenue:						
Up-front payment associated with the Company's obligation to participate in joint committees	$ 453	$ -	$ 26	$ -	$ 3	$ 430
Product sales revenue	$ -	$ 33,948	$ 35,929	$ 1,573	$ 408	$ -

China Gloria Agreement

During the nine months ended September 30, 2015, the Company recognized as Collaboration Revenue upfront payments of $1.5 million under the China Gloria Agreement.

13. Stock Option Plans

A summary of the employee stock option activity for the nine months ended September 30, 2015 under the Company’s Amended and Restated 2001 Stock Incentive Plan (the 2001 Stock Incentive Plan) is presented below:

2001 Incentive Plan - Employees	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	113,900	$ 10.00	0.93	$ 487,492
Options exercised	(76,500)	10.00		
Options outstanding, September 30, 2015	37,400	10.00	0.59	369,138
Options exercisable, September 30, 2015	37,400	10.00	0.59	369,138
Expected to vest, September 30, 2015	-	-	-	-
Outstanding vested and expected to vest, September 30, 2015	37,400	10.00	0.59	369,138

A summary of the non-employee stock option activity for the nine months ended September 30, 2015 under the 2001 Stock Incentive Plan is presented below:

2001 Incentive Plan - Non-employees	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	255,000	$ 5.85	0.25	$ 2,149,650
Options exercised	(127,500)	5.85		
Options expired	(127,500)	5.85		
Options outstanding, September 30, 2015	-	-	-	-
Options exercisable, September 30, 2015	-	-	-	-
Expected to vest, September 30, 2015	-	-	-	-
Outstanding vested and expected to vest, September 30, 2015	-	-	-	-

A summary of the employee stock option activity for the nine months ended September 30, 2015 under the Company's Amended and Restated 2006 Stock Incentive Plan is presented below:

2006 Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2014	4,021,491	$ 6.93	8.57	$ 29,560,979
Options granted	1,264,534	15.03		
Options exercised	(499,621)	6.64		
Options forfeited	(129,254)	9.23		
Options expired	(3,924)	4.09		
Options outstanding, September 30, 2015	4,653,226	9.09	8.27	50,303,366
Options exercisable, September 30, 2015	1,581,088	6.40	6.27	21,298,514
Expected to vest, September 30, 2015	2,119,232	10.44	9.32	20,054,657
Outstanding vested and expected to vest, September 30, 2015	3,701,108	8.71	8.01	41,365,353

The weighted average grant date fair value of options granted during the nine months ended September 30, 2015 and the year ended December 31, 2014 was $15.03 and $7.68, respectively. As of September 30, 2015, approximately $11.3 million of total unrecognized compensation costs, net of estimated forfeitures related to non-vested awards, are expected to be recognized over a weighted average period of 2.94 years.

Employee Stock Purchase Plan

Under the Company's 2006 Employee Stock Purchase Plan, the Company received $36,324 and $9,670 upon the participants' purchase of 2,502 and 1,566 shares of class A common stock during the three months ended September 30, 2015 and 2014, respectively, and $74,414 and $22,896 upon the participants' purchase of 5,442 and 3,555 shares of class A common stock during the nine months ended September 30, 2015 and 2014, respectively.

14. Pension Expense

Pension expenses relate to defined benefit pension plans for employees at SAG, the Company's subsidiary in Switzerland (the Swiss Plan). The Swiss Plan is a government-mandated retirement fund that provides employees with a minimum investment return. The net periodic pension cost for the Swiss Plan included the following components for the nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**	**2015**	**2014**
Service cost	$ 41	$ 48	$ 135	$ 144
Interest cost	7	11	21	33
Expected return on assets	(10)	(8)	(30)	(24)
Amortization of unrecognized net loss	18	4	54	12
Net periodic pension cost	$ 56	$ 55	$ 180	$ 165

15. Income Taxes

For the three months ended September 30, 2015 and 2014, the Company recorded tax provisions of $4.3 million and $2.3 million, respectively. For the nine months ended September 30, 2015 and 2014, the Company recorded tax provisions of $10.9 million and $5.4 million, respectively. The tax provision for the three and nine months ended September 30, 2015 primarily pertained to the mix of pre-tax income generated by the Company's U.S., Japanese and Swiss subsidiaries and pre-tax income and losses generated by the Company's U.S., Japanese and Swiss subsidiaries for the three and nine months ended September 30, 2014.

Uncertain Tax Positions

The Company had an outstanding income tax liability of approximately $1.5 million, including interest, for uncertain tax positions as of September 30, 2015. The amount represented the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company's Condensed Consolidated Financial Statements. As of September 30, 2015, $1.5 million is reflected as other liabilities in the accompanying Condensed Consolidated Balance Sheets. The liability for uncertain tax positions as of September 30, 2015 mainly pertained to the Company's interpretation of nexus in certain states related to revenue sourcing for state income tax purposes. During the three and nine months ended September 30, 2015, the liability for income taxes increased by approximately $424,000 and increased approximately $668,000, respectively. These changes in the liability are primarily related to the filing positions taken in various jurisdictions related to income tax nexus.

16. Segment Reporting

In the first quarter of 2015, the Company made a number of strategic and operational changes to its business, including re-evaluating and accelerating its pipeline to focus on clinical programs that it believes hold the most promise for patients, the highest likelihood for regulatory approval, and the strongest potential for commercial return. As a result of such changes, the Company combined its reportable geographic segments of Asia, the Americas and Europe into one operating segment: the development and commercialization of pharmaceutical products. This change reflects the manner in which information is now being presented internally and used by the Company's chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance.

17. Subsequent Events

As described in Note 9, subsequent to September 30, 2015, the Company acquired substantially all of the outstanding shares of R-Tech through a private share purchase and a concurrent tender offer. The Company paid approximately $275 million in these transactions. The Company will record the transaction under the acquisition method of accounting, such that the assets and liabilities of R-Tech will be recorded as of October 20, 2015 at their respective fair values and combined with those of the Company. As of the date of this filing, the valuation of the assets and liabilities of R-Tech is not complete. The Company expects this valuation to be finalized before the end of the first quarter of 2016. Related transaction costs incurred through September 30, 2015 are estimated to be approximately $1.1 million.

On October 16, 2015, the Company entered into a Credit Agreement (Credit Facility). The Credit Facility provides for term loans in the aggregate principal amount of $250 million (Term Loans) and allows for the incurrence of incremental loans in an amount up to $25 million on the terms and subject to the conditions set forth in the Credit Facility. The Term Loans bear interest, at the Company's option, at either the Adjusted Eurodollar Rate (as defined in the Credit Facility) plus 7.25% or the Adjusted Base Rate (as defined in the Credit Facility) plus 6.25%. The Adjusted Eurodollar Rate is subject to a 1.00% floor and the Adjusted Base Rate is subject to a 2.00% floor. The Company must repay the Term Loans in installments of $6.25 million on the last business day of each quarter, starting in March 2016 and ending in September 2021 with the balance due in a final installment on October 16, 2021. The Credit Facility also contains a financial covenant that requires the Company to not exceed a maximum total leverage ratio and requires the Company to maintain $25 million in a restricted cash account until at least $35 million of the Term Loans have been repaid or prepaid.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

This Quarterly Report on Form 10-Q contains forward-looking statements regarding Sucampo Pharmaceuticals, Inc., or the Company, we, us" or our, and our business, financial condition, results of operations and prospects within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Quarterly Report Form 10-Q and in our other filings with the Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which we filed with the SEC on March 9, 2015. You should also read the following discussion and analysis of our financial condition and results of operations in conjunction with our Consolidated Financial Statements as of and for the year ended December 31, 2014 included in our Annual Report on Form 10-K.

Overview

We are a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal and oncology-based inflammatory disorders.

We currently generate revenue mainly from product royalties, development, upfront and milestone payments, product sales and reimbursements for clinical development activities. We expect to continue to incur significant expenses for the next several years as we continue our research and development activities, seek additional regulatory approvals and additional indications for our approved products and other compounds and seek strategic opportunities for in-licensing non-prostone clinical candidates.

Our operations are conducted through subsidiaries based in the United States (U.S.), Japan and Switzerland. We operate as one segment, which focuses on the development and commercialization of pharmaceutical products.

R-Tech Ueno, Ltd. (R-Tech), a pharmaceutical research, development and manufacturing company in Japan, is responsible for the manufacture and supply of all of our drug products for commercial use and clinical development. In October 2015, we acquired approximately 98% of R-Tech's shares, and we intend to acquire the remaining 2% of outstanding shares of R-Tech through a squeeze-out process under Japanese law in the fourth quarter of 2015. As a result of R-Tech becoming a subsidiary of our company, we will obtain control over our manufacturing and supply chain, which we believe will lead to enhanced efficiency and profitability, as well as diversification of our pipeline of product candidates among several major therapeutic areas.

AMITIZA (lubiprostone)

United States and Canada

AMITIZA is marketed in the U.S. for three gastrointestinal indications under a collaboration and license agreement (North America Takeda Agreement) originally entered into in 2004 and as amended, with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, we are primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2014, we signed an amendment (Takeda Amendment) to the North America Takeda Agreement which, among other things, extended the term of the North American Takeda Agreement beyond December 2020. During the extended term, we will split the annual net sales revenue with Takeda on the branded AMITIZA products. In addition, the Takeda Amendment terminates our right to perform commercialization activities with respect to AMITIZA and Takeda's obligation to reimburse us for such commercialization activities.

In October 2015, Health Canada approved AMITIZA for CIC in adults. AMITIZA will be marketed by Takeda Canada Inc. under the North America Takeda Agreement.

Japan

In Japan, AMITIZA is the only prescription medicine for chronic constipation and is marketed under a license, commercialization and supply agreement (Japan Mylan Agreement) originally entered into with Abbott Laboratories, Inc. (Abbott). Abbott marketed AMITIZA in Japan for chronic constipation excluding constipation caused by organic diseases. In February 2015, Mylan purchased Abbott's non-U.S. developed markets specialty and branded generics business, as a result of which Mylan acquired the rights to commercialize AMITIZA in Japan. We did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

People's Republic of China

In May 2015, we entered into an exclusive license, development, commercialization and supply agreement (China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria) for AMITIZA in the People's Republic of China. We will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. Upon entering into the China Gloria Agreement, we received an upfront payment of $1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC, as a result of which we received an additional payment of $500,000 from Gloria. In addition to the $1.5 million in payments received and recognized as revenue through June 2015, we are eligible to receive an additional payment in the amount of $1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

Other Global Markets

In October 2014, we entered into an exclusive license, development, commercialization and supply agreement (Global Takeda License Agreement) for lubiprostone with Takeda. Under the Global Takeda License Agreement, Takeda develops and markets AMITIZA globally except in the U.S., Canada, Japan and the People's Republic of China. We supply Takeda with the clinical and commercial product at a negotiated price. Takeda currently markets AMITIZA for CIC and OIC in Switzerland, and for CIC in the U.K.

In March 2014, the U.K. Medicines and Healthcare Products Regulatory Agency (MHRA) notified us that the application for approval of the OIC indication for AMITIZA in the U.K. was not approved. Thereafter, we met with the MHRA and have since requested review of the application for OIC to address the concerns of the MHRA. We currently are awaiting MHRA's decision on the OIC indication.

In January 2015, we successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in Austria, Belgium, Germany, Italy, Ireland, Luxembourg, the Netherlands and Spain, resulting in marketing authorization approvals. Takeda became the marketing authorization holder in Switzerland on April 1, 2015, and is expected to become the marketing authorization holder in the U.K., Austria, Belgium, Germany, Italy, Ireland, Luxembourg, the Netherlands and Spain in the first half of 2016.

In June 2015, we and Takeda filed a clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia and in October 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico. We expect to initiate phase 3 registration trials in Russia and Mexico in the first half of 2016.

Product Pipeline

The table below summarizes the development status of our prostone-based product candidates of lubiprostone and cobiprostone. The commercialization rights to lubiprostone have been licensed to Takeda on a global basis other than Japan and the People's Republic of China, to Mylan for Japan, and to Gloria for the People's Republic of China. For cobiprostone, we hold all of the commercialization rights globally. Commercialization of each product candidate may occur after successful completion of clinical trials and approval from appropriate governmental agencies.

	Continent	Country	Target Indication	Development Phase	Next Milestone
Product: Lubiprostone (AMITIZA ®)					
	North America	U.S.	Chronic idiopathic constipation (CIC) (adults of all ages)	Marketed	——
	North America	Canada	Chronic idiopathic constipation (CIC) (adults of all ages)	Received approval from Health Canada	Market in Canada
	North America	U.S.	Irritable bowel syndrome with constipation (adult women) (IBS-C)	Marketed	Initiate phase 4 study on higher dosage and with additional male subjects
	North America	U.S.	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	——
	Asia	China	Chronic idiopathic constipation (CIC) (adults of all ages)	IND accepted	Initiate CIC study
	Asia	Japan	Chronic constipation	Marketed	——
	Europe	Switzerland	Chronic idiopathic constipation (CIC) (adults of all ages)	Marketed	——
	Europe	U.K.	Chronic idiopathic constipation (CIC) (adults of all ages)	Marketed	——
	Europe	European Union	Chronic idiopathic constipation (CIC) (adults of all ages)	Received national marketing approvals in Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain (where product is not yet launched)	Develop pricing and reimbursement assessments and based on outcome determine launch feasibility and plans for Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain
	Europe	Switzerland	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	——
	Europe	U.K.	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Application is under additional review with the MHRA	Obtain decision from the U.K. MHRA

	Continent	Country	Target Indication	Development Phase	Next Milestone
Product: Lubiprostone (AMITIZA ®)					
	Other Emerging Markets	Russia	Chronic idiopathic constipation (CIC) (adults of all ages)	Submitted CTA	Initiate phase 3 trial
	Other Emerging Markets	Russia	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Submitted CTA	Initiate phase 3 trial
	Other Emerging Markets	South Korea	Chronic idiopathic constipation (CIC) (adults of all ages)	Submitted CTA	Initiate phase 3 trial
	Other Emerging Markets	South Korea	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Submitted CTA	Initiate phase 3 trial
	North America		Alternate formulation	In non-clinical development	Initiate phase 3 trial
	North America and Europe		Pediatric functional constipation (6 years - 17 years)	Pivotal and open label phase 3 trials ongoing	Complete pivotal and open label phase 3 trials
	North America		Pediatric functional constipation (6 months - 6 years)	Alternate formulation in development	Initiate phase 3 program
Product: Cobiprostone					
	North America		Oral mucositis	Phase 2a initiated	Complete phase 2a trial
	Asia		PPI refractory-Non-erosive reflux disease (NERD)/symptomatic Gastroesophageal Reflux Disease (sGERD)	Phase 2a initiated	Complete phase 2a trial

Our Other Clinical Development Programs

Lubiprostone

Alternate Formulation

We are developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to tolerate capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work and we expect to initiate a phase 3 trial of the alternate formulation of lubiprostone in the second half of 2016.

Pediatric Functional Constipation

The phase 3 program required to support an application for marketing approval of lubiprostone for pediatric functional constipation comprises four clinical trials, two of which are currently ongoing and are both testing the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of the two trials is a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. Following the successful completion of the phase 3 trial for the alternative formulation of lubiprostone, as described above, we are also planning to initiate two additional trials in its phase 3 program for pediatric functional constipation, which will be in children aged 6 months to less than 6 years testing the alternative formulation. Takeda has agreed to fund 70% of the costs, up to a cap, of this pediatric functional constipation program.

Cobiprostone

Oral Mucositis (OM)

In September 2015, we initiated a phase 2a clinical trial of cobiprostone oral spray for the prevention of OM in patients suffering from head and neck cancer receiving concurrent radiation and chemotherapy. In May 2015, the FDA granted Fast Track Designation for cobiprostone for this indication.

Proton Pump Inhibitor-Refractory Non-Erosive Reflux Disease (NERD)/symptomatic Gastroesophageal Reflux Disease (sGERD)

In December 2014, we initiated a phase 2a clinical trial for cobiprostone in NERD/sGERD patients who have had a non-satisfactory response to proton pump inhibitors. The trial, being conducted in Japan, is currently ongoing.

Unoprostone Isopropyl

In March 2015, we announced that we would return all licenses for unoprostone isopropyl to R-Tech. These licenses had provided us with exclusive development and commercialization rights to unoprostone isopropyl globally except for Japan, the People's Republic of China, Taiwan and Korea, and covered certain indications including the lowering of intraocular pressure in patients with open-angle glaucoma or ocular hypertension, retinitis pigmentosa and geographic atrophy. Effective May 6, 2015, we and R-Tech executed a transfer and termination agreement to effectuate the return of the licenses as well as regulatory, commercial and pharmacovigilance information. As a result of this transfer and termination agreement, we received a payment of $2.6 million from R-Tech, consisting of $2.0 million for the transfer and assignment of certain rights and assets, and $0.6 million as a reimbursement of an FDA fee.

Results of Operations

Comparison of Three Months Ended September 30, 2015 and 2014

Revenues

The following table summarizes our revenues for the three months ended September 30, 2015 and 2014:

(In thousands)	Three Months Ended September 30, 2015	2014
Research and development revenue	$ 2,714	$ 1,797
Product royalty revenue	19,328	16,811
Product sales revenue	11,022	11,717
Co-promotion revenue	-	936
Contract and collaboration revenue	384	202
Total	$ 33,448	$ 31,463

Total revenues were $33.4 million for the three months ended September 30, 2015 compared to $31.5 million for the three months ended September 30, 2014, an increase of $2.0 million or 6.3%.

Research and development revenue

Research and development revenue was $2.7 million for the three months ended September 30, 2015 compared to $1.8 million for the three months ended September 30, 2014, an increase of $917,000 or 51.0%. The increase was primarily due to an increase in expenses reimbursed by Takeda in relation to the ongoing AMITIZA pediatric clinical trials.

Product royalty revenue

Product royalty revenue represents royalty revenue earned on net sales of AMITIZA in the U.S., as reported to us by Takeda. Product royalty revenue was $19.3 million for the three months ended September 30, 2015 compared to $16.8 million for the three months ended September 30, 2014, an increase of $2.5 million or 15.0%. The increase was primarily due to higher net sales of AMITIZA as reported by Takeda for royalty calculation purposes.

Product sales revenue

Product sales revenue primarily consists of net sales of AMITIZA in Japan under the Japan Mylan Agreement. Total product sales revenue was $11.0 million for the three months ended September 30, 2015 compared to $11.7 million for the three months ended September 30, 2014, a decrease of $695,000 or 5.9%. However, included in the prior year period was a $2.5 million milestone payment earned as a result of the first occurrence of annual net sales of AMITIZA in Japan exceeding 5.0 billion JPY. Excluding the $2.5 million milestone payment, product sales revenue increased $1.8 million or 19.6%, primarily due to the increased volume of AMITIZA sales in Japan.

Co-promotion revenue

Co-promotion revenue was $936,000 for the three months ended September 30, 2014. Beginning in 2015, we no longer engage in co-promotion activities and, as a result, we no longer receive any co-promotion reimbursements from Takeda.

Contract and collaboration revenue

Contract and collaboration revenue was $384,000 for the three months ended September 30, 2015 compared to $202,000 for the three months ended September 30, 2014, an increase of $182,000 or 90.1%. The increase in contract and collaboration revenue was primarily attributable to the reduction of our obligation to reimburse Takeda for development expenses.

Costs of Goods Sold

Costs of goods sold for the three months ended September 30, 2015 were $5.3 million compared to $5.0 million for the three months ended September 30, 2014, an increase of $312,000 or 6.3%. The increase was primarily related to increased AMITIZA sales in Japan.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30,	
(In thousands)	**2015**	**2014**
Direct costs:		
Lubiprostone	$ 4,559	$ 3,238
Cobiprostone	2,742	241
Ion channel activators	-	333
Unoprostone isopropyl	-	346
Other	(586)	392
	6,715	4,550
Indirect costs	1,653	747
Total	$ 8,368	$ 5,297

Total research and development expenses for the three months ended September 30, 2015 were $8.4 million compared to $5.3 million for the three months ended September 30, 2014, an increase of $3.1 million or 58.0%. The increase was primarily due to costs associated with the initiation of phase 2 clinical trials for cobiprostone and an increase in expenses related to the ongoing AMITIZA pediatric clinical trials.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30,	
(In thousands)	**2015**	**2014**
Salaries, benefits and related costs	$ 2,314	$ 2,551
Legal, consulting and other professional expenses	2,833	3,727
Stock-based compensation	994	438
Pharmacovigilance	465	153
Other expenses	1,146	1,248
Total	$ 7,752	$ 8,117

General and administrative expenses were $7.8 million for the three months ended September 30, 2015 compared to $8.1 million for the three months ended September 30, 2014, a decrease of $365,000 or 4.5%. The decrease was primarily due to an $894,000 decrease in legal fees due to settlement of our patent infringement lawsuit against Par Pharmaceutical, et al., offset in part by a $556,000 increase in stock-based compensation expense.

Selling and Marketing Expenses

Selling and marketing expenses were $385,000 for the three months ended September 30, 2015 compared to $3.8 million for the three months ended September 30, 2014, a decrease of $3.4 million or 89.9%. The decrease was the result of eliminating our contract sales force in the fourth quarter of 2014.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30,	
(In thousands)	**2015**	**2014**
Interest income	$ 62	$ 26
Interest expense	(243)	(384)
Other income, net	87	519
Total	$ (94)	$ 161

Interest expense was $243,000 for the three months ended September 30, 2015 compared to $384,000 for the three months ended September 30, 2014, a decrease of $141,000 or 36.7%, primarily due to lower principal balances on our outstanding notes payable.

Other income, net was $87,000 for the three months ended September 30, 2015 compared to $519,000 for the three months ended September 30, 2014, a decrease of $432,000 or 83.2%, primarily due to decreases in unrealized and non-cash foreign exchange gains.

Income Taxes

We recorded income tax provisions of $4.3 million and $2.3 million for the three months ended September 30, 2015 and 2014, respectively. The tax provision for the three months ended September 30, 2015 primarily pertains to the pre-tax income generated by our U.S., Japanese and Swiss subsidiaries. The tax provision for the three months ended September 30, 2014 primarily pertained to the pre-tax income and losses generated by our U.S., Japanese and Swiss subsidiaries.

The effective tax rate (ETR) for the third quarter of 2015 was 37.4% compared to 61.1% in the same period of 2014. The ETR for the quarter was based on a projection of the full year rate. The reduction in the ETR was due to the timing of the allowable deduction of intangible impairment expense from 2014 during 2015, the effect of a change in the treatment of non-U.S. income due to our founding stockholders' ownership percentage dropping below 50% in April 2015, increased profitability of our Swiss subsidiary in 2015, a discrete benefit of $154,000 related to the release of valuation allowance on our Swiss deferred tax assets and offset by an increase in non-deductible expenses associated with the R-Tech acquisition.

Comparison of Nine Months Ended September 30, 2015 and 2014

Revenues

The following table summarizes our revenues for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**
Research and development revenue	$ 7,468	$ 5,281
Product royalty revenue	51,209	44,200
Product sales revenue	36,678	25,572
Co-promotion revenue	-	2,021
Contract and collaboration revenue	2,457	619
Total	$ 97,812	$ 77,693

Total revenues were $97.8 million for the nine months ended September 30, 2015 compared to $77.7 million for the nine months ended September 30, 2014, an increase of $20.1 million or 25.9%.

Research and development revenue

Research and development revenue was $7.5 million for the nine months ended September 30, 2015 compared to $5.3 million for the nine months ended September 30, 2014, an increase of $2.2 million or 41.4%. The increase was primarily due to an increase in expenses reimbursed by Takeda in relation to the ongoing AMITIZA pediatric trials.

Product royalty revenue

Product royalty revenue was $51.2 million for the nine months ended September 30, 2015 compared to $44.2 million for the nine months ended September 30, 2014, an increase of $7.0 million or 15.9%. The increase was primarily due to higher net sales of AMITIZA as reported by Takeda for royalty calculation purposes.

Product sales revenue

Product sales revenue was $36.7 million for the nine months ended September 30, 2015 compared to $25.6 million for the nine months ended September 30, 2014, an increase of $11.1 million or 43.4%. The increase was primarily due to the increased volume of AMITIZA sales in Japan.

Co-promotion revenue

Co-promotion revenue was $2.0 million for the nine months ended September 30, 2014. As described above, beginning in 2015, we no longer receive co-promotion reimbursements from Takeda.

Contract and collaboration revenue

Contract and collaboration revenue was $2.5 million for the nine months ended September 30, 2015 compared to $619,000 for the nine months ended September 30, 2014, an increase of $1.8 million. The increase was primarily attributable to the $1.5 million in upfront payments received and recognized under the China Gloria Agreement in May and June 2015.

Costs of Goods Sold

Costs of goods sold for the nine months ended September 30, 2015 were $18.7 million compared to $12.2 million for the nine months ended September 30, 2014, an increase of $6.5 million or 53.4%. The increase was primarily due to the increased volume of AMITIZA sales in Japan.

Research and Development Expenses

The following table summarizes our research and development expenses for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**
Direct costs:		
Lubiprostone	$ 11,673	$ 7,981
Cobiprostone	5,914	919
Ion channel activators	5	1,293
Unoprostone isopropyl	131	781
Other	26	1,250
	17,749	12,224
Indirect costs	4,536	2,460
Total	$ 22,285	$ 14,684

Total research and development expenses for the nine months ended September 30, 2015 were $22.3 million compared to $14.7 million for the nine months ended September 30, 2014, an increase of $7.6 million or 51.8%. The increase was primarily due to costs associated with the initiation of phase 2 clinical trials for cobiprostone and an increase in expenses related to the ongoing AMITIZA pediatric trials.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**
Salaries, benefits and related costs	$ 7,521	$ 6,584
Legal, consulting and other professional expenses	6,391	10,603
Stock-based compensation	3,831	1,135
Pharmacovigilance	1,029	942
Other expenses	3,591	4,307
Total	$ 22,363	$ 23,571

General and administrative expenses were $22.4 million for the nine months ended September 30, 2015 compared to $23.6 million for the nine months ended September 30, 2014, a decrease of $1.2 million or 5.1%. The decrease was primarily due to a $4.2 million decrease in legal fees due to settlement of our patent infringement lawsuit against Par Pharmaceutical, et al., offset in part by a $2.7 million increase in stock-based compensation expense.

Selling and Marketing Expenses

Selling and marketing expenses were $1.6 million for the nine months ended September 30, 2015 compared to $11.5 million for the nine months ended September 30, 2014, a decrease of $9.8 million or 85.9%. The decrease was the result of eliminating our contract sales force in the fourth quarter of 2014.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
(In thousands)	**2015**	**2014**
Interest income	$ 155	$ 106
Interest expense	(784)	(1,176)
Other income, net	1,947	143
Total	$ 1,318	$ (927)

Interest expense was $784,000 for the nine months ended September 30, 2015 compared to $1.2 million for the nine months ended September 30, 2014, a decrease of $392,000 or 33.3%, primarily due to lower principal balances on our outstanding notes payable.

Other income, net was $1.9 million for the nine months ended September 30, 2015 compared to $143,000 for the nine months ended September 30, 2014, an increase of $1.8 million. The increase was primarily due to the $2.0 million payment received from R-Tech in May 2015 as described above.

Income Taxes

We recorded income tax provisions of $11.0 million and $5.4 million for the nine months ended September 30, 2015 and 2014, respectively. The tax provision for the nine months ended September 30, 2015 primarily pertains to the pre-tax income generated by our U.S., Japanese and Swiss subsidiaries. The tax provision for the nine months ended September 30, 2014 primarily pertained to the pre-tax income and losses generated by our U.S., Japanese and Swiss subsidiaries.

The ETR for the nine months ended September 30, 2015 was 32.1%, compared to 58.4% in the same period of 2014. The ETR for the year to date was based on a projection of the full year rate. The reduction in the ETR was due to the timing of the allowable deduction of intangible impairment expense from 2014 during 2015, the effect of a change in the treatment of non-U.S. income due to our founding shareholders ownership percentage dropping below 50%, increased profitability of our Swiss subsidiary in 2015, a discrete benefit of $154,000 related to the release of valuation allowance on our Swiss deferred tax assets and offset by an increase in non-deductible expenses associated with the R-Tech acquisition.

Reportable Operating Segments

In the first quarter of 2015, we made a number of strategic and operational changes to our business, including re-evaluating and accelerating our pipeline to focus on clinical programs that we believe hold the most promise for patients, the highest likelihood for regulatory approval, and the strongest potential for commercial return. As a result of these changes, we combined our reportable geographic segments of Asia, the Americas and Europe into one operating segment: the development and commercialization of pharmaceutical products. This change reflects the manner in which information is now being presented internally and used by our chief operating decision maker, our Chief Executive Officer, to allocate resources and assess performance.

Liquidity and Capital Resources

Sources of Liquidity

We have financed our operations principally with cash generated from revenues, cash and cash equivalents on hand, and to a lesser extent, cash generated from the issuance and sale of our securities and through the exercise of employee stock options. Revenues generated from operations principally consist of a combination of upfront payments, milestone and royalty payments, product sales, and research and development expense reimbursements received from Takeda, Mylan and other parties.

Our cash, cash equivalents, restricted cash and investments consisted of the following as of September 30, 2015 and December 31, 2014:

(In thousands)	September 30, 2015	December 31, 2014
Cash and cash equivalents	$ 91,505	$ 71,622
Investments, current	38,022	22,393
Investments, non-current	5,124	13,540
Restricted cash	1,927	2,437
Total	$ 136,578	$ 109,992

Our cash equivalents are deposits in operating accounts and highly liquid investments with an original maturity at time of purchase of 90 days or less.

As of September 30, 2015 and December 31, 2014, our restricted cash consisted primarily of the collateral pledged in connection with our guarantee of a third party's loan and a security deposit for an operating lease.

As of September 30, 2015, our current investments consisted of U.S. government securities, certificates of deposit, corporate bonds and commercial paper that mature in one year or less.

Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2015 and 2014:

(In thousands)	Nine Months Ended September 30, 2015	2014
Net cash provided by (used in):		
Operating activities	$ 24,205	$ 7,532
Investing activities	(6,798)	1,164
Financing activities	2,426	3,515
Effect of exchange rates	50	(226)
Net increase in cash and cash equivalents	$ 19,883	$ 11,985

Nine Months Ended September 30, 2015

Net cash provided by operating activities of $24.2 million for the nine months ended September 30, 2015 was primarily due to our net income of $23.2 million plus non-cash stock-based compensation expense of $5.6 million, offset in part by a $2.0 million gain from the transfer and assignment of licensing rights to R-Tech and an increase in deferred tax provision of $2.8 million.

Net cash used in investing activities of $6.8 million for the nine months ended September 30, 2015 was primarily due to investment purchases of $39.8 million and purchases of property and equipment of $2.0 million, offset in part by sales and maturities of investments totaling $32.5 million, proceeds of $2.0 million from the transfer and assignment of licensing rights to R-Tech, and changes in restricted cash of $548,000.

Net cash provided by financing activities of $2.4 million for the nine months ended September 30, 2015 was primarily due to proceeds from exercised stock options totaling $4.8 million, plus a non-cash windfall benefit from stock-based compensation of $1.6 million, offset in part by repayment of notes payable totaling $4.1 million.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for nine months ended September 30, 2015 was an increase of $50,000.

Nine Months Ended September 30, 2014

Net cash provided by operating activities of $7.5 million for the nine months ended September 30, 2014 was primarily due to our net income of $3.8 million plus non-cash expenses totaling $10.4 million, including an intangible assets impairment of $5.6 million, plus cash provided by net changes in other assets and liabilities of $2.2 million, offset by increases in receivables of $9.1 million.

Net cash provided by investing activities of $1.2 million for the nine months ended September 30, 2014 was primarily due to proceeds from the sales of investments.

Net cash provided by financing activities of $3.5 million for the nine months ended September 30, 2014 was realized through the issuance of class A common stock through the "at-the-market" program totaling $5.3 million and proceeds from exercised stock options totaling $2.2 million, offset by repayment of notes payable totaling $3.9 million.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for nine months ended September 30, 2014 was a decrease of $226,000.

Commitments and Contractual Obligations

As of September 30, 2015, our principal outstanding contractual obligations related to our loans and our contract research commitments. The following table summarizes these significant contractual obligations:

(In thousands of U.S. dollars)	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Loans (1)	$ 21,741	$ 8,411	$ 13,330	$ -	$ -
Interest on loans	1,145	748	397	-	-
Operating lease commitments	11,451	1,206	1,566	1,823	6,856
Contract research commitments	5,578	2,724	2,724	130	-
Uncertain tax positions (2)	1,509	-	-	-	-
	$ 41,424	$ 13,089	$ 18,017	$ 1,953	$ 6,856

(1) This line item does not include the $250 million Credit Facility entered into on October 16, 2015, as described in Note 17 in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

(2) As of September 30, 2015, we have recorded a total income tax liability for uncertain tax positions of approximately $1.5 million, which are expected to settle in an unknown future period (see Note 15 in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q).

The table above does not include any contingent liability under the agreement with Numab in the event that Numab defaults under its loan with Zurcher Kantonalbank up to a maximum potential amount of CHF 2.2 million or $2.3 million. As of September 30, 2015, the potential amount of payments in the event of Numab's default was $1.5 million (see Note 8 in the Notes to Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q).

Off-Balance Sheet Arrangements

As of September 30, 2015, we did not have any off-balance sheet arrangements, as such term is defined in Item 303(a)(4) of Regulation S-K under the Securities Act of 1933, as amended.

Funding Requirements

We may need substantial amounts of capital to continue growing our business. We may require this capital, among other things, to fund:

- our share of the on-going development program of AMITIZA in the U.S.;
- development efforts in Europe and Asia for lubiprostone;
- development, marketing and manufacturing activities at SAG;
- activities to resolve our on-going legal matters described in “Legal Proceedings” below;
- the costs involved in obtaining and maintaining proprietary protection for our products, technology and know-how, including litigation costs and the results of such litigation;
- research and development activities for other prostone compounds, including cobiprostone;
- other business development activities, including partnerships, alliances and investments in or acquisitions of other businesses, products and technologies; and
- the payment of principal and interest under our loan note obligations.

The timing of these funding requirements is difficult to predict due to many factors, including the outcomes of our preclinical and clinical research and development programs and when those outcomes are determined, the timing of obtaining regulatory approvals and the presence and status of competing products. Our capital needs may exceed the capital available from our future operations, collaborative and licensing arrangements and existing liquid assets. Our future capital requirements and liquidity will depend on many factors, including, but not limited to:

- the cost and time involved to pursue our research and development programs;
- our ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and
- any future change in our business strategy.

As described in this report, in October 2015, we acquired substantially all of the outstanding shares of R-Tech for an aggregate purchase price of $275 million. In order to finance the acquisition of the R-Tech shares, we entered into a credit facility providing for term loans in the aggregate principal amount of $250 million and incremental loans in an amount up to an additional $25 million. The loans bear interest at a variable rate that was 8.25% as of the issuance of the funds to us in October 2015.

We must repay the term loans in installments of $6.25 million on the last business day of each quarter, starting with March 2016 and ending September 2021 and with the balance due in a final installment on October 16, 2021. Additionally, we are required to make an annual mandatory prepayment based on our cash flows and mandatory prepayments from a portion of net cash proceeds from certain transactions. The credit facility contains customary covenants, including restrictions on our incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of our equity interests, entering into affiliate transactions and asset sales. The credit facility also contains a financial covenant that requires us to not exceed a maximum total leverage ratio.

To the extent that our capital resources may be insufficient to meet our future capital requirements, we may need to finance our future cash needs through at-the-market offerings, public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. At September 30, 2015, based upon our current business plan, we believe we have sufficient liquidity for at least the next 12 months.

Additional equity or debt financing, grants or corporate collaboration and licensing arrangements may not be available on acceptable terms, if at all. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate our research and development programs, reduce our planned commercialization efforts or obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently. In addition, any future equity funding would dilute the ownership of our stockholders.

Effects of Foreign Currency

We currently incur a portion of our operating expenses in Switzerland, Japan and the United Kingdom. The reporting currency for our Condensed Consolidated Financial Statements is U.S. dollars. As such, the results of our operations could be adversely affected by changes in exchange rates either due to transaction losses, which are recognized in the statement of operations, or translation losses, which are recognized in comprehensive income. We currently do not hedge foreign exchange rate exposure via derivative instruments.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

Our market risks during the three months ended September 30, 2015 have not materially changed from those discussed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on March 9, 2015.

Foreign Currency Exchange Rate Risk

We are subject to foreign exchange rate risk for revenues and expenses denominated in foreign currencies. Foreign exchange rate risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the U.S. dollar. We do not currently hedge our foreign currency transactions.

Interest Rate Risk

Our exposure to market risks associated with changes in interest rates relates primarily to the increase or decrease in the amount of interest income earned on our investment portfolio. We ensure the safety and preservation of invested funds by attempting to limit default risk, market risk and reinvestment risk. We attempt to mitigate default risk by investing in investment grade securities. A hypothetical one percentage point change in interest rates would not have materially affected the fair value of our interest-sensitive financial instruments as of September 30, 2015.

We do not use derivative financial instruments for trading or speculative purposes. However, we regularly invest excess cash in overnight repurchase agreements that are subject to changes in short-term interest rates. We believe that the market risk arising from holding these financial instruments is minimal.

Credit Risk

Our exposure to credit risk consists of cash and cash equivalents, restricted cash, investments and receivables. We place our cash, cash equivalents and restricted cash with what we believe to be highly rated financial institutions and invest the excess cash in highly rated investments. As of September 30, 2015 and December 31, 2014, 22.4% and 33.6%, respectively, of our cash, cash equivalents, restricted cash and investments were issued or insured by the federal government or government agencies. We have not experienced any losses on these accounts related to amounts in excess of insured limits.

Item 4. ***Controls and Procedures.***

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of September 30, 2015. In designing and evaluating such controls, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based upon the evaluation we carried out, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2015, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under the applicable rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

As previously reported, on November 12, 2014, we, R-Tech, Takeda, and certain affiliates of Takeda filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Dr. Reddy's Laboratories, Ltd. and Dr. Reddy's Laboratories, Inc. (collectively, Dr. Reddy's) related to the abbreviated new drug application previously filed by Dr. Reddy's relating to generic versions of AMITIZA soft gelatin capsule products. The lawsuit remains ongoing.

Item 1A. ***Risk Factors.***

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed by us with the SEC on March 9, 2015. Except for the risk factors set forth below, our risk factors as of the date of this quarterly report on Form 10-Q have not changed materially from those described in that Form 10-K.

Risks Related to Our Acquisition of R-Tech

We may be unable to realize the benefits we anticipate from the acquisition of R-Tech, including an improved financial position, or it may take longer than anticipated for us to achieve those benefits.

Our realization of the benefits anticipated as a result of the acquisition of R-Tech (the Acquisition)—including an improved financial position, manufacturing and supply chain control and the expansion and diversification of our pipeline for development or outsourcing—will depend in part on the integration of R-Tech's business with ours. However, there can be no assurance that we will be able to operate R-Tech's business profitably or integrate it successfully into our operations in a timely fashion, or at all. Following the Acquisition, the size of the combined company's business is significantly larger than our business prior to the Acquisition. Our future success as a combined company depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for our management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The dedication of management resources to this integration could detract attention from our current day-to-day business, and we cannot assure stockholders that there will not be substantial costs associated with the transition process or other negative consequences as a result of these integration efforts. These effects, including incurring unexpected costs or delays in connection with integration of the two businesses, or the failure of the combined company to perform as expected, could negatively affect our stock price or could harm our financial condition, results of operations or business prospects.

The loss of key personnel could hurt our business and our prospects.

The success of the Acquisition will depend, in part, on our ability to retain key employees who continue employment with the combined company after the Acquisition is completed. If any of these key employees terminate their employment, our manufacturing, supply or development activities might be negatively affected and our management's attention might be diverted from successfully integrating R-Tech's operations. In addition, we might not be able to locate suitable replacements on reasonable terms for any such key employees who leave the combined company.

If we are unable to continue successful commercialization of AMITIZA following the Acquisition for the approved indications and other indications or dosage forms for which we are developing this drug, or experience significant delays in doing so, our ability to generate royalty and product-based revenues and achieve profitability will be jeopardized.

Our business currently depends entirely on the successful commercialization of our first product, lubiprostone. Lubiprostone was launched in the U.S. in 2006 under the brand name AMITIZA. AMITIZA is currently marketed in the U.S., U.K., Switzerland and Japan for various indications. We have a limited history of generating global revenues from the sale of lubiprostone. Prior to the Acquisition, R-Tech was responsible for the manufacture and supply of all of our drug products for commercial use and clinical development. Through the Acquisition, we obtained control over the manufacturing and supply chain of AMITIZA. This increased responsibility could detract attention from operating the day-to-day components of our business prior to the Acquisition.

Our ability to meet expectations with respect to global sales of lubiprostone and revenues from such sales, and to attain profitability and maintain positive cash flow from the lubiprostone business, in the time periods we anticipate, or at all, will depend on a number of factors, including the following:

- our and our partners' ability to continue to build, and to maintain, market acceptance for lubiprostone among healthcare professionals and patients in the U.S., and to gain such market acceptance in the countries where lubiprostone is approved, or may in the future receive approval;
- the efforts of Takeda and Mylan to commercialize and maximize net sales revenue of AMITIZA;
- the degree to which both physicians and patients determine that the safety and side effect profiles of lubiprostone are manageable, and that the benefits of lubiprostone outweigh the risks;
- the current and future prevalence of chronic idiopathic constipation (CIC), irritable bowel syndrome with constipation (IBS-C), opioid-induced constipation (OIC), or chronic constipation;
- the willingness of insurance companies, managed care organizations, other private payers, and government entities that provide reimbursement for medical costs in the U.S. to continue to provide reimbursement for lubiprostone at the prices at which we offer lubiprostone without imposing any additional major hurdles to access or other significant restrictions or limitations, and the ability and willingness of patients to commit to any co-pay amounts for lubiprostone applicable under their insurance coverage;
- our commercial partners' ability to obtain pricing approval and/or reimbursement required for selling lubiprostone in the major countries of the E.U., Japan and in other countries in which we may receive approval to market lubiprostone on a timely basis and at price levels that are acceptable to us without the applicable government agencies or other payers in such countries imposing onerous caps, rebate, risk sharing or other requirements which effectively and significantly lower the reimbursement rates for lubiprostone;
- the extent of the likely negative impact of the introduction of new competitive products on sales of lubiprostone;
- our ability to gain regulatory approval of lubiprostone outside the countries in which we have already received approval without restrictions that are substantially more onerous or manufacturing specifications that are more difficult to consistently achieve than those imposed in the U.S. and E.U.;
- our ability to accurately forecast revenues from sales of lubiprostone and the metrics that impact revenues, such as prescription rate, short-term and long-term drop-out rate, conversion rate, reimbursement and pricing; the timing and availability of named patient sales and the impact of future competition;
- our ability to successfully gain approval of a dosage form of lubiprostone for pediatric functional constipation, and to generate revenues from sales of the dosage form for pediatric functional constipation, if approved;
- successful completion of clinical trials of AMITIZA for the treatment of other constipation-related gastrointestinal indications beyond CIC, IBS-C and OIC as well as other dosage forms other than the 24 mcg and 8 mcg soft gelatin capsule, and successful commercialization of these indications and dosage forms within and outside the U.S.;
- our ability to manufacture sufficient bulk quantities of active pharmaceutical ingredient and sufficient quantities of each dosage strength and dosage form of lubiprostone to meet demand;
- our ability to hire and retain key personnel necessary to optimize the lubiprostone business; and
- our and our partners' ability to continue to execute effectively on key activities related to lubiprostone in the U.S., and to launch lubiprostone successfully in those key markets outside the U.S. in which we receive pricing and reimbursement approval, and the level of cost required to conduct such activities.

Risks Related to Our Credit Facility

If we fail to comply with the covenants and other obligations under our Credit Facility, the Lenders may be able to accelerate amounts owed under the facility and may foreclose upon the assets securing our obligations.

Our Credit Facility, which we entered into in October 2015, consists of a total of $250 million in term loans and allows for the incurrence of incremental loans in an amount up to $25 million. The term loans are payable in quarterly installments starting in March 2016 through September 2021, with the final balance due in a final installment in October 2021. The Credit Facility includes an annual mandatory prepayment of the term loans of 75% of excess cash flow minus specified voluntary prepayments with step downs as our leverage ratio decreases. Additionally, the Credit Facility requires mandatory prepayment of the term loans from a portion of net cash proceeds of specified asset dispositions, certain casualties and condemnations events, and certain debt. The obligations under the Credit Facility are secured, subject to customary permitted liens and other agreed upon exceptions, by a perfected security interest in (i) all of our tangible and intangible assets, except for specified customary excluded assets, and (ii) all of the capital stock we own, subject to specified exceptions.

The Credit Facility contains specified affirmative covenants, including the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Credit Facility also contains negative covenants, including restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests, entering into affiliate transactions and asset sales. In addition, the Credit Facility contains a financial covenant that requires us to not exceed a maximum total leverage ratio. The Credit Facility also provides for a number of events of default, including failure to make a payment of principal or any premium when due, or failure to make an interest or other payment within three business days of the due date, bankruptcy or other specified insolvency event, failure to comply covenants, breach of representations or warranties, our default of specified other obligations relating to indebtedness, impairment of specified liens, a change of control of our company and judgment defaults. We are currently in compliance with all covenants under this Credit Facility, as modified. However, if we fail to comply with the covenants and our other obligations under the Credit Facility, the Lenders would be able to accelerate the required repayment of amounts due under the loan agreement and, if they are not repaid, could foreclose upon our assets securing our obligations under the Credit Facility.

The Credit Facility restricts the manner in which we may operate our business, which may prevent us from successfully implementing our business plan.

The Credit Facility contains restrictions on the operation of our business, including limits on our ability to:

- make specified capital expenditures;
- merge, consolidate or liquidate;
- incur indebtedness;
- dispose of, or grant liens on, our assets;
- engage in business activities other than our current business activities;
- amend specified agreements;
- enter into transactions with our affiliates;
- change our fiscal year or accounting policies;
- pay dividends or make distributions to our stockholders;
- prepay indebtedness; and
- make specified loans, guarantees or indemnities.

Complying with these restrictions may cause us to take actions that are not favorable to our stockholders and may make it more difficult for us to successfully execute our business plan and compete against companies who are not subject to such restrictions.

We do not anticipate paying dividends on our capital stock.

We do not intend to pay dividends on our capital stock in the foreseeable future. We currently intend to retain all cash we generate to fund the growth of our business and the Credit Facility restricts the payment of dividends. The declaration of dividends is subject to the discretion of our board of directors and will depend on various factors, including our operating results, financial condition, future prospects and any other factors deemed relevant by our board of directors. You should not rely on an investment in our company if you require dividend income from your investment in our company. The success of your investment will likely depend entirely upon any future appreciation of the market price of our capital stock, which is uncertain and unpredictable. There is no guarantee that our capital stock will appreciate in value or even maintain the price at which you purchased your shares.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

(a) None.
(b) Not applicable.
(c) None.

Item 3. ***Defaults Upon Senior Securities.***

(a) None.
(b) None.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

Item 5. ***Other Information.***

(a) None
(b) None.

Item 6. ***Exhibits***

Exhibit Number	Description	Reference
3.1	Certificate of Incorporation	Exhibit 3.1 to the Company's Current Report on Form 8-K (filed December 29, 2008)
3.2	Certificate of Amendment to Certificate of Incorporation	Exhibit 3.2 to the Company's Current Report on Form 8-K (filed December 29, 2008)
3.3	Amended and Restated Bylaws	Exhibit 3.1 to the Company's Current Report on Form 8-K (filed August 2, 2013)
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	Exhibit 4.1 to Registration Statement No. 333-135133, Amendment No. 5 (filed February 1, 2007)
10.1*	First Amendment to Office Lease Agreement, dated September 14, 2015, by and between the Company and Four Irvington Centre Associates, LLC	Included herewith
10.2†	Strategic Alliance Agreement, dated August 26, 2015, by and among the Company, Sucampo Pharma, LLC and R-Tech Ueno, Ltd.	Included herewith
10.3†	Share Purchase Agreement, dated August 26, 2015, by and among the Company, Drs. Ryuji Ueno and Sachiko Kuno, and S&R Technology Holdings, LLC	Included herewith
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended	Included herewith
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended	Included herewith
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies this report and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of §18 of the Securities Exchange Act of 1934, as amended.	Included herewith
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification accompanies this report and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed for purposes of §18 of the Securities Exchange Act of 1934, as amended.	Included herewith
101.[INS]	XBRL Instance Document	Included herewith
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith

* Confidential treatment has been requested for certain portions of this exhibit. The confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission.

† Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain schedules to this agreement have been omitted. The registrant hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted schedules.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sucampo Pharmaceuticals, Inc.
(Registrant)

November 4, 2015 By: /s/ PETER GREENLEAF
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer on behalf of the Registrant)

November 4, 2015 By: /s/ ANDREW P. SMITH
Andrew P. Smith
Chief Financial Officer
(Principal Financial Officer)

Sucampo Pharmaceuticals, Inc.
Exhibit Index

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† Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain schedules to this agreement have been omitted. The registrant hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted schedules.

FIRST AMENDMENT TO OFFICE LEASE AGREEMENT

THIS FIRST AMENDMENT TO OFFICE LEASE AGREEMENT (this "**First Amendment**") is made this 14 day of September 2015 (the "**Effective Date**"), by and between **FOUR IRVINGTON CENTRE ASSOCIATES, LLC**, a Maryland limited liability company ("**Landlord**"), and **SUCAMPO PHARMACEUTICALS, INC.**, a Delaware corporation ("**Tenant**").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Office Lease Agreement (the "**Original Lease**") dated May 5, 2015 (the Original Lease, as amended by this First Amendment, being hereinafter collectively referred to as the **"Lease"**), Landlord leased to Tenant, and Tenant leased from Landlord, the Premises (as such term is defined in the Original Lease) in the building located at 805 King Farm Boulevard, Rockville, Maryland (the "**Building**"); and

WHEREAS, Landlord and Tenant desire to amend the Original Lease to provide for the expansion of the Premises, upon the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant, intending to be legally bound, hereby agree as follows:

1. Incorporation of Recitals. The foregoing recitals are hereby incorporated in this First Amendment and are made a part hereof by this reference.

2. Definitions. All capitalized terms used herein shall have the meanings ascribed to them in the Original Lease, unless otherwise defined herein.

3. Expansion; Premises. From and after the Effective Date of this First Amendment, the Premises shall hereby be expanded to include that certain additional space containing approximately three thousand two hundred fifty-eight (3,258) rentable square feet of office space on the fifth (5^{th}) floor of the Building, as such space is more particularly described in the Original Lease as the "Currently Vacant ROFO Space" (the "**Fifth Floor Expansion Premises**"). Notwithstanding anything to the contrary contained in the Original Lease, Landlord and Tenant hereby expressly acknowledge and agree that, as a result of the addition of the Fifth Floor Expansion Premises, the terms of the Original Lease are hereby amended as follows:

(a) The definition of "**Premises**" as set forth in Section 1.a of the Original Lease is hereby deleted and the following is inserted in lieu thereof:

"**Premises:** Approximately 27,502 rentable square feet of office space consisting of a portion of the fifth (5^{th}) floor of the Building (described in Section 1.b., below), as shown as the shaded space on the floor plan attached hereto as Exhibit A";

(b) The Exhibit A attached to this First Amendment shall hereby be deemed to have been attached to the Original Lease as Exhibit A thereto;

(c) The definition of "**Initial Annual Base Rent**" as set forth in Section 1.e of the Original Lease is hereby deleted and the following is inserted in lieu thereof:

"**Initial Annual Base Rent*:** $30.50 per rentable square foot
$838,811.04 per annum
$69,900.92 per month
[*subject to escalation as provided for in this Lease]";

(d) The definitions of "**Tenant's Pro Rata Share (Operating Expenses)**" and "**Tenant's Pro Rata Share (Real Estate Taxes)**" as set forth in Section 1.g of the Original Lease are hereby deleted and the following is inserted in lieu thereof:

"**Tenant's Pro Rata Share (Operating Expenses)**: 12.26%*

Tenant's Pro Rata Share (Real Estate Taxes): 12.26%*

[*subject to adjustments provided for in this Lease]";

(e) The definition of "**Security Deposit**" as set forth in Section 1.j of the Original Lease is hereby deleted and the following is inserted in lieu thereof:

"**Security Deposit:** $69,900.92";

(f) For the period commencing on December 1, 2015 and ending on December 14, 2015, Tenant shall pay Annual Base Rent pursuant to the terms of the Original Lease. From and after December 15, 2015 (the "**Fifth Floor Expansion Premises Commencement Date**"), the rent chart set forth in Section 4.a(i) of the Original Lease shall be deleted and the rent chart set forth below shall be inserted in lieu thereof:

Lease Year	Annual Base Rent per RSF	Annual Base Rent	Monthly Base Rent
1	$30.50	$838,811.04	$69,900.92
2	$31.26	$859,712.52	$71,642.71
3	$32.04	$881,164.08	$73,430.34
4	$32.85	$903,440.76	$75,286.73
5	$33.67	$925,992.36	$77,166.03
6	$34.51	$949,094.04	$79,091.17
7	$35.37	$972,745.80	$81,062.15
8	$36.25	$996,947.52	$83,078.96
9	$37.16	$1,021,974.36	$85,164.53
10	$38.09	$1,047,551.16	$87,295.93
11	$39.04	$1,073,678.04	$89,473.17
12	$40.02	$1,100,630.04*	$91,719.17
[*on an annualized basis]			

(g) The number of access cards provided by Landlord to Tenant pursuant to the terms of Section 9.e of the Original Lease shall be increased as a result of the addition of the Fifth Floor Expansion Premises, and accordingly Section 9.e of the Original Lease is hereby amended by deleting therefrom "sixty-five (65)" and inserting in lieu thereof "seventy-four (74)";

(h) The number of Parking Spaces allocated for Tenant's use under the Original Lease shall be increased as a result of the addition of the Fifth Floor Expansion Premises, and accordingly Section 23.a of the Original Lease is hereby amended by (i) deleting therefrom "[…***…] ([…***…])" and inserting in lieu thereof "[…***…] ([…***…])" and (ii) deleting therefrom "[…***…] ([…***…])" and inserting in lieu thereof "[…***…] ([…***…])";

(i) The Leasing Costs shall be increased as a result of the addition of the Fifth Floor Expansion Premises, and accordingly the Exhibit G attached to this First Amendment shall hereby be deemed to have been attached to the Original Lease as Exhibit G thereto, which exhibit sets forth a summary of the Leasing Costs and the calculation of the Termination Payment;

(j) Section 34 of the Original Lease (captioned, “Exterior Building Sign”) is hereby amended by deleting therefrom the two (2) references therein to “24,244” and inserting in lieu thereof in each such instance “27,502”; and

(k) The Improvement Allowance shall be increased as a result of the addition of the Fifth Floor Expansion Premises, and accordingly (i) Paragraph C.2(i) of the Work Agreement attached to the Original Lease is hereby amended by deleting therefrom “One Million Six Hundred Ninety-Seven Thousand Eighty Dollars ($1,697,080.00)” and inserting in lieu thereof “One Million Nine Hundred Twenty-Five Thousand One Hundred Forty Dollars ($1,925,140.00)” and (ii) Paragraph C.2(iii) of the Work Agreement attached to the Original Lease is hereby amended by deleting therefrom “Three Hundred Thirty-Nine Thousand Four Hundred Sixteen Dollars ($339,416.00)” and inserting in lieu thereof “Three Hundred Eighty-Five Thousand Twenty-Eight Dollars ($385,028.00)”.

4. Access to Fifth Floor Expansion Premises. Provided Tenant has delivered to Landlord evidence reasonably satisfactory to Landlord that all insurance required to be carried by Tenant and its contractors under the Lease is effective, Tenant shall have access to the Premises immediately upon the Effective Date of this First Amendment to commence the architectural and design phase of the Tenant Improvements in the Eighth Floor Expansion Premises. If Landlord notifies Tenant that the Fifth Floor Expansion Premises is otherwise available for Tenant to take possession thereof, but Tenant is not permitted to take possession of the Eighth Floor Expansion Premises because Tenant has failed to deliver to Landlord evidence reasonably satisfactory to Landlord that all insurance required to be carried by Tenant and its contractor under the Lease is effective, then (i) Landlord shall be deemed to have tendered possession of the Fifth Floor Expansion Premises to Tenant, (ii) neither the Commencement Date under the Lease, nor the Fifth Floor Expansion Premises Commencement Date, shall not be delayed as a result thereof, and (iii) Tenant shall be entitled to access the Fifth Floor Expansion Premises when such evidence of insurance has been delivered to Landlord.

5. Additional Security Deposit Amount. Landlord and Tenant acknowledge and agree that Landlord is currently holding a Security Deposit pursuant to the terms of the Original Lease in the amount of Sixty-One Thousand Six Hundred Twenty and 17/100 Dollars ($61,620.17) (the "**Current Security Deposit**"). Simultaneously with Tenant's execution of this First Amendment and delivery thereof to Landlord, Tenant, in order to comply with the increase in the Security Deposit effectuated pursuant to the terms of this First Amendment, shall deposit with Landlord an additional Eight Thousand Two Hundred Eighty and 75/100 Dollars ($8,280.75) (the "**Additional Security Deposit Amount**"). Upon Tenant depositing the Additional Security Deposit Amount with Landlord, the Current Security Deposit and the Additional Security Deposit Amount shall total the amount of the Security Deposit (i.e., $69,900.92) and such amount shall be held, used and applied in accordance with the Lease as the Security Deposit thereunder.

6. Additional First Monthly Base Rent Payment Amount. Landlord and Tenant acknowledge and agree that pursuant to Tenant’s execution of the Original Lease, and in accordance with the terms of Section 4.a(iii) of the Original Lease, Tenant tendered to Landlord an amount equal to Sixty-One Thousand Six Hundred Twenty and 17/100 Dollars ($61,620.17) representing the first monthly installment of Monthly Base Rent payable by Tenant under the Original Lease (the "**Current First Monthly Base Rent Payment**"). Simultaneously with Tenant's execution of this First Amendment and delivery thereof to Landlord, Tenant, in order to comply with the increase in Monthly Base Rent effectuated pursuant to the terms of this First Amendment, shall deposit with Landlord an additional Eight Thousand Two Hundred Eighty and 75/100 Dollars ($8,280.75) (the "**Additional First Monthly Base Rent Payment Amount**"). Upon Tenant’s payment to Landlord of the Additional First Monthly Base Rent Payment Amount, Tenant shall have satisfied Tenant’s obligation in accordance with the terms of Section 4.a(iii) of the Original Lease to tender Landlord the first monthly installment of Monthly Base Rent upon Tenant’s execution of the Lease.

7. Right of First Offer. Landlord and Tenant acknowledge and agree that notwithstanding anything to the contrary contained in the Original Lease, the Fifth Floor Expansion Premises shall not be included as part of the ROFO Space under the Lease.

8. Expansion Option – Currently Vacant ROFO Space. Section 32 of the Original Lease (captioned, "Expansion Option – Currently Vacant ROFO Space") is hereby deleted in its entirety and is of no further force and effect.

9. Counterpart Copies. This First Amendment may be executed in two (2) or more counterpart copies, all of which counterparts shall have the same force and effect as if all parties hereto had executed a single copy of this First Amendment.

10. Miscellaneous. This First Amendment (a) shall be binding upon and inure to the benefit of the parties hereto and their respective representatives, transferees, successors and assigns and (b) shall be governed by and construed in accordance with the laws of the State of Maryland.

11. Ratification. Except as expressly amended by this First Amendment, all other terms, conditions and provisions of the Original Lease are hereby ratified and confirmed and shall continue in full force and effect.

[SIGNATURES CONTAINED ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have executed this First Amendment to Office Lease Agreement under seal as of the day and year first above written.

LANDLORD:

FOUR IRVINGTON CENTRE ASSOCIATES, LLC,
a Maryland limited liability company

By: ACP/Utah Four Irvington, LLC, a Delaware limited liability company, its Sole Member and Manager

By: ACP Four Irvington Investors LLC, a Delaware limited liability company, its Manager

By: ACP Four Irvington Manager LLC, a Delaware limited liability company, its Managing Member

By: /s/ Brian Katz
Name: Brian Katz
Title: Manager

TENANT:

SUCAMPO PHARMACEUTICALS, INC., a Delaware corporation

/s/ Peter Greenleaf [seal]
Name: Peter Greenleaf
Title: CEO
/s/ Andrew Smith [seal]
Name: Andrew Smith
Title: CFO

EXHIBIT A

FLOOR PLAN OF PREMISES

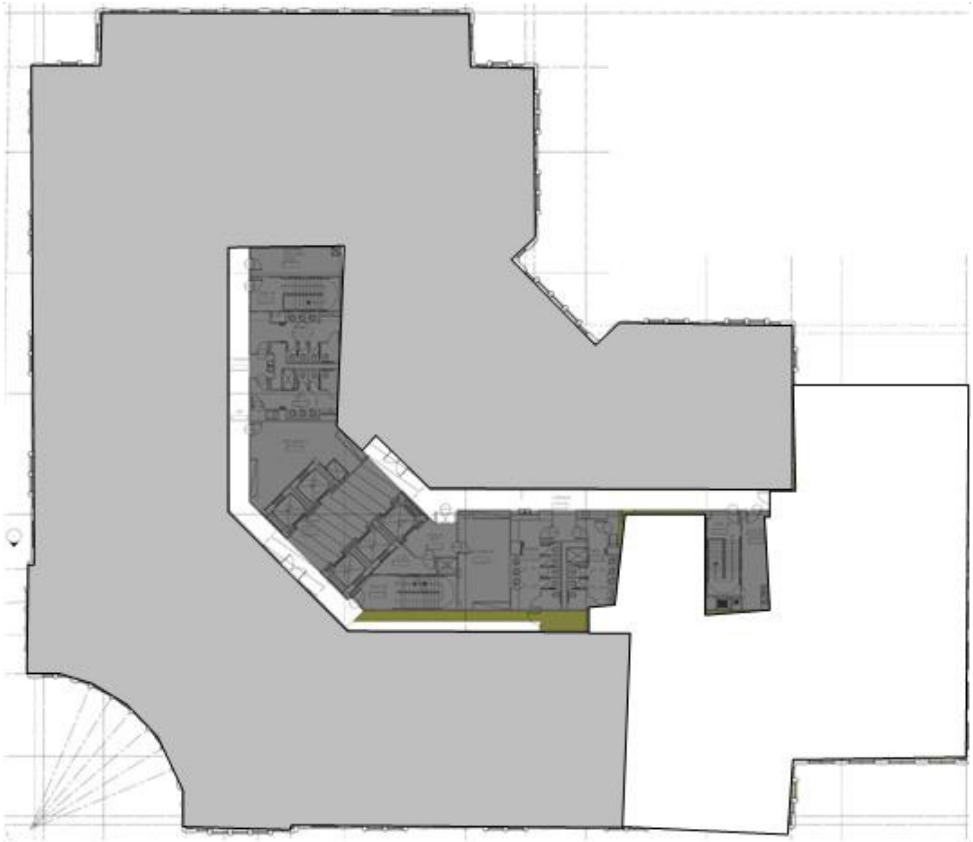

EXHIBIT G

SUMMARY OF LEASING COSTS / CALCULATION OF TERMINATION PAYMENT

Loan Type	30/360				
TI Amount	$1,925,140	LCD:	12/01/15		
LC Amount	$586,370	LXD:	06/30/27		
Abatement	$1,340,310	Cancelation Date:	01/01/24		
Legal Fees	$24,500	Unamort Leasing Costs:	$1,446,006		
Total Leasing Costs	3,876,320	2 months rent	$170,329		
		TOTAL FEE DUE:	$1,634,334.70		
		Int Only= "1" Amort = blank Enter:	AMORT PERIOD	PYMT/ MONTH	PYMT/ YEAR
INT. RATE	6.00%		11.68	38,759	465,102

		ANALYSIS MO	PAYMENT	INT	PRIN	BALANCE	FEE DUE
						3,876,320	
12/1/2015	1/1/2016	1	38,759	19,382	19,377	3,856,943	
1/1/2016	2/1/2016	2	38,759	19,285	19,474	3,837,469	
2/1/2016	3/1/2016	3	38,759	19,187	19,571	3,817,898	
3/1/2016	4/1/2016	4	38,759	19,089	19,669	3,798,229	
4/1/2016	5/1/2016	5	38,759	18,991	19,767	3,778,462	
5/1/2016	6/1/2016	6	38,759	18,892	19,866	3,758,596	
6/1/2016	7/1/2016	7	38,759	18,793	19,966	3,738,630	
7/1/2016	8/1/2016	8	38,759	18,693	20,065	3,718,565	
8/1/2016	9/1/2016	9	38,759	18,593	20,166	3,698,399	
9/1/2016	10/1/2016	10	38,759	18,492	20,267	3,678,133	
10/1/2016	11/1/2016	11	38,759	18,391	20,368	3,657,765	
11/1/2016	12/1/2016	12	38,759	18,289	20,470	3,637,295	END OF YEAR 1
12/1/2016	1/1/2017	13	38,759	18,186	20,572	3,616,723	
1/1/2017	2/1/2017	14	38,759	18,084	20,675	3,596,048	
2/1/2017	3/1/2017	15	38,759	17,980	20,778	3,575,270	
3/1/2017	4/1/2017	16	38,759	17,876	20,882	3,554,388	
4/1/2017	5/1/2017	17	38,759	17,772	20,987	3,533,401	
5/1/2017	6/1/2017	18	38,759	17,667	21,092	3,512,310	
6/1/2017	7/1/2017	19	38,759	17,562	21,197	3,491,113	
7/1/2017	8/1/2017	20	38,759	17,456	21,303	3,469,810	
8/1/2017	9/1/2017	21	38,759	17,349	21,409	3,448,400	
9/1/2017	10/1/2017	22	38,759	17,242	21,517	3,426,884	
10/1/2017	11/1/2017	23	38,759	17,134	21,624	3,405,260	
11/1/2017	12/1/2017	24	38,759	17,026	21,732	3,383,528	END OF YEAR 2
12/1/2017	1/1/2018	25	38,759	16,918	21,841	3,361,687	
1/1/2018	2/1/2018	26	38,759	16,808	21,950	3,339,737	
2/1/2018	3/1/2018	27	38,759	16,699	22,060	3,317,677	
3/1/2018	4/1/2018	28	38,759	16,588	22,170	3,295,507	
4/1/2018	5/1/2018	29	38,759	16,478	22,281	3,273,226	
5/1/2018	6/1/2018	30	38,759	16,366	22,392	3,250,833	
6/1/2018	7/1/2018	31	38,759	16,254	22,504	3,228,329	
7/1/2018	8/1/2018	32	38,759	16,142	22,617	3,205,712	
8/1/2018	9/1/2018	33	38,759	16,029	22,730	3,182,982	
9/1/2018	10/1/2018	34	38,759	15,915	22,844	3,160,139	
10/1/2018	11/1/2018	35	38,759	15,801	22,958	3,137,181	
11/1/2018	12/1/2018	36	38,759	15,686	23,073	3,114,108	END OF YEAR 3
12/1/2018	1/1/2019	37	38,759	15,571	23,188	3,090,920	
1/1/2019	2/1/2019	38	38,759	15,455	23,304	3,067,616	
2/1/2019	3/1/2019	39	38,759	15,338	23,420	3,044,196	
3/1/2019	4/1/2019	40	38,759	15,221	23,538	3,020,658	
4/1/2019	5/1/2019	41	38,759	15,103	23,655	2,997,003	
5/1/2019	6/1/2019	42	38,759	14,985	23,773	2,973,230	
6/1/2019	7/1/2019	43	38,759	14,866	23,892	2,949,337	
7/1/2019	8/1/2019	44	38,759	14,747	24,012	2,925,326	
8/1/2019	9/1/2019	45	38,759	14,627	24,132	2,901,193	
9/1/2019	10/1/2019	46	38,759	14,506	24,253	2,876,941	
10/1/2019	11/1/2019	47	38,759	14,385	24,374	2,852,567	
11/1/2019	12/1/2019	48	38,759	14,263	24,496	2,828,071	END OF YEAR 4
12/1/2019	1/1/2020	49	38,759	14,140	24,618	2,803,453	
1/1/2020	2/1/2020	50	38,759	14,017	24,741	2,778,712	
2/1/2020	3/1/2020	51	38,759	13,894	24,865	2,753,847	
3/1/2020	4/1/2020	52	38,759	13,769	24,989	2,728,858	
4/1/2020	5/1/2020	53	38,759	13,644	25,114	2,703,744	
5/1/2020	6/1/2020	54	38,759	13,519	25,240	2,678,504	
6/1/2020	7/1/2020	55	38,759	13,393	25,366	2,653,138	
7/1/2020	8/1/2020	56	38,759	13,266	25,493	2,627,646	
8/1/2020	9/1/2020	57	38,759	13,138	25,620	2,602,026	
9/1/2020	10/1/2020	58	38,759	13,010	25,748	2,576,276	
10/1/2020	11/1/2020	59	38,759	12,881	25,877	2,550,399	
11/1/2020	12/1/2020	60	38,759	12,752	26,007	2,524,393	END OF YEAR 5
12/1/2020	1/1/2021	61	38,759	12,622	26,137	2,498,256	
1/1/2021	2/1/2021	62	38,759	12,491	26,267	2,471,989	
2/1/2021	3/1/2021	63	38,759	12,360	26,399	2,445,590	
3/1/2021	4/1/2021	64	38,759	12,228	26,531	2,419,060	
4/1/2021	5/1/2021	65	38,759	12,096	26,663	2,392,397	
5/1/2021	6/1/2021	66	38,759	11,962	26,797	2,365,600	
6/1/2021	7/1/2021	67	38,759	11,828	26,931	2,338,670	
7/1/2021	8/1/2021	68	38,759	11,693	27,065	2,311,604	
8/1/2021	9/1/2021	69	38,759	11,558	27,200	2,284,404	
9/1/2021	10/1/2021	70	38,759	11,422	27,336	2,257,067	
10/1/2021	11/1/2021	71	38,759	11,286	27,473	2,229,594	
11/1/2021	12/1/2021	72	38,759	11,148	27,611	2,201,984	END OF YEAR 6

12/1/2021	1/1/2022	73	38,759	11,010	27,749	2,174,235	
1/1/2022	2/1/2022	74	38,759	10,871	27,887	2,146,348	
2/1/2022	3/1/2022	75	38,759	10,732	28,027	2,118,321	
3/1/2022	4/1/2022	76	38,759	10,592	28,167	2,090,154	
4/1/2022	5/1/2022	77	38,759	10,451	28,308	2,061,846	
5/1/2022	6/1/2022	78	38,759	10,309	28,449	2,033,397	
6/1/2022	7/1/2022	79	38,759	10,167	28,592	2,004,806	
7/1/2022	8/1/2022	80	38,759	10,024	28,734	1,976,071	
8/1/2022	9/1/2022	81	38,759	9,880	28,878	1,947,193	
9/1/2022	10/1/2022	82	38,759	9,736	29,023	1,918,170	
10/1/2022	11/1/2022	83	38,759	9,591	29,168	1,889,003	
11/1/2022	12/1/2022	84	38,759	9,445	29,313	1,859,689	END OF YEAR 7
12/1/2022	1/1/2023	85	38,759	9,298	29,460	1,830,229	
1/1/2023	2/1/2023	86	38,759	9,151	29,607	1,800,622	
2/1/2023	3/1/2023	87	38,759	9,003	29,755	1,770,866	
3/1/2023	4/1/2023	88	38,759	8,854	29,904	1,740,962	
4/1/2023	5/1/2023	89	38,759	8,705	30,054	1,710,909	
5/1/2023	6/1/2023	90	38,759	8,555	30,204	1,680,705	
6/1/2023	7/1/2023	91	38,759	8,404	30,355	1,650,350	
7/1/2023	8/1/2023	92	38,759	8,252	30,507	1,619,843	
8/1/2023	9/1/2023	93	38,759	8,099	30,659	1,589,184	
9/1/2023	10/1/2023	94	38,759	7,946	30,813	1,558,371	
10/1/2023	11/1/2023	95	38,759	7,792	30,967	1,527,404	
11/1/2023	12/1/2023	96	38,759	7,637	31,121	1,496,283	END OF YEAR 8
12/1/2023	1/1/2024	97	38,759	7,481	31,277	1,465,006	1,465,006
1/1/2024	2/1/2024	98	38,759	7,325	31,433	1,433,572	
2/1/2024	3/1/2024	99	38,759	7,168	31,591	1,401,982	
3/1/2024	4/1/2024	100	38,759	7,010	31,749	1,370,233	
4/1/2024	5/1/2024	101	38,759	6,851	31,907	1,338,326	
5/1/2024	6/1/2024	102	38,759	6,692	32,067	1,306,259	
6/1/2024	7/1/2024	103	38,759	6,531	32,227	1,274,032	
7/1/2024	8/1/2024	104	38,759	6,370	32,388	1,241,643	
8/1/2024	9/1/2024	105	38,759	6,208	32,550	1,209,093	
9/1/2024	10/1/2024	106	38,759	6,045	32,713	1,176,380	
10/1/2024	11/1/2024	107	38,759	5,882	32,877	1,143,503	
11/1/2024	12/1/2024	108	38,759	5,718	33,041	1,110,462	END OF YEAR 9
12/1/2024	1/1/2025	109	38,759	5,552	33,206	1,077,256	
1/1/2025	2/1/2025	110	38,759	5,386	33,372	1,043,884	
2/1/2025	3/1/2025	111	38,759	5,219	33,539	1,010,345	
3/1/2025	4/1/2025	112	38,759	5,052	33,707	976,638	
4/1/2025	5/1/2025	113	38,759	4,883	33,875	942,763	
5/1/2025	6/1/2025	114	38,759	4,714	34,045	908,718	
6/1/2025	7/1/2025	115	38,759	4,544	34,215	874,503	
7/1/2025	8/1/2025	116	38,759	4,373	34,386	840,117	
8/1/2025	9/1/2025	117	38,759	4,201	34,558	805,559	
9/1/2025	10/1/2025	118	38,759	4,028	34,731	770,828	
10/1/2025	11/1/2025	119	38,759	3,854	34,904	735,924	
11/1/2025	12/1/2025	120	38,759	3,680	35,079	700,845	END OF YEAR 10
12/1/2025	1/1/2026	121	38,759	3,504	35,254	665,591	
1/1/2026	2/1/2026	122	38,759	3,328	35,431	630,160	
2/1/2026	3/1/2026	123	38,759	3,151	35,608	594,553	
3/1/2026	4/1/2026	124	38,759	2,973	35,786	558,767	
4/1/2026	5/1/2026	125	38,759	2,794	35,965	522,802	
5/1/2026	6/1/2026	126	38,759	2,614	36,144	486,658	
6/1/2026	7/1/2026	127	38,759	2,433	36,325	450,332	
7/1/2026	8/1/2026	128	38,759	2,252	36,507	413,826	
8/1/2026	9/1/2026	129	38,759	2,069	36,689	377,136	
9/1/2026	10/1/2026	130	38,759	1,886	36,873	340,263	
10/1/2026	11/1/2026	131	38,759	1,701	37,057	303,206	
11/1/2026	12/1/2026	132	38,759	1,516	37,242	265,964	END OF YEAR 11
12/1/2026	1/1/2027	133	38,759	1,330	37,429	228,535	
1/1/2027	2/1/2027	134	38,759	1,143	37,616	190,919	
2/1/2027	3/1/2027	135	38,759	955	37,804	153,115	
3/1/2027	4/1/2027	136	38,759	766	37,993	115,122	
4/1/2027	5/1/2027	137	38,759	576	38,183	76,939	
5/1/2027	6/1/2027	138	38,759	385	38,374	38,566	
6/1/2027	7/1/2027	139	38,759	193	38,566	0	

Exhibit 10.2

STRATEGIC ALLIANCE AGREEMENT

dated as of August 26, 2015

among

Sucampo Pharmaceuticals, Inc.,

Sucampo Pharma, LLC.

and

R-Tech Ueno, Ltd.

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ARTICLE VI TERMINATION

ARTICLE VII GUARANTEE

ARTICLE VIII MISCELLANEOUS

STRATEGIC ALLIANCE AGREEMENT

This STRATEGIC ALLIANCE AGREEMENT is made and entered into as of August 26, 2015 (this "**Agreement**"), by and among R-Tech Ueno, Ltd., a corporation organized under Japanese law (the "**Company**"), Sucampo Pharma, LLC., a corporation organized under Japanese law ("**Acquiror**"), and Sucampo Pharmaceuticals, Inc., a corporation organized under Delaware law ("**SPI**," and, together with the Company and Acquiror, collectively, the "**Parties**").

RECITALS

WHEREAS, the Acquiror is a wholly-owned subsidiary of SPI, which operates a biopharmaceutical business focused on the research and development of proprietary drugs;

WHEREAS, the Company operates a drug discovery and manufacturing business;

WHEREAS, Acquiror and the Company share the objective of creating a combined biopharmaceutical company that can drive considerable growth in global markets, including Japan;

WHEREAS, the Company has currently in issuance and outstanding 19,312,300 shares of common stock (the "**Common Stock**") and stock options representing an additional 328,600 shares of Common Stock (the "**Stock Options**", and together with the issued and outstanding Common Stock, the "**Target Securities**");

WHEREAS, pursuant to the terms and subject to the conditions set forth herein, Acquiror has agreed to commence a tender offer bid (such tender offer bid, including any amendments or extensions thereto made in accordance with the terms of this Agreement and applicable Law, including Articles 27-2 through 27-22 of the FIEL, the "**Offer**") to acquire for cash (i) all of the issued and outstanding shares of Common Stock at a price per share of JPY1,900 (the "**Share Offer Price**") and (ii) all of the outstanding Stock Options at the price prescribed in this Agreement;

WHEREAS, the Company has agreed, on the terms and subject to the conditions set forth herein, to support the Offer and recommend the holders of Target Securities to tender their shares of Common Stock and Stock Options to the Offer and publicly announce such statement;

WHEREAS, Jefferies Finance LLC ("**Jefferies**") has entered into a financing commitment letter, dated as of August 26, 2015, between SPI and Jefferies (the "**Financing Commitment**"), pursuant to which Jefferies has committed to provide debt financing for the Offer in the aggregate amount and on the terms and conditions set forth therein (the "**Financing**");

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. As used in this Agreement, the following terms have the respective meanings set forth below:

"**Acquiror**" shall have the meaning set forth in the preamble hereto.

"**Action**" shall mean any claim, action, suit, arbitration, mediation, proceeding or investigation, whether civil, criminal or administrative, by or before any Governmental Authority or arbitral body.

"**Affiliate**" shall mean, (i) with respect to a particular individual, (A) the individual's spouse and any parent, child, sibling, grandparent, grandchild, aunt, uncle, niece, nephew of the individual or the individual's spouse, (B) any Person that is directly or indirectly controlled by the particular individual or any such family member of the particular individual or his/her spouse, (C) any Person in which the particular individual or any such family member of the particular individual or his/her spouse has a material financial interest, and (D) any Person with respect to which the particular individual or such family member of the particular individual or his/her spouse serves as a director, officer or partner (or in a similar capacity); and (ii) with respect to any specified Person other than an individual, (A) any Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, the Person specified, (B) any Person in which the specified Person has a material financial interest, and (C) any Person which has a material financial interest in the specified Person. "Control" and its derivative words mean the possession, direct or indirect, of the power to direct or cause the direction of the decisions, management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the ability to elect the majority of the directors or the members of a similar governing body of a Person.

"**Agreement**" shall have the meaning set forth in the preamble hereto.

"**Annual Financial Statements**" shall have the meaning set forth in Section (j) of Schedule 3.01.

"**Business Day**" shall mean any day other than a Saturday or Sunday, or any other day on which commercial banks in Tokyo, Japan or New York in the U.S.A. are authorized or required by applicable Law to close.

"**Closing**" shall mean the Settlement in accordance with the terms of this Agreement.

"**Closing Date**" shall mean the date on which the Closing occurs.

"**Common Stock**" shall have the meaning set forth in the recitals hereto.

"**Company**" shall have the meaning set forth in the recitals hereto.

"**Company Disclosure Letter**" shall mean the letter dated the same date as this Agreement from the Company to the Acquiror disclosing information constituting exceptions to the representations and warranties given by the Company pursuant to Section 3.01.

"**Company's Position Statement**" shall have the meaning set forth in Section 2.03(b).

"**Contract**" shall mean any contract, agreement, instrument, undertaking, indenture, commitment, loan, license or other legally binding obligation, whether written or oral.

"**Environmental Claim**" shall mean any claim, action, cause of action, suit, investigation or proceeding by any Person alleging liability (including liability for investigatory costs, cleanup costs, governmental response costs, natural resource damages, fines or penalties) for any Losses arising from (a) presence or Release of any Hazardous Substance at any location, whether or not owned or operated by the Company or any Subsidiaries, or (b) circumstances forming the basis of noncompliance with or liability under any Environmental Laws.

"**Environmental Laws**" shall mean any Law or Order of any Governmental Authority relating to the protection of the environment (including protection of air, water, soil, and natural resources), human health, natural resources or the use, storage, handling, release, exposure to or disposal of any Hazardous Substance, as in effect on the date hereof.

"**FIEL**" shall mean the Financial Instruments and Exchange Law of Japan (*kinyuu-shohin-torihiki-ho*) (Law No. 25 of 1948, as amended).

"**Financing**" shall have the meaning set forth in the recitals hereto.

"**Financing Commitment**" shall have the meaning set forth in the recitals hereto.

"**Financing Party**" shall have the meaning set forth in Section 4.09.

"**Financial Statements Date**" shall have the meaning set forth in Section (j) of Schedule 3.01.

"**GAAP**" shall mean Japanese generally accepted accounting principles in effect from time to time.

"**Governmental Authority**" shall mean any domestic, foreign or supranational government, governmental authority, court, tribunal, agency or other regulatory, administrative or judicial agency, commission or organization (including self-regulatory organizations), tribunal or arbitral body, stock exchange, and any subdivision, branch or department of any of the foregoing.

"**Hazardous Substance**" shall mean any substance that is regulated as hazardous, toxic, radioactive, or as a pollutant, contaminant or harmful biological agent, including petroleum and any derivative or by-products thereof, that may give rise to liability under any Environmental Laws.

"**Indebtedness**" shall mean, for any Person, all obligations, contingent or otherwise, of that Person (i) for borrowed money, (ii) evidenced by notes, debentures or similar instruments, (iii) under capitalized lease obligations, (iv) in respect of the deferred purchase price of securities or other assets, and (v) in respect of reimbursement obligations to reimburse any other Person for or in respect of any letter of credit, bankers' acceptance, surety bonds or other financial guaranties.

"**Indemnified Party**" shall have the meaning set forth in Section 5.03.

"**Indemnifying Party**" shall have the meaning set forth in Section 5.03.

"**Intellectual Property Rights**" shall mean all patents, patent rights, licenses, inventions, copyrights, trademarks, service marks, logos, trade dress, design rights, trade or business names, domain names, trade secrets, know-how, in each case of a proprietary nature and any proprietary confidential information systems processes or procedures of the intellectual property (whether, in each case, registered, unregistered or unregistrable, and including pending applications for registration and rights to apply for registration) and all rights of a similar nature or having similar effect which may subsist in any part of the world.

"**Japan Business Day**" shall mean any day other than a Saturday or Sunday, or any other day on which commercial banks in Tokyo, Japan are authorized or required by Japanese Law to close.

"**Jefferies**" shall have the meaning set forth in the recitals hereto.

"**Launch Date**" shall have the meaning set forth in Section 2.02(a).

"**Law**" shall mean, with respect to any Person, any law, statute or ordinance, or any rule, regulation, standard, judgment, order, writ, injunction, ruling, decree, arbitration award, agency requirement, license or permit of any Governmental Authority that is legally binding on such Person.

"**Lenders**" shall mean Jefferies and a syndicate of banks, financial institutions and other lenders providing the Financing pursuant to the terms of the Financing Commitment.

"**Lien**" shall mean a lien, charge, option, mortgage, pledge, security interest, claim, deed of trust, hypothecation or encumbrance of any kind.

"**Losses**" shall mean damages, losses or liabilities (including judgments, awards, interest and penalties), together with costs and expenses reasonably incurred, including the reasonable fees and disbursements of legal counsel.

"**Material Adverse Effect**" shall mean any fact, event, circumstance, occurrence, change or effect that individually or in the aggregate has or is reasonably likely to have a material adverse effect on the business, financial condition, assets, operations, or results or prospects of operations of the Company, taken as a whole.

"**Material Contract**" shall mean any Contract or other agreement to which the Company is a party, and is material to the business, operations, or material properties or assets of the Company. The Material Contracts shall include, without limitation, any Contract or other agreement:

(i) which is described under "Part 1. Company's Information – II. Description of the Company – 5. Material Contracts Relating to Business" in the securities report (*yuka-shoken-hokokusho*) of the Company filed with the Kanto Local Finance Bureau on June 24, 2015 in accordance with Article 24, Paragraph 1 of the FIEL, except for the License Agreement with Astellas Pharma Inc., which is no longer effective;

(ii) under which the Company has incurred outstanding Indebtedness, guarantees or Liens, or has assumed other similar obligations;

(iii) which will materially limit ability of the Company to compete in any line of business or geographic area or make use of any material Intellectual Property Rights owned by the Company;

(iv) relating to the acquisition or disposition of companies or businesses by the Company (whether by purchase or sale of shares or assets, by merger, or otherwise);

(v) under which the Company has made a loan or capital contribution to or any investment in any Person other than the Company;

(vi) which establishes or relates to the termination, creation or operation of a joint venture, partnership, or other similar profit (or loss) sharing arrangement;

(vii) which requires or restricts the payment of dividends or distributions in respect of the capital stock of the Company;

(viii) which was entered into outside the ordinary course of business and which involves obligations or liabilities in excess of […***…];

(ix) which requires the Company or any successor or acquiror of the Company to make any payment to another Person as a result of a change of control of the Company;

(x) with any Affiliate, director, executive officer, any holder of 5% or more of the outstanding shares of Common Stock or immediate family members (other than Contracts for stock options); or which, either as a single Contract or series of related or affiliated Contracts or work orders, constituted one of the 20 largest Contracts of the Company on the basis of revenues generated in the most recent fiscal year.

"**Offer**" shall have the meaning set forth in the recitals hereto.

"**Offer Documents**" shall have the meaning set forth in Section 2.02(d).

"**Offer Period**" shall have the meaning set forth in Section 2.02(a).

"**Order**" shall mean any order, injunction, judgment, decree, ruling, assessment, judicial or administrative order, award or determination of any Governmental Authority or arbitrator.

"**Organizational Documents**" shall mean the articles of incorporation, the rules of the board of directors, the share handling regulations, the partnership agreement, the limited liability company agreement, the operating agreement or other similar governing instruments, in each case as amended as of the date specified, of any Person.

"**Owned Real Property**" shall mean the land listed on Schedule III.

"**PAL**" shall mean the Pharmaceutical Affairs Law of Japan (*iyakuhin-iryoukikito-no-hinshitu-yukousei-anzensei-no-kakuhoto-ni-kansuru-horitu*) (Law No. 145 of 1955, as amended).

"**Parties**" shall have the meaning set forth in the preamble hereto, and "**Party**" shall mean either of the Parties.

"**Permits**" shall have the meaning set forth in Section (g) of Schedule 3.01.

"**Person**" shall mean any natural person, general or limited partnership, limited liability company, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture, Governmental Authority, or other entity, whether acting in an individual, fiduciary or other capacity.

"**Products**" shall have the meaning set forth in Section (u) of Schedule 3.01.

"**Registered IP**" shall have the meaning set forth in Section (v) of Schedule 3.01.

"**Release**" shall mean any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the Environment or into or out of any property.

"**Settlement**" shall have the meaning set forth in Section 2.02(e).

"**Settlement Date**" shall mean the 5th Japan Business Day following the last day of the Offer Period, except as such date may be adjusted pursuant to Section 2.02(f).

"**Share Offer Price**" shall have the meaning set forth in the recitals hereto.

"**SPI**" shall have the meaning set forth in the recitals hereto.

"**Squeeze-out**" shall mean any squeeze out transaction that Acquiror determines necessary and appropriate to make the Company wholly owned subsidiary of the Acquiror after the Settlement.

"**Stock Options**" shall have the meaning set forth in the recitals hereto.

"**Stock Purchase Agreement**" shall mean the stock purchase agreement among, dated August 26, 2015 entered into by Acquiror, and Ryuji Ueno, MD, Sachiko Kuno, S&R Technology Holdings, LLC and S&R Foundation.

"**Strategic Business Alliance**" shall have the meaning set forth in Section 2.01.

"**Subsidiaries**" shall mean, with respect to any Person, any juridical Person of which more than 50% of the voting power of the outstanding voting securities or more than 50% of the outstanding economic equity interest is held, directly or indirectly, by such Person, and in any event will include any Person that is fully included in the consolidated financial statements of such Person prepared in accordance with GAAP.

"**Sucampo Group**" shall have the meaning set forth in Section 2.01.

"**Superior Offer**" shall have the meaning set forth in Section 2.03(a).

"**Target Securities**" shall have the meaning set forth in the recitals hereto.

"**Taxes**" shall mean all taxes, charges, fees, levies or other assessments, including income, capital, gross receipts, excise, property, stamp, registrations, sales, license, payroll, consumption, withholding and franchise taxes, escheat obligation, and any secondary tax liability, imposed by Japan or any other country or any local government or taxing authority or political subdivision or agency thereof or therein, and such term shall include any interest, penalties or additions attributable to such taxes, charges, fees, levies or other assessments.

"**Tax Returns**" shall mean any return, declaration, report, claim for refund, or information return or statement filed or required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Tender Offer Agent**" shall mean Nomura Securities Co., Ltd.

"**Tender Offer Explanatory Statement**" shall have the meaning set forth in Section 2.02(d).

"**Tender Offer Registration Statement**" shall have the meaning set forth in Section 2.02(d).

Section 1.02 Interpretation. Unless otherwise indicated to the contrary in this Agreement by the context or use thereof: (a) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular section or paragraph of this Agreement; (b) references in this Agreement to articles, sections or paragraphs refer to articles, sections or paragraphs of this Agreement; (c) headings of sections are provided for convenience only and should not affect the construction or interpretation of this Agreement; (d) words importing the masculine gender shall also include the feminine and neutral genders, and vice versa; (e) words importing the singular shall also include the plural, and vice versa; (f) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; (g) any reference to a statute refers to such statute as it may have been or may be amended from time to time, or to such statute's successor, and shall be deemed also to refer to all rules and regulations promulgated thereunder; (h) any reference to a Contract or other document as of a given date means the Contract or other document as amended, supplemented and modified from time to time through such date; (i) "or" shall include the meanings "either" or "both"; and (j) the symbols "JPY" or "¥" shall refer to the lawful currency of Japan.

ARTICLE II

TRANSACTION

Section 2.01 Strategic Alliance. For the purpose of creating a combined company that can drive considerable growth in global markets, including Japan, the Parties agree to form a strategic business alliance (the "**Strategic Business Alliance**") among Acquiror and SPI and its Affiliates (collectively, the "**Sucampo Group**") and the Company, subject to the successful Closing. The Parties intend to achieve the purpose of such Strategic Business Alliance by mutual cooperation in, among others, the following areas:

(a) ensuring that the transaction contemplated in this Agreement would provide Sucampo Group with increased revenues—primarily from combining Sucampo Group's existing sales with those from the Company—enhanced profitability, strong cash flow generation and a robust balance sheet and the improved financial strength of SPI as the parent company would also accrue to the benefit of its subsidiaries, which will include the Company after the Closing;

(b) ensuring that Sucampo Group and the Company together would have a deeper and broader development pipeline of potential drug candidates in development across four major therapeutic areas—gastroenterology, ophthalmology, autoimmune, and inflammation—and greater resources, both financially and operationally, to maximize these opportunities, and consistent with the Target Company's business strategy, such development pipelines (some of these drug candidates) could be out-licensed to external firms to create even greater value; and

(c) ensuring that both Sucampo Group and the Company would have greater opportunity to conduct business development transactions, and through the relationships of the Company and increased presence in the Japanese market, Sucampo Group would gain greater access to the Japanese biotech community and Japan's well-regarded scientific institutions and researchers, and the Company would receive access to Sucampo Group's expertise in identifying, negotiating and managing key alliances.

Section 2.02 Obligations of Acquiror.

(a) Commencement of the Offer. Subject to the terms and conditions herein, Acquiror agrees to commence the Offer on August 27, 2015 (the "**Launch Date**") to acquire for cash (i) all of the issued and outstanding shares of Common Stock at the Share Offer Price and (ii) all of the outstanding Stock Options at the price as set out in Schedule I. The Offer shall be open for acceptance from the time of commencement until a time that is not earlier than 3:30 p.m. (Tokyo time) on the 30th Japan Business Day from and including the Launch Date (as adjusted pursuant to Section 2.02(f) below, the "**Offer Period**").

(b) Conditions to the Commencement of the Offer. Acquiror's obligation to commence the Offer will be subject to satisfaction (or waiver in writing by Acquiror in its sole discretion) of each of the following conditions on the Launch Date:

(i) The representations and warranties of the Company set forth in Section 3.01 shall be true and correct in all material respects;

(ii) The Company shall have duly performed its obligations required to be performed by it prior to the Launch Date under this Agreement;

(iii) The board of directors of the Company unanimously (a) shall have made a resolution approving a statement of opinion in support of the Offer and recommending the holders of shares of Common Stock and Stock Options to tender their shares and Stock Options to the Offer, with recommendation by the independent committee of the Company, and have publicly announced such statement, and (b) have not revoked such statement;

(iv) The board of directors of the Company unanimously shall have made a resolution revealing its intention to support the Squeeze-out (including the price to be offered therein) and have publicly announced such intention, and have not revoked such intention;

(v) For the purpose of approving the transfer of Stock Options that will be tendered to the Offer and releasing any transfer restriction for such Stock Options provided in relevant contracts between the Company and the holders of such Stock Options, the board of directors of the Company shall have made a resolution to authorize and instruct appropriate board members to approve the said transfer and release the said transfer restriction in a timely manner if requested in writing by any holders of such Stock Options;

(vi) The Financing Commitment shall have been duly made and entered into by Jefferies;

(vii) No temporary restraining order, preliminary or permanent injunction or other Order preventing the commencement of the Offer or the consummation of the Squeeze-out shall be in effect, and no Law shall have been enacted or shall be deemed applicable to the Offer or the Squeeze-out which makes the consummation of the Offer or the Squeeze-out illegal;

(viii) All necessary consents, approvals (including, but not limited to, approval of the Financial Services Agency, Kanto Local Financial Bureau and Tokyo Stock Exchange) for the Offer shall have been obtained by Acquiror and the Company;

(ix) The Company shall not have suffered a Material Adverse Effect since the Financial Statements Date; and

(x) Acquiror shall have concurrently entered into a Stock Purchase Agreement with Ryuji Ueno, MD, Sachiko Kuno, S&R Technology Holdings, LLC and S&R Foundation.

(c) Withdrawal of the Offer. Acquiror may withdraw the Offer upon the occurrence of any event listed in the FIEL Enforcement Ordinance and the Tender Offer Registration Statement.

(d) Publication and Filing. Upon the commencement of the Offer, Acquiror shall publish a tender offer public notice and shall file a tender offer registration statement (the "**Tender Offer Registration Statement**") with the Kanto Local Finance Bureau, each in accordance with the terms and conditions set forth in this Section 2.02 and Article 27-3 of the FIEL. Acquiror shall file with the relevant Governmental Authorities, publish and/or mail to holders of the Target Securities as required by Law (i) a copy of the Tender Offer Registration Statement, (ii) a tender offer explanatory statement (the "**Tender Offer Explanatory Statement**") and (iii) each other document required under applicable Law to be so filed, published or mailed by it in connection with the Offer (collectively, the "**Offer Documents**").

(e) Settlement of the Offer. Unless the Offer has been withdrawn by Acquiror in accordance with terms of this Agreement, Acquiror shall cause payment in full for all Target Securities validly tendered (and not withdrawn) under the Offer (the "**Settlement**") to be made by the Tender Offer Agent in immediately available funds as promptly as practicable following the end of the Offer Period and in no event later than the Settlement Date.

(f) Extensions of the Offer Period and Amendments. Acquiror may, in its sole discretion, extend the Offer Period for such period as designated by Acquiror in accordance with Article 27-6 of the FIEL.

Section 2.03 Obligations of the Company.

(a) Support of the Offer. Upon the commencement of the Offer, the Company (i) shall, by a unanimous resolution of its board of directors, and with recommendation by the independent committee of the Company, approve a statement of opinion in support of the Offer and recommending the holders of shares of Common Stock and Stock Options to tender their shares and Stock Options to the Offer and have publicly announced such statement, and (ii) shall not revoke such statement. The Company (1) shall also, by a unanimous resolution of its board of directors, and with recommendation by the independent committee of the Company, reveal its intention to support the Squeeze-out and (2) publicly announce such intention, and (3) shall not revoke such intention. Notwithstanding the forgoing, the Company may, upon prior consultation with the Acquiror, revoke or change such statement or intention, only if (A) there is any counter tender offer bid or any bona fide offer to acquire the Target Securities that is a Superior Offer and (B) the failure to take such action, on the basis of legal opinion issued in writing by legal counsel of the Company, would be reasonably expected to cause the board of directors of the Company to be in breach of its duty of care (*zenkan-tyui-gimu*) under Japanese law. For purposes of this Agreement, "**Superior Offer**" shall mean an unsolicited *bona fide* written offer by a third party to purchase all of the outstanding Target Securities that the Board of Directors of the Company determines, in its good faith judgment, after consultation with its outside legal counsel and its financial advisors, is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financing aspects (including certainty of closing) of the offer and the ability of the Person making the offer to consummate the transaction and that would result in a transaction more favorable to the Company's stockholders (solely in their capacity as such) from a financial point of view than the transaction contemplated by this Agreement.

(b) Publication and Filing. Upon the commencement of the Offer, the Company shall make public disclosure and file a company's position statement (*iken-hyoumei-houkokusho*) (the "**Company's Position Statement**") with the Kanto Local Finance Bureau, each in accordance with in accordance with Section 2.03(a) and applicable Laws and in a manner and content as agreed with Acquiror.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Company. The Company hereby represents and warrants to Acquiror that, except as disclosed in the Company Disclosure Letter, the statements set forth in Schedule 3.01 are true and correct as of the date of this Agreement and will be true and correct as of the Launch Date and the Closing Date (or, if made as of a specified date, as of such specified date only).

Section 3.02 Representations and Warranties of Acquiror. Each of Acquiror and SPI hereby represents and warrants to the Company that the statements set forth in Schedule 3.02 are true and correct as of the date of this Agreement and will be true and correct as of the Launch Date and the Closing Date (or, if made as of a specified date, as of such specified date only).

ARTICLE IV

COVENANTS OF THE PARTIES

Section 4.01 The Company's Obligation.

(a) Ordinary Course of Business of the Company's Operation. During the period from the date of this Agreement and the completion of the Squeeze-out (the "**Restricted Period**"), except as contemplated by this Agreement, required by applicable Law or otherwise agreed to in writing by Acquiror, the Company shall operate in the ordinary course of business consistent with the past practice and use its reasonable efforts to preserve intact the material components of its current business organization, including keeping available the services of current officers and key employees, and use its reasonable efforts to maintain its relations and good will with all material suppliers, material customers, governmental bodies and other material business relations intact its business relationships.

(b) Restrictive Covenants. Without limiting Section 4.01(a), during the Restricted Period, except as contemplated by this Agreement, set forth in Schedule 4.01(b), required by applicable Law or otherwise agreed to in writing by Acquiror, the Company shall not:

(i) sell, issue, grant, pledge or transfer or authorize the sale, issuance, grant, pledge or transfer of any capital stock or equity interest or other security of the Company or any instrument convertible into or exchangeable for any security of the Company, except for approval of the transfer of Stock Options that will be tendered to the Offer and release from any transfer restriction for such Stock Options provided in relevant contracts between the Company and the holders of such Stock Options;

(ii) establish or adopt new employee benefits plans or provide increases in employee salaries, or benefits outside the ordinary course of business;

(iii) hire new employees, other than at positions with annual salary and benefits costs of not more than […***…] or positions listed on Schedule 4.01(b) hereto;

(iv) enter into change-in-control, severance, bonus or retention agreements with any directors, officers, employees or consultants of the Company;

(v) enter into any collective bargaining agreement or other agreement with any labor organization or work council;

(vi) make any material capital expenditure;

(vii) license, acquire, dispose or cause or permit any Lien on any material right or material asset or property other than the sale of inventory in the ordinary course of business or dispositions of obsolete, surplus or worn out assets;

(viii) amend or relinquish any material rights under any Material Contract or enter into any new Material Contracts;

(ix) enter into any new line of business or discontinue any existing business, including commencement of any new development programs, pre-clinical studies or clinical trials except for those activities and costs that cannot be postponed and the Company is contractually obligated to perform or pay during the Restricted Period, and not to exceed the costs set forth in Schedule 4.01(b)(ix) of this Agreement, which Schedule shall include the budgeted costs of the development activities listed therein;

(x) make any material change to any accounting methods or make any material tax election;

(xi) commence or settle any legal proceeding;

(xii) enter into any action or decision that could fall under any category of information subject to insider trading regulation under Article 166, Paragraph 1 or Article 167, Paragraph 1 of the FIEL;

(xiii) declare or make payment of any dividends or other distribution to its shareholders;

(xiv) revoke the resolution by the board of directors as set out in Section 2.02(b)(v);

(xv) incur any Indebtedness or grant any Liens on any of its property or assets outside the ordinary course of business;

(xvi) adopt, implement or take any actions or measures except for those permitted under this Agreement that could require Acquiror to amend or change, in part or whole, any of the Offer Documents or extend the Offer Period; or

(xvii) authorize any of, or agree or commit to take, any of the actions described in clauses (i) through (xv) of this Section 4.01(b).

(c) Notice and Consent. Prior to Closing, the Company shall provide a written notice to, or use its commercially reasonable efforts to obtain a written consent from each counterparty to a Material Contract to which the Company is party, if such contract so requires the Company in connection with the consummation of the transactions contemplated hereby.

(d) Cooperation with the Offer. The Company agrees to take all reasonable actions available to them to cooperate with Acquiror in making the Offer and gathering tenders from existing shareholders of the Company, and shall provide such information and assistance as Acquiror or its agents may reasonably request in connection with communicating the Offer and any amendments and supplements thereto to the holders of the Target Securities and to such other Persons as are entitled to receive the Offer Documents under applicable Law, including, to the extent permissible, under the Personal Information Protection Law of Japan and other applicable Law. The Company acknowledges and agrees that Acquiror may state in any Offer Document or press release the Company's support of the Offer and the Squeeze-out as set out in Section 2.03(a).

(e) Financing. Acquiror shall use its reasonable efforts to take all actions and to do all things necessary, proper or advisable to arrange, consummate and obtain the proceeds of the Financing. The Company shall use its reasonable efforts to provide to Acquiror such customary cooperation as may be reasonably requested by Acquiror to assist Acquiror in causing the conditions in the Financing Commitment to be satisfied and such customary cooperation as is otherwise reasonably necessary and reasonably requested by Acquiror solely in connection with obtaining the Financing, which cooperation shall include (without limitation):

(i) causing its management team, external auditors and other non-legal advisors to assist in preparation for and to participate in a reasonable number of meetings with the Lenders, and conference calls (including customary one-on-one meetings with the parties acting as lead arrangers, bookrunners or agents for, and prospective lenders of, the Financing and senior management (with appropriate seniority and expertise) of the Company), presentations and sessions with prospective lenders, investors and ratings agencies in connection with any of such Financing;

(ii) using its reasonable efforts to cause the syndication and marketing efforts in connection with the Financing to benefit from the Company's relationships with potential financing sources;

(iii) providing customary authorization letters to the Lenders under the Financing Commitment authorizing the distribution of information to other prospective lenders and containing customary representations to the Lenders under the Financing Commitment;

(iv) furnishing Acquiror and the Lenders promptly, and in any event at least five (5) business days prior to Closing, with all documentation and other information that any Lender has reasonably requested and that such Lender has determined is required by regulatory authorities in connection with the Financing under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the PATRIOT Act;

(v) assisting in preparing of and, subject to the successful Squeeze-out, executing and delivering of any customary pledge and security documents, credit agreements, indentures, guarantees, ancillary documents and instruments and customary closing certificates and documents and assisting in preparing schedules (and providing necessary information relating thereto) as may be reasonably requested by Acquiror;

(vi) obtaining customary payoff letters, Lien terminations and instruments of discharge to be delivered at Closing to allow for the payoff, discharge and termination in full on the Closing Date of all Indebtedness;

(vii) permitting the use of the Company's logos, trademarks and trade names in connection with the Financing contemplated by the Financing Commitment; provided, that such logos, trademarks and trade names are used solely in a manner that is not intended to, nor reasonably likely to, harm or disparage the Company;

(viii) timely preparing a customary confidential information memorandum and other customary marketing materials with respect to the Financing; and

(ix) promptly furnishing any other information as reasonably requested by Acquiror or the Lender in connection with the Financing.

Section 4.02 Consummation of the Squeeze-out. Subject to the successful Closing, the Company agrees to take all reasonable actions available to it to consummate the Squeeze-out and appointment of new directors of the Company as designated by Acquiror as soon as possible after the Closing, as reasonably requested by Acquiror, and shall provide such information and assistance as Acquiror or its agents may reasonably request in connection with communicating the Squeeze-out.

Section 4.03 Applications and Consents; Governmental Communications and Filings. Each Party shall cooperate and use its reasonable efforts in making all notifications to, and seeking all consents of, Governmental Authorities necessary or advisable to consummate the transactions contemplated hereby as promptly as practicable. No Party shall take any action that would reasonably be expected to prevent or materially delay or impede the filing or receipt of such necessary or advisable notifications or consents.

Section 4.04 Further Assurance. Subject to the terms and conditions hereof, each Party covenants and agrees to use its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, in good faith, all things applicable to it that are necessary, proper or desirable, or advisable under applicable Law to carry out the provisions contained in this Agreement and the transactions contemplated hereunder.

Section 4.05 Access. During the Restricted Period, upon reasonable advance notice to the Company, the Company shall: (a) provide Acquiror with reasonable access during normal business hours of the Company to the Company's employees, consultants and other personnel and assets and to all existing books, records, Tax Returns, work papers and other documents and information relating to the Company; and (b) promptly provide Acquiror copies of the existing books, records, Tax Returns, work papers and other documents and information relating to the Company, and with such additional financial, operating and other data and information regarding the Company, as Acquiror may reasonably request; provided, however, that any such access shall be conducted at Acquiror's expense, at a reasonable time, under the supervision of appropriate personnel of the Company and in such a manner as not to unreasonably interfere with the normal operation of the business of the Company.

Section 4.06 Notifications. Each Party shall give prompt notice to the other Parties (and subsequently keep the other Parties informed on a current basis) upon its becoming aware of (a) any Actions commenced or, to such Party's knowledge, threatened against, relating to or involving or otherwise affecting such Party or any of its Affiliates which relate to the Offer or the transactions contemplated by this Agreement, or (b) the occurrence or existence of any fact, event or circumstance that would or would be reasonably likely to (i) cause or constitute a material breach of any of its covenants or agreements contained herein, or (ii) impair or delay the completion of the Offer or the Closing; provided, however, the delivery of any notice pursuant to this Section 4.06 shall not (x) cure any breach of, or non-compliance with, any other provision of this Agreement or (y) limit the remedies available to any Party receiving such notice.

Section 4.07 Confidentiality.

(a) For […***…] ([…***…]) years from and after the date of this Agreement, the Company will hold and treat in confidence, and will not use, and will cause their Affiliates to hold and treat in confidence, all non-public documents and information (including any information with regard to terms and conditions of this Agreement) concerning Acquiror and each of its respective Affiliates, except to the extent that such documents and information (1) are required or requested (with prompt notice of such request to be made to Acquiror) to be disclosed by applicable Law or any Governmental Authority, (2) generally become available to the public through no fault of the Company, (3) become available to the Company on a non-confidential basis, or (4) are independently developed by the Company or its Affiliates without reference to the furnished information.

(b) Until earlier of (i) the consummation of the Squeeze-out and (ii) the expiration of […***…] ([…***…]) year period from and after the date of this Agreement, Acquiror will hold and treat in confidence, and will not use, and will cause its Affiliates to hold and treat in confidence, all non-public documents and information concerning the Company, except to the extent that such documents and information (1) are required or requested (with prompt notice of such request to be made to Acquiror) to be disclosed by applicable Law or any Governmental Authority, (2) generally become available to the public through no fault of Acquiror or its Affiliates, (3) become available to Acquiror or its Affiliates on a non-confidential basis, or (4) are independently developed by Acquiror or its Affiliates without reference to the furnished information. Notwithstanding the foregoing, Acquiror may disclose such documents and information to its directors, officers, agents, consultants and other representatives (including attorneys, financial advisors, accountants, potential financing sources and the Lenders) of Acquiror or its Affiliates to the extent reasonably necessary for execution or performance of this Agreement.

Section 4.08 Public Announcement. Notwithstanding Section 4.07(b), Acquiror may make public announcement regarding the transactions contemplated by this Agreement, including the tender offer public notice, the Tender Offer Registration Statement, the Tender Offer Explanatory Statement, any amendments to any of the foregoing, and public announcements to be made in connection with the execution of this Agreement and after the Closing, in each case taking into account the requirements of all applicable Law. The Company shall not otherwise communicate with any news media in respect of this Agreement or the transactions contemplated by this Agreement without the prior written consent of Acquiror.

Section 4.09 No Lender Liability. Notwithstanding anything herein to the contrary, the Company hereby waives any rights or claims against Jefferies, each lead arranger and each other agent or co-agent (if any) with respect to the Financing, the Lenders, or any affiliate thereof and all of their respective affiliates and each director, officer, employee, representative and agent thereof (each, a "**Financing Party**") in connection with this Agreement, the Financing or the Financing Commitment, whether at law or equity, in contract, in tort or otherwise, and the Company agrees not to commence (and if commenced agrees to dismiss or otherwise terminate) any Action against any Financing Party in connection with this Agreement or the transactions contemplated hereby (including any action relating to the Financing or the Financing Commitment). In furtherance and not in limitation of the foregoing waiver, it is agreed that no Lender shall have any liability for any claims, losses, settlements, damages, costs, expenses, fines or penalties to the Company in connection with this Agreement or the transactions contemplated hereby (including the Financing or the Financing Commitment).

Section 4.10 Employees of Company. Following the Closing Date, SPI shall develop an integration plan in consultation with the management of the Company as required for combining the business operations of the two companies. Subject to the goals, parameters and integration activities outlined in the integration plan, SPI shall (i) provide the employees of the Company with employee incentives under such terms and conditions as not less favorable (taking into account, among other things, tax implications) to the incentives made available by the Company to such its employees as of the date of this Agreement […***…], and thereafter under such terms and conditions as not less favorable (taking into account, among other things, tax implications, local laws, and SPI's practices with respect to the employees of Acquiror) to those of the incentives made available by SPI to its employees, and (ii) […***…] the […***…] of the […***…] of the […***…] as of the […***…] of this […***…] at […***…] the […***…] of the […***…] of the […***…] on […***…]. For the sake of achieving the purpose of the strategic alliance as set forth in Section 2.01, both Parties acknowledge their mutual intention to, in principle, maintain the Company's employment at levels consistent with the requirements of the Company from time to time.

Section 4.11 Development Programs and Clinical Trials. Following the Closing Date, SPI hereby agrees to engage in a program review in consultation with the management of the Company with respect to the development programs and clinical trials listed in Schedule 4.11, with the goal of […***…] an […***…] of […***…] and […***…]. Such review shall be conducted consistent with SPI's process and practices applied to the assessment of its own product candidates, including the […***…] of a […***…] of […***…] on […***…] of the […***…] of […***…] and […***…] and the […***…] for […***…], and the […***…] at the […***…] be […***…]; provided, however, that […***…] the […***…] to […***…] or […***…] and […***…] its […***…] or […***…] of […***…].

ARTICLE V

INDEMNIFICATION

Section 5.01 Indemnification by the Company. The Company shall indemnify Acquiror from and against all Losses incurred by Acquiror to the extent arising out of or resulting from (i) any inaccuracy or breach of a representation or warranty made by the Company under Section 3.01 or (ii) any breach or failure by the Company to perform any of their covenants or obligations contained in this Agreement.

Section 5.02 Indemnification by Acquiror. Acquiror shall indemnify the Company from and against all Losses incurred by the Company to the extent arising out of or resulting from (i) any inaccuracy or breach of a representation or warranty made by Acquiror under Section 3.02 or (ii) any breach or failure by Acquiror to perform any of its covenants or obligations contained in this Agreement.

Section 5.03 Indemnification Procedure. Whenever any claim shall arise for indemnification under this Article V, the indemnified Person making such claim (the "**Indemnified Party**") shall notify the Party from whom indemnification is sought (the "**Indemnifying Party**") in writing of the claim and, when known, the facts constituting the basis for such claim; provided, however, that the failure timely to provide such notice shall not release the Indemnifying Person from its obligations under this Article V.

Section 5.04 Limitations. The Indemnifying Party's liability for all claims made under this Agreement shall be subject to the following limitations: (i) the Indemnifying Party shall […***…] for such claims until the […***…] of the […***…] shall […***…] of the […***…] by the […***…] of all of the […***…] and […***…] of […***…], in which case the Indemnifying Party shall be liable only for the […***…] of the […***…] of the […***…] by the […***…] of all of the […***…] and […***…] of […***…], and (ii) the Indemnifying Party's […***…] for […***…] shall not […***…] of the […***…] by the […***…] of all of the […***…] and […***…] of […***…]. Notwithstanding the above provisions of this Section 5.04, the limitations provided in this Section 5.04 shall not apply to (i) any claim for fraud or intentional misrepresentation or (ii) any claim for breach of any agreement or covenant contained herein.

ARTICLE VI

TERMINATION

Section 6.01 Termination. This Agreement may be terminated prior to the end of the Offer Period by Acquiror if a condition for withdrawal of the Offer has occurred.

This Agreement shall be automatically terminated if the Offer has been withdrawn or the Offer is not successful due to the failure of obtaining the minimum threshold. This Agreement may not be terminated after the end of the Offer Period if the Offer is successful.

Section 6.02 Notice of Termination. Any Party desiring to terminate this Agreement pursuant to Section 6.01 shall give written notice of such termination to the other Party to this Agreement.

Section 6.03 Effect of Termination. In the event of the termination of this Agreement as provided in Section 6.01, this Agreement shall forthwith become void and there shall be no liability on the part of any Party to this Agreement or any Financing Party except as set forth in Article V. This sentence and Section 4.07, Section 4.09, Article V and Article VIII shall survive any termination of this Agreement.

ARTICLE VII

GUARANTEE

Section 7.01 Guarantee. SPI hereby absolutely, unconditionally and irrevocably guarantees to and in favor of the Company that the Acquiror shall perform and discharge any and all of its obligations under this Agreement as set forth in this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Governing Law. The construction, validity and performance of this Agreement shall be governed in all respects by the laws of Japan.

Section 8.02 Jurisdiction.

(a) Any dispute, action or proceeding arising out of or in connection with this Agreement, including any question regarding its existence, validity, binding effect, breach, amendment or termination shall be subject to the exclusive jurisdiction of the Tokyo District Court.

(b) Notwithstanding anything herein to the contrary, the Parties hereto acknowledge and irrevocably agree (i) that any dispute, action, or proceeding, whether in law or in equity, whether in contract or in tort or otherwise, involving the Lenders arising out of, or relating to, the transactions contemplated hereby, the Financing or the performance of services thereunder or related thereto shall be subject to the exclusive jurisdiction of any state or federal court sitting in the County of New York, Borough of Manhattan, New York, New York and any appellate court thereof and each Party hereto submits for itself and its property with respect to any such dispute, action or proceeding to the exclusive jurisdiction of such court, (ii) not to bring or permit any of their Affiliates to bring or support anyone else in bringing any such dispute, action or proceeding in any other court, (iii) to waive and hereby waive, to the fullest extent permitted by law, any objection which any of them may now or hereafter have to the laying of venue of, and the defense of an inconvenient forum to the maintenance of, any such dispute, action or proceeding in any such court, (iv) to waive and hereby waive any right to trial by jury in respect of any such dispute, action or proceeding, (v) that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and (vi) that any such dispute, action or proceeding shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law rules of such State that would result in the application of the laws of any other jurisdiction.

Section 8.03 Cost and Expenses. Except as otherwise provided in this Agreement, each Party shall bear the costs, expenses and fees (including fees and expenses of the attorneys, certified public accountants, tax advisors and other advisors) incurred by such Party in relation to the preparation, execution and performance of this Agreement.

Section 8.04 Assignment. No Party shall assign or transfer or purport to assign or transfer (whether by operation of Law or otherwise) any of its rights, interests or obligations hereunder without the prior written consent of the other Party; provided, that Acquiror may assign this Agreement and its rights and interests herein without any such consent as collateral to the Lenders in connection with the Financing. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

Section 8.05 Amendments and Waivers. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the Party against whom enforcement of the amendment, modification, discharge or waiver is sought (except that Section 4.09, Section 6.03, Section 8.02(b), Section 8.04, this Section 8.05 and Section 8.13 shall not be amended, modified, discharged or waived in a manner that is adverse to the Lenders without the prior written consent of the Lenders). No failure or delay by Acquiror or the Company in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

Section 8.06 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either Party. The Parties shall negotiate in good faith in order to seek to agree on the terms of a mutually satisfactory provision to be substituted for any provision found to be invalid, illegal or unenforceable.

Section 8.07 Counterparts. This Agreement may be executed in two or more counterparts (including by facsimile or email pdf format), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 8.08 Entire Agreement. This Agreement (including the Schedules and Disclosure Letters hereto) constitutes the entire agreement of the Parties hereto with respect to the subject matter hereof, and supersede any and all previous oral or written agreements or understandings between the Parties in relation to the matters dealt with herein. The Schedules referred to in this Agreement are intended to be and hereby are specifically made a part of this Agreement. Any and all previous agreements and understandings between the Parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

Section 8.09 Notices. Any notice or communication under this Agreement shall be sent to the Parties in English at their respective addresses set forth below or such other addresses as may from time to time be notified. Notices may be sent by hand, or by registered mail (internationally recognized courier service if overseas) or by fax or email, and shall be deemed to be received, if sent by hand, fax or email, one normal working hour (at the place of delivery) after delivery or transmission, and if by registered mail the second Business Day after posting (or, in the case of international courier service, on the fifth Business Day following the date of deposit with such courier service, or such earlier delivery date as may be confirmed in writing to the sender by such courier service).

If to Acquiror:

Sucampo Pharma, LLC.
2-2-16, Sonezakishinchi, Kita-ku, Osaka
Attention: […***…]
Phone: […***…]
Fax: […***…]
Email address: […***…]

If to SPI:

Sucampo Pharmaceuticals, Inc.
4520 East West Highway
Bethesda, MD 20814
USA
Attention: General Counsel
Phone: […***…]

Fax: […***…]
Email address: […***…]

If to the Company:

R-Tech Ueno, Ltd.
NBF Hibiya Bldg. 10F
Uchisaiwaicho 1-1-7
Chiyoda-ku, Tokyo 100-0011
JAPAN
Attention: Office of the President
Phone: […***…]
Fax: […***…]
Email address: […***…]

Section 8.10 Language. This Agreement has been prepared and executed in, and shall be construed in accordance with, the English language. Any Japanese translation prepared by any Party shall be for convenience purposes only, and in the event of a dispute as to interpretation of this Agreement, shall have no bearing on such interpretation.

Section 8.11 Disclosure Schedules. Each Party acknowledges and agrees that disclosure of any item in any section or subsection of a Disclosure Letter shall be deemed disclosure by such Party with respect to any other section or subsection to which the item relates, to the extent the relevance of such item is readily apparent. Matters reflected in the Company Disclosure Letter are not necessarily limited to matters required by this Agreement to be so reflected. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. No reference to or disclosure of any item or other matter in any Section, Disclosure Letter or Schedule of this Agreement shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any contract, Law or Governmental Order shall be construed as an admission or indication that such a breach or violation exists or has actually occurred.

Section 8.12 Fraud. Each Party acknowledges and agrees that nothing herein shall relieve or release a Person of any liability in connection with any fraudulent or criminal acts committed by such Person, its Affiliates or their respective representatives, and nothing herein shall provide any indemnification to or release of any Person committing such fraudulent or criminal acts.

Section 8.13 Third-party Beneficiaries. It is expressly agreed by the Parties that the Lenders shall be third party beneficiaries of Section 4.09, Section 6.03, Section 8.02(b), Section 8.04, Section 8.05 and this Section 8.13. Nothing in this Agreement shall be construed to create a right in any employee to employment with Acquiror or the Company or any of their respective Affiliates or successors. No current or former employee or any other individual associated with the Company shall be regarded as a third party beneficiary of this Agreement or have a right to enforce any provisions hereof.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

Sucampo Pharmaceuticals, Inc.

By: /s/ Peter Greenleaf
Name: Peter Greenleaf
Title: Chief Executive Officer

Sucampo Pharma, LLC.

By: /s/ Misako Nakata
Name: Misako Nakata
Title: Representative Executor

R-Tech Ueno, Ltd.

By: /s/ Y. Mashima
Name: Yukihiko Mashima
Title: President

SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT is made and entered into as of August 26, 2015 (this "**Agreement**"), by and among Dr. Ryuji Ueno, an individual ("**Seller 1**"), Dr. Sachiko Kuno, an individual ("**Seller 2**"), S&R Technology Holdings, LLC, a Delaware limited liability company ("**Seller 3**", and together with Seller 1 and Seller 2, collectively, the "**Sellers**", and each of them, a "**Seller**"), and Sucampo Pharmaceuticals, Inc., a Delaware corporation ("**Acquiror**", and together with the Sellers, collectively, the "**Parties**", and each of them, a "**Party**"). Certain other capitalized terms used in this Agreement are defined in **Exhibit A** hereto.

RECITALS

WHEREAS, Seller 1, Seller 2, and Seller 3 own Three Million Two Hundred Thousand (3,200,000), Two Million (2,000,000), and Three Million Three Hundred Seventy-One Thousand Nine Hundred (3,371,900) shares, respectively, of the common stock (the "**Common Stock**") of R-Tech Ueno, a corporation organized under Japanese law (the "**Company**", and such shares of the Common Stock of the Company owned by the Sellers, collectively, the "**Seller Shares**");

WHEREAS, Acquiror and the Company have entered into negotiations with respect to the initiation by a subsidiary of Acquiror ("**Tender Sub**") of a tender offer bid (such tender offer bid, including any amendments or extensions thereto the "**Tender Offer**") to acquire for cash (i) all of the issued and outstanding shares of Common Stock of the Company (excluding the Seller Shares) at a price of 1,900 JPY per share (the "**Share Offer Price**") and (ii) all of the outstanding options to purchase capital stock of the Company at a price per option (designated in JPY) corresponding to the difference between the exercise price of such option and the Share Offer Price;

WHEREAS, Jefferies Finance LLC ("**Jefferies**") has entered into a financing commitment letter, dated as of the date hereof, between Acquiror and Jefferies (the "**Financing Commitment**"), pursuant to which Jefferies has committed to provide debt financing, in the aggregate amount and on the terms and conditions set forth in the Financing Commitment, for, amongst other things, the consummation of (i) the purchase of the Seller Shares and (ii) the Tender Offer (the provision of such debt financing, the "**Financing**"); and

WHEREAS, in order to induce Acquiror to proceed with the Tender Offer, the Parties desire to enter into this Agreement, pursuant to which the Sellers will sell the Seller Shares to Acquiror, upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

PURCHASE OF SELLER SHARES

Section 1.01 Sale of Seller Shares(a). Upon the terms and conditions hereinafter set forth, the Sellers hereby agree to sell, assign, transfer and deliver to the Acquiror at the Closing, and the Acquiror hereby agrees to purchase and accept from the Sellers at the Closing, the Seller Shares. The Seller Shares shall be conveyed free and clear of all Liens.

Section 1.02 Consideration for Seller Shares. At the Closing, in reliance upon the representations, warranties and covenants set forth herein and in consideration of the Sellers' sale, assignment, transfer and delivery of the Seller Shares to the Acquiror, the Acquiror shall pay to each Seller, by wire transfer of immediately available United States dollars to an account designated by the applicable Seller prior to the Closing, an amount of cash equal to the product of (x) the number of Seller Shares held by such Seller, multiplied by (y) the Per Share Purchase Price (such payments, collectively, the "**Closing Payments**"). The amount of the Closing Payments shall be calculated in JPY and converted to United States dollars using the exchange rate quoted on www.oanda.com as of the close of trading on the New York Stock Exchange on the date that the Tender Offer is announced to the public (the "**Announcement Date**").

Section 1.03 Seller Acknowledgement Regarding Price. Each Seller acknowledges and agrees that (i) it has knowledge and experience in financial and business matters sufficient to enable it to evaluate the merits and risks of the transactions contemplated by this Agreement and the Tender Offer, (ii) it has had access to all information that it deems necessary or appropriate to determine the value of the Seller Shares that such Seller is selling to Acquiror pursuant to this Agreement, (iii) the Share Offer Price may be greater than the Per Share Purchase Price, (iv) notwithstanding the amount of the Share Offer Price, in consideration of the sale of its Seller Shares, such Seller shall be entitled to the Closing Payment calculated pursuant to Section 1.02, and (v) it has consulted its own financial and legal advisors in connection with the transactions contemplated by this Agreement and it has entered into this Agreement voluntarily.

Section 1.04 Withholding. Acquiror shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Seller pursuant to this Agreement such amounts as Acquiror may be required to deduct or withhold therefrom under applicable Law. To the extent such amounts are so deducted or withheld and paid over to the applicable Governmental Authority or other applicable Person, such amounts will be treated for all purposes under this Agreement as having been paid to the Seller to whom such amounts would otherwise have been paid.

Section 1.05 Transfer Taxes. All transfer, documentary, stamp, registration and all other Taxes, fees and duties, if any, incurred in connection with the sale and transfer of the Seller Shares shall be borne and paid by the Sellers.

ARTICLE II

CLOSING

Section 2.01 Closing. Subject to the satisfaction or waiver of all of the conditions set forth in Section 2.02 of this Agreement (other than those conditions which, by their terms, are intended to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions), the consummation of the sale and purchase of the Seller Shares (the "**Closing**") shall take place at the offices of Cooley LLP 4401 Eastgate Mall, San Diego, California 92121-1909 at 10:00 a.m. local time in Tokyo, Japan on (i) the date of the settlement of the Tender Offer, or (ii) on such other date following the settlement of the Tender Offer and/or at such other time and place as the Sellers, on the one hand, and Acquiror, on the other hand, shall mutually agree. The date on which the Closing actually takes place is referred to in this Agreement as the "**Closing Date**."

Section 2.02 Conditions to Closing.

(a) Acquiror's Closing Conditions. The obligations of Acquiror to effect the sale and purchase of the Seller Shares and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing, of each of the following conditions:

(i) Accuracy of Representations. Each of the representations and warranties made by the Sellers in this Agreement (excluding Section (i) of Schedule 3.01) shall be true and correct in all material respects at the Closing Date, except where a failure to satisfy such condition would not prevent the consummation of the sale and purchase of the Seller Shares.

(ii) Performance of Covenants. The covenants and obligations that the Sellers are required to comply with or to perform pursuant to Section 4.01(a)(i)(a) shall have been complied with and performed in all material respects.

(iii) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other material legal restraint or prohibition issued or promulgated by a Governmental Authority preventing the consummation of the sale and purchase of the Seller Shares or the consummation of the other transactions contemplated by this Agreement shall be in effect, and there shall not be any Law enacted or deemed applicable to the sale and purchase of the Seller Shares or the consummation of the other transactions contemplated by this Agreement that makes the consummation thereof illegal.

(iv) Consents and Notices. All filings or notices to, and all Consents of, any Governmental Body or other Person required to be delivered or obtained (whether pursuant to applicable Law, Contract (including each Covenant, dated as of April 14, 2015, executed by each of the Sellers in favor of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (each, a "**Lock-Up Agreement**"), or otherwise) prior to the consummation of the sale and purchase of the Seller Shares shall have been delivered or obtained (and copies thereof provided to Acquiror) and shall be in full force and effect, except where a failure to satisfy such condition would not prevent the consummation of the sale and purchase of the Seller Shares.

(v) Majority Share Acquisition. Tender Sub shall have completed the Majority Share Acquisition.

(vi) No Liens. The Seller Shares shall not be subject to any Liens or other encumbrances that would prevent Acquiror from obtaining good and clean title to the Seller Shares at the Closing.

(vii) Financing. Acquiror shall have obtained the Financing, or such other financing as required to close the Tender Offer and this Agreement.

(b) Sellers' Closing Conditions. The obligations of the Sellers to effect the sale and purchase of the Seller Shares and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing, of the following conditions:

(i) Accuracy of Representations. Each of the representations and warranties made by the Acquiror in this Agreement shall be true and correct in all material respects at the Closing Date, except where a failure to satisfy such condition would not prevent the consummation of the sale and purchase of the Seller Shares.

(ii) Performance of Covenants. All of the covenants and obligations that the Acquiror is required to comply with or to perform at or prior to the Closing Date shall have been complied with and performed in all material respects, except where a failure to satisfy such condition would not prevent the consummation of the sale and purchase of the Seller Shares.

(iii) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other material legal restraint or prohibition issued or promulgated by a Governmental Authority preventing the consummation of the sale and purchase of the Seller Shares or the consummation of the other transactions contemplated by this Agreement shall be in effect, and there shall not be any Law enacted or deemed applicable to the sale and purchase of the Seller Shares or the consummation of the other transactions contemplated by this Agreement that makes the consummation thereof illegal.

(iv) Majority Share Acquisition. Tender Sub shall have completed the Majority Share Acquisition.

Section 2.03 Closing Deliveries.

(a) Sellers. At the Closing, the Sellers shall deliver, or cause to be delivered, to the Acquiror, the following:

(i) evidence reasonably satisfactory to Acquiror reflecting the application by Sellers for the book-entry transfer of the Seller Shares from the securities accounts of the Sellers to the securities account of Acquiror; and

(ii) such other documents and instruments as may be reasonably required by the Acquiror to consummate the transactions contemplated hereby.

(b) Acquiror. At the Closing, the Acquiror shall deliver, or cause to be delivered to the Sellers, the Closing Payments in immediately available funds pursuant to wire transfer instructions provided by the Sellers to the Acquiror not less than three (3) days prior to the Closing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01 Representations and Warranties of the Sellers. Each Seller hereby represents and warrants to Acquiror that the statements set forth in Schedule 3.01 are true and correct as of the date of this Agreement and will be true and correct as of the Closing Date (or, if made as of a specified date, as of such specified date only).

Section 3.02 Representations and Warranties of Acquiror. Acquiror hereby represents and warrants to the Sellers that the statements set forth in Schedule 3.02 are true and correct as of the date of this Agreement and will be true and correct as of the Closing Date (or, if made as of a specified date, as of such specified date only).

ARTICLE IV

COVENANTS OF THE PARTIES

Section 4.01 The Sellers' Obligations Prior to Closing.

(a) Certain Covenants. During the period between the date hereof and the Closing or the earlier termination of this Agreement in accordance with its terms, except as contemplated by this Agreement, required by applicable Law or otherwise agreed to in writing by Acquiror:

(i) none of the Sellers shall (a) sell, assign, transfer, or otherwise dispose of (including by tender into the Tender Offer), or pledge, hypothecate or suffer any Lien to be imposed upon, any of the Seller Shares, or (b) acquire any additional shares of the capital stock of the Company or any option, call, warrant or right (whether or not immediately exercisable) to acquire any capital stock or other equity security of the Company, or any security, instrument or obligation that is or may become convertible into or exchangeable for any capital stock or other equity security of the Company;

(ii) the Sellers and their respective Affiliates shall not, nor shall any of them authorize or permit any of their Representatives acting on their behalf to, directly or indirectly: (a) initiate, solicit or encourage any inquiry, proposal or offer from any Person (other than Acquiror) relating to a possible Acquisition Transaction; (b) participate in any discussions or negotiations or enter into any agreement with, or provide any non-public information to, any Person (other than Acquiror) relating to or in connection with a possible Acquisition Transaction; or (c) consider, entertain, approve, accept or ratify any proposal or offer from any Person (other than Acquiror) relating to a possible Acquisition Transaction, and the Sellers shall promptly notify the Acquiror in writing of any material inquiry, proposal or offer relating to a possible Acquisition Transaction that is received by any Seller or any of their respective Affiliates, or any of their Representatives;

(iii) none of the Sellers or their respective Affiliates shall take any action, or fail to take any action required or contemplated under the terms of this Agreement or reasonably necessary or appropriate and requested by Acquiror in furtherance of the sale and purchase of the Seller Shares as contemplated hereunder, with the intent of, or that would reasonably be expected to, frustrate, hinder, delay, impede, or make unlikely or impossible the fulfillment of the conditions to the Parties' obligations to consummate the Closing, the Tender Offer, the Majority Share Acquisition, or any other transaction contemplated by this Agreement; and

(iv) none of the Sellers shall authorize any of, or agree or commit to take, any of the actions described in the preceding clauses (i) through (iii) of this Section 4.01(a).

(b) Support and Cooperation. Each Seller agrees to take all reasonable actions available to them and requested by Acquiror to support the Tender Offer (including, to the extent applicable and if requested by Acquiror, by voting the Seller Shares in favor of transactions in furtherance thereof. If requested by Acquiror, the Sellers agree to place the Seller Shares into escrow with a third party specified by Acquiror during any period of time that the holders of Common Stock or stock options of the Company are entitled to tender their shares or options into the Tender Offer.

(c) Termination of Related Party Agreements. Prior to the Closing, the Sellers shall takes such steps as are necessary to terminate, subject to the agreement of the Company, effective as of the Closing Date, those Related Party Agreements (if any) identified by Acquiror in writing to the Sellers prior to the Closing and provide Acquiror with evidence thereof reasonably satisfactory to Acquiror.

Section 4.02 Efforts to Consummate. Each of the Parties hereto shall use its reasonable best efforts to take, or cause to be taken, all lawful and reasonable actions within such Party's control and to do, or cause to be done, all lawful and reasonable things within such Party's control necessary to fulfill the conditions precedent to the obligations of the other Party(ies) hereunder and to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing. Except as otherwise set forth in this Agreement, each Party to this Agreement: (a) shall make all filings and other submissions (if any) and give all notices (if any) required to be made and given (whether pursuant applicable Law, Contract, or otherwise) by such Party in connection with the sale of the Seller Shares and the other transactions contemplated by this Agreement; (b) shall use reasonable best efforts to obtain each Consent (if any) required to be obtained (whether pursuant to applicable Law, Contract, or otherwise) by such Party in connection with the sale of the Seller Shares or any of the other transactions contemplated by this Agreement, provided that Sellers shall not be required to make any payments (not otherwise legally or contractually owed) (other than customary administrative, processing or similar fees) to third parties to obtain any required Consent; and (c) shall use reasonable best efforts to lift any injunction prohibiting, or any other legal bar to, the sale of the Seller Shares or any of the other transactions contemplated by this Agreement. Nothing in this Agreement shall be construed as an attempt or an agreement by the Parties to assign or cause the assignment of (or transfer control of) any Contract or permit which by Law is non-assignable without the Consent of any other Person, unless such Consent shall have been given.

Section 4.03 Notifications. Each Party shall give prompt notice to the other Parties (and subsequently keep the other Parties informed on a current basis) upon its becoming aware of (a) any Actions commenced or, to such Party's knowledge, threatened against, relating to or involving or otherwise affecting such Party or any of its Affiliates which relate to the Tender Offer, the Majority Share Acquisition or any other transactions contemplated by this Agreement, or (b) the occurrence or existence of any fact, event or circumstance that would or would be reasonably likely to (i) cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein, or (ii) impair or delay the completion of the Tender Offer, the Majority Share Acquisition or the Closing; provided, however, the delivery of any notice pursuant to this Section 4.03 shall not (x) cure any breach of, or non-compliance with, any other provision of this Agreement or (y) limit the remedies available to any Party receiving such notice.

Section 4.04 Confidentiality.

(a) For […***…] ([…***…]) years from and after date of this Agreement, Sellers will hold and treat in confidence, and will not use, and will cause their Affiliates to hold and treat in confidence, all non-public documents and information (including any information with regard to terms and conditions of this Agreement) concerning the Company, Acquiror and each of their respective Affiliates (collectively, "**Acquiror Confidential Information**"); provided, however, that Acquiror Confidential Information shall not include documents or information that (1) are required or requested (with prompt notice of such request to be made to Acquiror) to be disclosed by applicable Law or any Governmental Authority, (2) generally become available to the public through no fault of any Seller, (3) become available to Sellers on a non-confidential basis, or (4) are independently developed by Sellers or their respective Affiliates without reference to any Acquiror Confidential Information. Notwithstanding the foregoing, Sellers may disclose Acquiror Confidential Information to the respective directors, officers, agents, consultants and other representatives (including attorneys, financial advisor and accountants) of Sellers or their Affiliates to the extent reasonably necessary for execution or performance of this Agreement or the enforcement of their rights hereunder.

(b) For […***…] ([…***…]) years from and after the date of this Agreement, Acquiror will hold and treat in confidence, and will not use, and will cause its Affiliates to hold and treat in confidence, all non-public documents and information concerning Sellers and their respective Affiliates ("**Seller Confidential Information**"); provided, however, that Seller Confidential Information shall not include documents or information that (1) are required or requested (with prompt notice of such request to be made to Sellers) to be disclosed by applicable Law or any Governmental Authority, (2) generally become available to the public through no fault of Acquiror or its Affiliates, (3) become available to Acquiror or its Affiliates on a non-confidential basis, or (4) are independently developed by Acquiror or its Affiliates without reference to any Seller Confidential Information. Notwithstanding the foregoing, Acquiror may disclose Seller Confidential Information to the directors, officers, agents, consultants and other representatives (including attorneys, financial advisors, accountants, potential financing sources) of Acquiror or its Affiliates to the extent reasonably necessary for execution or performance of this Agreement or the Tender Offer or the enforcement of its rights hereunder.

Section 4.05 No Lender Liability. Notwithstanding anything herein to the contrary, the Sellers hereby waive any rights or claims against Jefferies, each lead arranger and each other agent or co-agent (if any) with respect to the Financing, the Lenders, or any affiliate thereof and all of their respective affiliates and each director, officer, employee, representative and agent thereof (each, a "**Financing Party**") in connection with this Agreement, the Financing or the Financing Commitment, whether at law or equity, in contract, in tort or otherwise, and the Sellers agree not to commence (and if commenced agree to dismiss or otherwise terminate) any Action against any Financing Party in connection with this Agreement or the transactions contemplated hereby (including any action relating to the Financing or the Financing Commitment). In furtherance and not in limitation of the foregoing waiver, it is agreed that no Lender shall have any liability for any claims, losses, settlements, damages, costs, expenses, fines or penalties to the Sellers in connection with this Agreement or the transactions contemplated hereby (including the Financing or the Financing Commitment).

ARTICLE V

INDEMNIFICATION

Section 5.01 Indemnification by Sellers. Sellers shall jointly and severally indemnify Acquiror from and against all Losses incurred by Acquiror to the extent arising out of or resulting from (i) any inaccuracy or breach of a representation or warranty made by the Sellers under Section 3.01, (ii) any breach or failure by the Sellers to perform any of their covenants or obligations contained in this Agreement, or (iii) any Taxes imposed on the Sellers that are required by applicable Law to be withheld from the Per Share Purchase Price in connection with the sale of the Seller Shares as contemplated hereunder, including as a result of the pricing of the Common Stock in the Tender Offer. Notwithstanding the foregoing, the Sellers' obligations under clauses (i) and (ii) of the preceding sentence shall not exceed, in the aggregate, the Closing Payments received by Sellers.

Section 5.02 Indemnification by Acquiror. Acquiror shall indemnify the Sellers from and against all Losses incurred by the Sellers to the extent arising out of or resulting from (i) any inaccuracy or breach of a representation or warranty made by Acquiror under Section 3.02 or (ii) any breach or failure by Acquiror to perform any of its covenants or obligations contained in this Agreement.

Section 5.03 Survival; Indemnification Procedure(a) . The Parties' representations, warranties, covenants, and agreements contained in this Agreement shall survive the Closing. Whenever any claim shall arise for indemnification under this ARTICLE V, the indemnified Person making such claim shall notify the Party from whom indemnification is sought (the "**Indemnifying Party**") in writing of the claim and, when known, the facts constituting the basis for such claim; provided, however, that the failure timely to provide such notice shall not release the Indemnifying Party from its obligations under this ARTICLE V.

ARTICLE VI

TERMINATION

Section 6.01 Termination. This Agreement may be terminated by the Sellers, acting together, on the one hand, or the Acquiror, on the other hand, by written notice to the applicable Party or Parties if (i) the Tender Offer has not closed on or before the date that is ninety (90) Business Days following the date of this Agreement, or (ii) the Tender Offer is withdrawn.

Section 6.02 Notice of Termination. Any Party desiring to terminate this Agreement pursuant to Section 6.01 shall give written notice of such termination to the other Parties to this Agreement.

Section 6.03 Effect of Termination. In the event of the termination of this Agreement as provided in Section 6.01, this Agreement shall forthwith become void and there shall be no liability on the part of any Party to this Agreement or any Financing Party except as set forth in ARTICLE V with respect to Losses suffered by any Party prior to the termination of this Agreement. This Section 6.03, Sections 4.04 (Confidentiality) and 4.05 (No Lender Liability), and ARTICLE V and ARTICLE VII (and the corresponding definitions in **Exhibit A**) shall survive any termination of this Agreement.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Governing Law; Jurisdiction.

(a) The Parties hereto acknowledge and irrevocably agree (i) that any dispute, action, or proceeding, whether in law or in equity, whether in contract or in tort or otherwise, arising out of, or relating to, the transactions contemplated hereby shall be subject to the exclusive jurisdiction of any state or federal court sitting in the County of New Castle, Delaware and any appellate court thereof and each party hereto submits for itself and its property with respect to any such dispute, action or proceeding to the exclusive jurisdiction of such court, (ii) not to bring or permit any of their Affiliates to bring or support anyone else in bringing any such dispute, action or proceeding in any other court, (iii) to waive and hereby waive, to the fullest extent permitted by law, any objection which any of them may now or hereafter have to the laying of venue of, and the defense of an inconvenient forum to the maintenance of, any such dispute, action or proceeding in any such court, (iv) to waive and hereby waive any right to trial by jury in respect of any such dispute, action or proceeding, (v) that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and (vi) that any such dispute, action or proceeding shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the conflicts of law rules of such State that would result in the application of the laws of any other jurisdiction.

(b) Notwithstanding anything herein to the contrary, the Parties hereto acknowledge and irrevocably agree (1) that any dispute, action, or proceeding, whether in law or in equity, whether in contract or in tort or otherwise, involving the Lenders arising out of, or relating to, the transactions contemplated hereby, the Financing or the performance of services thereunder or related thereto shall be subject to the exclusive jurisdiction of any state or federal court sitting in the County of New York, Borough of Manhattan, New York, New York and any appellate court thereof and each party hereto submits for itself and its property with respect to any such dispute, action or proceeding to the exclusive jurisdiction of such court, (ii) not to bring or permit any of their Affiliates to bring or support anyone else in bringing any such dispute, action or proceeding in any other court, (iii) to waive and hereby waive, to the fullest extent permitted by law, any objection which any of them may now or hereafter have to the laying of venue of, and the defense of an inconvenient forum to the maintenance of, any such dispute, action or proceeding in any such court, (iv) to waive and hereby waive any right to trial by jury in respect of any such dispute, action or proceeding, (v) that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law and (vi) that any such dispute, action or proceeding shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law rules of such State that would result in the application of the laws of any other jurisdiction.

Section 7.02 Cost and Expenses. Except as otherwise provided in this Agreement, each Party shall bear the costs, expenses and fees (including fees and expenses of the attorneys, certified public accountants, tax advisors and other advisors) incurred by such Party in relation to the preparation, execution and performance of this Agreement.

Section 7.03 Assignment. No Party shall assign or transfer or purport to assign or transfer (whether by operation of Law or otherwise) any of its rights, interests or obligations hereunder without the prior written consent of the other Parties; provided, that Acquiror may assign this Agreement and its rights and interests herein without any such consent to any of its Affiliates or as collateral to any Person providing financing to Acquiror. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.

Section 7.04 Amendments and Waivers. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the Party against whom enforcement of the amendment, modification, discharge or waiver is sought (except that this Section 7.04 and Sections 4.05 (No Lender Liability), 6.03 (Effect of Termination), 7.01(b) (Governing Law; Jurisdiction), 7.03 (Assignment), and 7.11 (No Third-Party Beneficiaries) shall not be amended, modified, discharged, or waived in a manner that is adverse to the Lenders without the prior written consent of the Lenders). No failure or delay by any Party hereto in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

Section 7.05 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party. The Parties shall negotiate in good faith in order to seek to agree on the terms of a mutually satisfactory provision to be substituted for any provision found to be invalid, illegal or unenforceable.

Section 7.06 Counterparts. This Agreement may be executed in two or more counterparts (including by facsimile or email pdf format), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 7.07 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement of the Parties hereto with respect to the subject matter hereof, and supersede any and all previous oral or written agreements or understandings between the Parties in relation to the matters dealt with herein. The Schedules and Exhibits referred to in this Agreement are intended to be and hereby are specifically made a part of this Agreement. Any and all previous agreements and understandings between the Parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

Section 7.08 Notices. Any notice or communication under this Agreement shall be sent to the Parties in English at their respective addresses set forth below or such other addresses as a Party may from time to time notify the other Parties pursuant to this Section 7.08. Notices may be sent by hand, or by registered mail (internationally recognized courier service if overseas) or by fax or email, and shall be deemed to be received, if sent by hand, fax or email, one normal working hour (at the place of delivery) after delivery or transmission, and if by registered mail the second Business Day after posting (or, in the case of international courier service, on the fifth Business Day following the date of deposit with such courier service, or such earlier delivery date as may be confirmed in writing to the sender by such courier service).

If to Acquiror:

Sucampo Pharmaceuticals, Inc.
4520 East-West Highway, 3rd Floor
Bethesda, MD 20814 USA
Attention: General Counsel
Phone: (301) 961-3400
Fax: (301) 961-3440
Email address: […***…]

with a copy (which shall not constitute notice) to:

Cooley LLP

4401 Eastgate Mall
San Diego, California 92121-1909
Attention: […***…]
Phone: […***…]
Fax: […***…]
Email address: […***…]

If to Seller 1:

Dr. Ryuji Ueno
c/o S&R Technology Holdings, LLC
2001 L Street, Suite 750
Washington, D.C. 20036
Phone: […***…]
Email address: […***…]

If to Seller 2:

Dr. Sachiko Kuno
c/o S&R Technology Holdings, LLC
2001 L Street, Suite 750
Washington, D.C. 20036
Phone: […***…]
Email address: […***…]

If to Seller 3:

S & R Technology Holdings, LLC
2001 L Street, NW, Suite 750
Washington, DC 20036
Phone: […***…]

and, in the case of notice to any Seller, with copies (which shall not constitute notice) to:

McGuireWoods LLP
800 East Canal Street
Richmond, Virginia 23219
Attention: […***…]
Phone: […***…]
Fax: […***…]
Email address: […***…]

and:

McGuireWoods LLP
800 East Canal Street
Richmond Virginia 23219
Attention: […***…]
Phone: […***…]
Fax: […***…]

Email address: […***…]

Section 7.09 Language. This Agreement has been prepared and executed in, and shall be construed in accordance with, the English language. Any Japanese translation prepared by any Party shall be for convenience purposes only, and in the event of a dispute as to interpretation of this Agreement, shall have no bearing on such interpretation.

Section 7.10 Fraud. Each Party acknowledges and agrees that nothing herein shall relieve or release a Person of any liability in connection with any fraudulent or criminal acts committed by such Person, its Affiliates or their respective representatives, and nothing herein shall provide any indemnification to or release of any Person committing such fraudulent or criminal acts.

Section 7.11 No Third-Party Beneficiaries. Except with respect to this Section 7.11 and Sections 4.05 (No Lender Liability), 6.03 (Effect of Termination), 7.01(b) (Governing Law; Jurisdiction), 7.03 (Assignment), and 7.04 (Amendments and Waivers), which Sections the Parties expressly agree that the Lenders will be third-party beneficiaries under, the rights created by this Agreement are solely for the benefit of the Parties hereto and their respective successors or permitted assigns, and no other Person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

Section 7.12 Further Assurances. If, at any time after the Closing, any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Acquiror with full right, title and possession to the Seller Shares, the Sellers agree to take, and will take, all such lawful and necessary action required to so do or that the Acquiror otherwise reasonably requests to carry out and give effect to the Sellers' agreements and undertakings pursuant to this Agreement. In furtherance thereof, the Sellers hereby agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be necessary or convenient, in the opinion of the Acquiror or the Acquiror's legal counsel, to carry out the transactions contemplated hereby.

Section 7.13 Remedies Cumulative; Specific Performance. The rights and remedies of the Parties hereto shall be cumulative (and not alternative). The Parties to this Agreement agree that in the event of any breach or threatened breach by any Party to this Agreement of any covenant, obligation or other provision set forth in this Agreement for the benefit of any other Party to this Agreement, such other Party shall be entitled (in addition to any other remedy that may be available to it) to: (a) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, and (b) an injunction restraining such breach or threatened breach. Each Party agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches of this Agreement by such Party, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of such Party under this Agreement all in accordance with the terms of this Section 7.13. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with such order or injunction all in accordance with the terms of this Section 7.13.

Section 7.14 Construction. Unless indicated to the contrary in this Agreement by the context or use thereof: (a) the words, "herein," "hereto," "hereof" and words of similar import refer to this Agreement as a whole and not to any particular section or paragraph of this Agreement; (b) references in this Agreement to articles, sections or paragraphs refer to articles, sections or paragraphs of this Agreement; (c) headings of sections are provided for convenience only and should not affect the construction or interpretation of this Agreement; (d) words importing the masculine gender shall also include the feminine and neutral genders, and vice versa; (e) words importing the singular shall also include the plural, and vice versa; (f) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation"; (g) any reference to a statute refers to such statute as it may have been or may be amended from time to time, or to such statute's successor, and shall be deemed also to refer to all rules and regulations promulgated thereunder; (h) any reference to a Contract or other document as of a given date means the Contract or other document as amended, supplemented and modified from time to time through such date; (i) "or" shall include the meanings "either" or "both"; and (j) the symbols "JPY" or "¥" shall refer to the lawful currency of Japan. The Parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

/s/ Ryuji Ueno
Dr. Ryuji Ueno

/s/ Sachiko Kuno
Dr. Sachiko Kuno

S&R TECHNOLOGY HOLDINGS, LLC

By: /s/ Ryuji Ueno
Name: Dr. Ryuji Ueno
Title: President

SUCAMPO PHARMACEUTICALS, INC.

By: /s/ Peter Greenleaf
Name: Peter Greenleaf
Title: Chief Executive Officer

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of this Agreement (including this **Exhibit A**):

"**Acquiror**" shall have the meaning set forth in the preamble hereto.

"**Acquiror Confidential Information**" shall have the meaning set forth in Section 4.04(a).

"**Acquisition Transaction**" shall mean any transaction involving: (i) the sale, license, disposition or acquisition of all or a material portion of the Company's business or assets; (ii) the issuance, disposition or acquisition of (A) any capital stock or other equity security of the Company (other than Common Stock issued to employees of the Company, upon exercise of stock options or otherwise, in routine transactions in accordance with the Company's past practices), (B) any option, call, warrant or right (whether or not immediately exercisable) to acquire any capital stock or other equity security of the Company (other than stock options granted to employees of the Company in routine transactions in accordance with the Company's past practices), or (C) any security, instrument or obligation that is or may become convertible into or exchangeable for any capital stock or other equity security of the Company; or (iii) any merger, consolidation, share exchange, tender offer (other than the Tender Offer), business combination, reorganization or similar transaction involving the Company.

"**Action**" shall mean any claim, action, suit, arbitration, mediation, proceeding or investigation, whether civil, criminal or administrative, by or before any Governmental Authority or arbitral body.

"**Affiliate**" shall mean, (i) with respect to a particular individual, (A) the individual's spouse and any parent, child, sibling, grandparent, grandchild, aunt, uncle, niece, nephew of the individual or the individual's spouse, (B) any Person that is directly or indirectly controlled by the particular individual or any such family member of the particular individual or his/her spouse, (C) any Person in which the particular individual or any such family member of the particular individual or his/her spouse has a material financial interest, and (D) any Person with respect to which the particular individual or such family member of the particular individual or his/her spouse serves as a director, officer or partner (or in a similar capacity); and (ii) with respect to any specified Person other than an individual, (A) any Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, the Person specified, (B) any Person in which the specified Person has a material financial interest, and (C) any Person which has a material financial interest in the specified Person. "**Control**" and its derivative words mean the possession, direct or indirect, of the power to direct or cause the direction of the decisions, management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the ability to elect the majority of the directors or the members of a similar governing body of a Person.

"**Agreement**" shall have the meaning set forth in the preamble hereto.

"**Announcement Date**" shall have the meaning set forth in Section 1.02.

"**Business Day**" shall mean any day other than a Saturday or Sunday, or any other day on which commercial banks in Tokyo, Japan or New York in the U.S.A. are authorized or required by applicable Law to close.

"**Closing**" shall have the meaning set forth in Section 2.01.

"**Closing Date**" shall have the meaning set forth in Section 2.01.

"**Closing Payments**" shall have the meaning set forth in Section 1.02.

"**Common Stock**" shall have the meaning set forth in the recitals hereto.

"**Company**" shall have the meaning set forth in the recitals hereto.

"**Consent**" means any approval, consent, ratification, permission, waiver, or authorization.

"**Contract**" shall mean any contract, agreement, instrument, undertaking, indenture, commitment, loan, license or other legally binding obligation, whether written or oral.

"**FIEL**" shall mean the Financial Instruments and Exchange Law of Japan (*kinyuu-shohin-torihiki-ho*) (Law No. 25 of 1948, as amended).

"**Financing**" shall have the meaning set forth in the recitals hereto.

"**Financing Commitment**" shall have the meaning set forth in the recitals hereto.

"**Financing Party**" shall have the meaning set forth in Section 4.05.

"**Governmental Authority**" shall mean any domestic, foreign or supranational government, governmental authority, court, tribunal, agency or other regulatory, administrative or judicial agency, commission or organization (including self-regulatory organizations), tribunal or arbitral body, stock exchange, and any subdivision, branch or department of any of the foregoing.

"**Indemnifying Party**" shall have the meaning set forth in Section 5.03.

"**Jefferies**" shall have the meaning set forth in the recitals hereto.

"**Law**" shall mean, with respect to any Person, any law, statute or ordinance, or any rule, regulation, standard, judgment, order, writ, injunction, ruling, decree, arbitration award, agency requirement, license or permit of any Governmental Authority that is legally binding on such Person.

"**Lenders**" shall mean Jefferies and a syndicate of banks, financial institutions and other lenders providing the Financing pursuant to the terms of the Financing Commitment.

"**Lien**" shall mean a lien, charge, option, mortgage, pledge, security interest, claim, deed of trust, hypothecation or encumbrance of any kind.

"**Losses**" shall mean damages, losses or liabilities (including judgments, awards, interest and penalties), together with costs and expenses reasonably incurred, including the reasonable fees and disbursements of legal counsel.

"**Majority Share Acquisition**" shall mean the consummation, pursuant to the Tender Offer, of the acquisition by Tender Sub of more than fifty percent (50%) of the outstanding shares of Common Stock of the Company held by Persons other than the Sellers (calculated on a fully diluted basis).

"**Order**" shall mean any order, injunction, judgment, decree, ruling, assessment, judicial or administrative order, award or determination of any Governmental Authority or arbitrator.

"**Organizational Documents**" shall mean the articles of incorporation, the rules of the board of directors, the share handling regulations, the partnership agreement, the limited liability company agreement, the operating agreement or other similar governing instruments, in each case as amended as of the date specified, of any Person.

"**Parties**" and "**Party**" shall have the meanings set forth in the preamble hereto.

"**Per Share Purchase Price**" shall mean 1,400 JPY.

"**Person**" shall mean any natural person, general or limited partnership, limited liability company, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture, Governmental Authority, or other entity, whether acting in an individual, fiduciary or other capacity.

"**Related Party Agreements**" shall have the meaning set forth in Section (i) of Schedule 3.01.

"**Representative**" shall mean, with respect to any Person, any officer, director, employee, agent, attorney, accountant, advisor, financing source or other representative of such Person.

"**Seller**," "**Sellers**," "**Seller 1**," "**Seller 2**," and "**Seller 3**" shall have the meaning set forth in the preamble hereto.

"**Seller Confidential Information**" shall have the meaning set forth in Section 4.04(b).

"**Seller Shares**" shall have the meaning set forth in the recitals hereto.

"**Share Offer Price**" shall have the meaning set forth in the recitals hereto.

"**Taxes**" shall mean all taxes, charges, fees, levies or other assessments, including income, capital, gross receipts, excise, property, stamp, registrations, sales, license, payroll, consumption, withholding and franchise taxes, escheat obligation, and any secondary tax liability, imposed by Japan or any other country or any local government or taxing authority or political subdivision or agency thereof or therein, and such term shall include any interest, penalties or additions attributable to such taxes, charges, fees, levies or other assessments.

"**Tender Offer**" shall have the meaning set forth in the recitals hereto.

"**Tender Sub**" shall have the meaning set forth in the recitals hereto.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2015

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew P. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2015

/s/ Andrew P. Smith
Andrew P. Smith
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

(1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2015

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

(1) The Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2015

/s/ Andrew P. Smith
Andrew P. Smith
(Principal Financial Officer)