

R-TECH UENO (4573)

Fiscal Year (Parent) (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2013		4,552	784	890	561	28.7	15.0	423.3
FY03/2014		5,618	1,419	1,477	1,062	55.1	25.0	473.6
FY03/2015CoE		5,763	1,431	1,434	1,003	52.0	25.0	-
FY03/2014	YoY	23.4%	80.9%	65.9%	89.1%	-	-	-
FY03/2015CoE	YoY	2.6%	0.8%	(2.9%)	(5.5%)	-	-	-
Half Year (Parent) (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2014		2,794	713	756	533	-	-	-
Q3 to Q4 FY03/2014		2,823	705	721	528	-	-	-
Q1 to Q2 FY03/2015		2,728	411	462	356	-	-	-
Q3 to Q4 FY03/2015CoE		3,034	1,019	971	646	-	-	-
Q1 to Q2 FY03/2015	YoY	(2.4%)	(42.3%)	(38.8%)	(33.3%)	-	-	-
Q3 to Q4 FY03/2015CoE	YoY	7.5%	44.5%	34.7%	22.3%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (12 December 2014)

For Further Developments

R-TECH UENO, a drug discovery venture, steadily makes progress in its developments of new drugs, while aggressively pursuing for further developments, going forward. On 10 November 2014, the Company revealed that it has come up with some meaningful results on the developments of therapeutic agent for Dry Eye (development code: RU-101), which was followed by announcement by Dr. Yukihiro Mashima, president of the Company, that “We are to further continue developments, while bringing licensing-out into perspective”, on 12 November 2014, at the release of Q1 to Q2 results. Over the past 5 years, the Company saw cumulative operating profit ¥4,995m by running business to manufacture and sell pharmaceuticals, while spending cumulative R&D expenditure ¥5,972m for developments of new drugs. It is the case that existing earnings pillars are unlikely to further grow from the current levels, collectively, but to date has it been revealed that the Company’s corporate efforts are now coming to fruition for long-term growth in the future, including measures to cope with unmet medical needs (those of medical domains where satisfactory therapeutic agent has not been developed to date) in ophthalmology and dermatology as well as measures to aggressively develop orphan drugs (therapeutic agent for rare illness). That is to say, the Company is now heading for collecting expenses to have been spared for developments of new drugs so far by means of seeing licensing-out income in the foreseeable future.


In Q1 to Q2 FY03/2015, sales came in at ¥2,728m (down 2.4% YoY), operating profit ¥411m (down 42.3%) and operating profit margin 15.1% (down 10.5% points). Manufacturing of “Rescula® Eye Drops” saw sales ¥604m (down 24.3%) and contacted manufacturing services of “AMITIZA® Capsules” ¥2,058m (up 7.0%). In regards to the former, sales came down sharply as the patents have been expired for some time in Japan and one-off sales in North America ¥101m over the year did not reappear. In regards to the latter, on the other hand, sales in Japan came in at ¥716m (up 98.8%) and ¥1,342m (down 14.1%) in North America. The Company is now in the process of cultivating the market for Japan, having resulted in doubling sales in there, while some shipments were delayed into Q3 due to one-off issues in North America. On the earnings side, gross profit margin came in at 63.3% (down 0.4% points) and the ratio of SG&A expenses to sales 48.2% (up 10.1% points). Thus, rising ratio of SG&A expenses to sales should be mentioned as the key negative factor for lowering operating profit margin for the Company, where temporarily increasing R&D expenses for developments of new drugs was one of the most substantial negative factors.

Initial Company forecasts for FY03/2015 have remained unchanged, calling for prospective sales ¥5,763m (up 2.6% YoY), operating profit ¥1,431m (up 0.8%) and operating profit margin 24.8% (down 0.4% points). As mentioned earlier, some shipments and thus sales were delayed to Q3 from Q1 to Q2. Meanwhile, R&D expenses were spent roughly in line with initially planned. The Company saw steady progress in clinical trial at Phase for Retinitis Pigmentosa (development code: UF-021) and that of Early Phase for Dry Eye (development code: RU-101), having started up that of Phase for skin diseases such as Atopic Dermatitis (development code: RU-1096) at the same time. Thus, Q1 to Q2 results fell short of initial Company forecasts, but the Company argues full-year results are to be in line. Meanwhile, it has been also revealed that the Company is now negotiating with some major pharmaceutical manufacturers as candidates for licensing-out, in regards to therapeutic agent for Dry Eye (development code: RU-101). The Company suggests that it could see some meaningful amount of licensing-out income as sales in FY03/2016 at the earliest.

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2.0 Company Profile

Drug Discovery Venture, Specializing in Ophthalmology and Dermatology

Company Name	R-TECH UENO, LTD. Company Website IR Information Share Price 
Established	21 September 1989
Listing	9 April 2008, Tokyo Stock Exchange JASDAQ standard (Ticker: 4573)
Capital	¥661m (As of the end of September 2014)
No. of Shares	19,309,800 shares (As of the end of September 2014)
Main Features	<ul style="list-style-type: none"> ● Involved with Drug Discovery, Manufacturing and Sales of Drugs and Contracted Manufacturing of Drugs ● Current earnings sources, “Rescula® Eye Drops” and “AMITIZA® Capsules” ● Near-term opportunities for therapeutic agent for Retinitis Pigmentosa (UF-021”) and that of Dry Eye (RU-101) to generate sales
Businesses	Research & Development, Manufacturing & Sales, R&D Support Services and Contracted Manufacturing Services, all for drugs
Top Management	President: Yukihiro Mashima
Shareholders	S&R Technology Holdings, LLC 33.0%, Ryuji Ueno 16.6% (As of the end of Sep. 2014)
Headquarters	Chiyoda-ku, Tokyo JAPAN
No. of Employees	Parent: 75 (As of the end of March 2014)

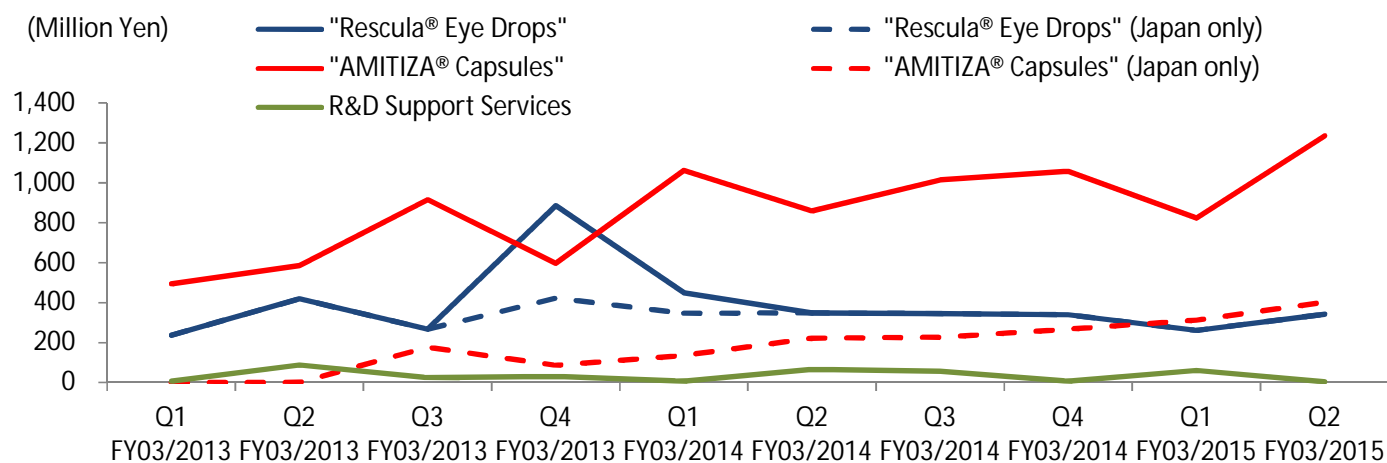
Source: Company Data

3.0 Recent Trading & Prospects

Q1 to Q2 FY03/2015 Results

In Q1 to Q2 FY03/2015, sales came in at ¥2,728m (down 2.4% YoY), operating profit ¥411m (down 42.3%), recurring profit ¥462m (down 38.8%) and net profit ¥356m (down 33.3%). Compared with initial Company forecasts, sales fell short ¥118m (4.1%) and operating profit ¥119m (22.4%).

Quarterly Sales Trends



Source: Company Data, WRJ Calculation

Manufacturing of “Rescula® Eye Drops”, which is self-developed therapeutic agent for glaucoma and ocular hypertension, saw sales ¥604m (down 24.3%). Contracted manufacturing of “AMITIZA® Capsules”, which is therapeutic agent for chronic idiopathic constipation symptom, etc., saw sales ¥2,058m (up 7.0%) and R&D Support Services ¥64m (down 11.9%).

In regards to “Rescula® Eye Drops” whose patent expired in 2009, sales in Japan through Santen Pharmaceutical Co., Ltd. continue coming down for some time, while one-off sales ¥101m in North America over the year (in Q1 FY03/2014) did not reappear, having resulted in sharp adjustments as a whole. Sucampo Pharmaceuticals, Inc. in charge of sales in North America has decided not to restart procuring this from the Company, going forward.

Meanwhile, in regards to “AMITIZA® Capsules”, sales in Japan where ABBOTT JAPAN CO., LTD. is in charge of sales came in at ¥716m (up 98.8%), while ¥1,342m (down 14.1%) in North America where Takeda Pharmaceutical Company Limited is in charge. The Company is now in the process of cultivating the market for Japan, having resulted in sales doubling over the year in there, while sales in North America came down as some shipments and thus sales were delayed into Q3 due to one-off issues.

Meanwhile, operating profit margin came in at 15.1% (down 10.5% points), gross profit margin 63.3% (down 0.4% points) and the ratio of SG&A expenses to sales 48.2% (up 10.1% points). As far as the Company's business model is concerned, there is a large exposure to variable costs and thus gross profit margin is supposed to be stable to a large extent. In Q1 to Q2, sales of self-developed "Rescula® Eye Drops", implied to carry gross profit margin higher than "AMITIZA® Capsules" to be manufactured on a contracted basis, came down over the year, having resulted in marginal adjustments in gross profit margin for the Company, as far as we could gather.

SG&A expenses came in at ¥1,316m (up 23.4% and/or up ¥249m). Meanwhile, R&D expenses came in at ¥902m (up 39.4% and/or up ¥254m), having accounted for the increases of SG&A expenses as a whole. In line with steady progress made in clinical trial for Retinitis Pigmentosa (development code: UF-021) at Phase and that of Dry Eye (development code: RU-101) at Early Phase, expenses associated with the use of CRO (Contract Research Organization) increased substantially, as far as we could gather.

Meanwhile, R&D expenses have been spent roughly in line with initially planned. On top of above-mentioned progress in clinical trial, the Company started up that of phase for skin diseases such as Atopic Dermatitis (development code: RU-1096). The Company has spent 58.4% out of prospective R&D expenses ¥1,545m (up 12.6% YoY) on a full-year basis.

Dr. Yukihiro Mashima, president of the Company, made comment as follows, on 12 November 2014, at the release of Q1 to Q2 results, having argued that the Company steadily makes progress in its developments of new drugs, while aggressively pursuing for further developments, going forward.

"In regards to our R&D activities, we have seen results of clinical trial of therapeutic agent for Dry Eye (development code: RU-101) at Early Phase, having been conducted in the United States. Although there were no statistical significances in differences with placebo (inactive placebo which does not incorporate active substance of RU-101, in this context) in twelve weeks after startup of RU-101 installation, there were meaningful improvements for severe Dry Eye patients in the 4th week and the 8th week after installation. Going forward, we are to further pursue the developments by means of examining appropriate frequency of installation for severe Dry Eye patients, appropriate concentrations, etc., while looking to licensing-out in the foreseeable future."

Income Statement (Cumulative, Quarterly)

Income Statement (Million Yen)	Par.Act Q1 03/2014	Par.Act Q1 to Q2 03/2014	Par.Act Q1 to Q3 03/2014	Par.Act Q1 to Q4 03/2014	Par.Act Q1 03/2015	Par.Act Q1 to Q2 03/2015	Par.Act Q1 to Q3 03/2015	Par.Act Q1 to Q4 03/2015	YoY Net Chg.
Sales	1,519	2,794	4,213	5,618	1,146	2,728	-	-	(66)
Costs of Sales	540	1,014	1,532	2,026	418	1,000	-	-	(13)
Gross Profit	979	1,780	2,680	3,592	728	1,727	-	-	(52)
SG&A	522	1,066	1,598	2,172	589	1,316	-	-	+249
Operating Profit	457	713	1,082	1,419	138	411	-	-	(302)
Non Operating Balance	45	42	76	57	(2)	51	-	-	+8
Recurring Profit	502	756	1,158	1,477	136	462	-	-	(293)
Extraordinary Balance	-	-	-	-	-	-	-	-	-
Pretax Profit	502	756	1,158	1,477	136	462	-	-	(293)
Tax Charges etc.	149	222	344	414	21	106	-	-	(116)
Net Profit	352	533	813	1,062	114	356	-	-	(177)
Sales YoY	+105.6%	+52.5%	+38.7%	+23.4%	(24.5%)	(2.4%)	-	-	-
Operating Profit YoY	-	+132.7%	+129.2%	+80.9%	(69.7%)	(42.3%)	-	-	-
Recurring Profit YoY	-	+150.2%	+121.5%	+65.9%	(72.9%)	(38.8%)	-	-	-
Net Profit YoY	-	+153.0%	+131.9%	+89.1%	(67.5%)	(33.3%)	-	-	-
Gross Profit Margin	64.5%	63.7%	63.6%	63.9%	63.5%	63.3%	-	-	(0.4%)
(SG&A / Sales)	34.4%	38.2%	37.9%	38.7%	51.4%	48.2%	-	-	+10.1%
Operating Profit Margin	30.1%	25.5%	25.7%	25.3%	12.1%	15.1%	-	-	(10.5%)
Recurring Profit Margin	33.1%	27.1%	27.5%	26.3%	11.9%	17.0%	-	-	(10.1%)
Net Profit Margin	23.2%	19.1%	19.3%	18.9%	10.0%	13.1%	-	-	(6.0%)
Tax Charges etc. / Pretax Profit	29.8%	29.4%	29.8%	28.1%	15.8%	23.0%	-	-	(6.4%)

Income Statement (Million Yen)	Par.Act Q1 03/2014	Par.Act Q2 03/2014	Par.Act Q3 03/2014	Par.Act Q4 03/2014	Par.Act Q1 03/2015	Par.Act Q2 03/2015	Par.Act Q3 03/2015	Par.Act Q4 03/2015	YoY Net Chg.
Sales	1,519	1,275	1,418	1,405	1,146	1,581	-	-	+306
Costs of Sales	540	474	518	494	418	582	-	-	+107
Gross Profit	979	801	900	911	728	999	-	-	+198
SG&A	522	544	531	574	589	726	-	-	+182
Operating Profit	457	256	368	337	138	272	-	-	+16
Non Operating Balance	45	(3)	33	(18)	(2)	53	-	-	+56
Recurring Profit	502	253	402	318	136	326	-	-	+72
Extraordinary Balance	-	-	-	-	-	-	-	-	-
Pretax Profit	502	253	402	318	136	326	-	-	+72
Tax Charges etc.	149	72	122	69	21	84	-	-	+12
Net Profit	352	181	279	249	114	241	-	-	+60
Sales YoY	+105.6%	+16.6%	+17.6%	(7.1%)	(24.5%)	+24.0%	-	-	-
Operating Profit YoY	-	(14.4%)	+122.6%	+7.9%	(69.7%)	+6.3%	-	-	-
Recurring Profit YoY	-	(14.9%)	+82.2%	(13.2%)	(72.9%)	+28.8%	-	-	-
Net Profit YoY	-	(12.1%)	+100.1%	+18.0%	(67.5%)	+33.5%	-	-	-
Gross Profit Margin	64.5%	62.8%	63.5%	64.8%	63.5%	63.2%	-	-	+0.4%
(SG&A / Sales)	34.4%	42.7%	37.5%	40.9%	51.4%	45.9%	-	-	+3.3%
Operating Profit Margin	30.1%	20.1%	26.0%	24.0%	12.1%	17.3%	-	-	(2.9%)
Recurring Profit Margin	33.1%	19.9%	28.4%	22.7%	11.9%	20.6%	-	-	+0.8%
Net Profit Margin	23.2%	14.2%	19.7%	17.7%	10.0%	15.3%	-	-	+1.1%
Tax Charges etc. / Pretax Profit	29.8%	28.6%	30.5%	21.8%	15.8%	26.0%	-	-	(2.6%)

Source: Company Data, WRJ Calculation

Sales by Business Segment (Cumulative, Quarterly)

Sales by Business Segment	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2014	03/2014	03/2014	03/2014	03/2015	03/2015	03/2015	03/2015		
Japan	347	696	1,042	1,382	261	604	-	-		(92)
North America	101	101	101	101	-	-	-	-		(101)
Rescula® Eye Drops	449	798	1,143	1,483	261	604	-	-		(194)
Japan	136	358	584	852	313	716	-	-		+358
North America	927	1,564	2,353	3,143	509	1,342	-	-		(222)
AMITIZA® Capsules	1,063	1,923	2,937	3,996	823	2,059	-	-		+136
Manufacturing & Marketing of Drugs	1,512	2,721	4,080	5,479	1,084	2,664	-	-		(57)
R&D Support Services	6	73	131	138	61	64	-	-		(9)
Sales	1,520	2,794	4,213	5,618	1,147	2,728	-	-		(66)
Japan	+48.8%	+6.6%	+12.8%	+2.6%	(24.7%)	(13.2%)	-	-		-
North America	-	-	-	(78.2%)	-	-	-	-		-
Rescula® Eye Drops	+88.9%	+21.5%	+23.7%	(18.1%)	(41.7%)	(24.3%)	-	-		-
Japan	-	-	+229.9%	+222.2%	+130.2%	+98.8%	-	-		-
North America	+87.1%	+44.7%	+29.4%	+35.0%	(45.1%)	(14.1%)	-	-		-
AMITIZA® Capsules	+114.6%	+78.1%	+47.2%	+54.1%	(22.6%)	+7.1%	-	-		-
Manufacturing & Marketing of Drugs	+106.6%	+56.6%	+39.8%	+24.4%	(28.3%)	(2.1%)	-	-		-
R&D Support Services	+7.3%	(22.4%)	+10.6%	(6.4%)	+844.9%	(11.9%)	-	-		-
Sales (YoY)	+105.6%	+52.5%	+38.7%	+23.4%	(24.5%)	(2.4%)	-	-		-
Japan	22.8%	24.9%	24.7%	24.6%	22.8%	22.2%	-	-		-
North America	6.6%	3.6%	2.4%	1.8%	-	-	-	-		-
Rescula® Eye Drops	29.5%	28.6%	27.1%	26.4%	22.8%	22.2%	-	-		-
Japan	8.9%	12.8%	13.9%	15.2%	27.3%	26.2%	-	-		-
North America	61.0%	56.0%	55.9%	55.9%	44.4%	49.2%	-	-		-
AMITIZA® Capsules	69.9%	68.8%	69.7%	71.1%	71.8%	75.5%	-	-		-
Manufacturing & Marketing of Drugs	99.5%	97.4%	96.8%	97.5%	94.5%	97.7%	-	-		-
R&D Support Services	0.4%	2.6%	3.1%	2.5%	5.3%	2.3%	-	-		-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-
Sales by Business Segment	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2014	03/2014	03/2014	03/2014	03/2015	03/2015	03/2015	03/2015		
Japan	347	348	346	339	261	343	-	-		(5)
North America	101	-	-	-	-	-	-	-		-
Rescula® Eye Drops	449	348	346	339	261	343	-	-		(5)
Japan	136	222	226	268	313	403	-	-		+181
North America	927	637	789	790	509	833	-	-		+196
AMITIZA® Capsules	1,063	859	1,014	1,058	823	1,236	-	-		+375
Manufacturing & Marketing of Drugs	1,512	1,209	1,359	1,399	1,084	1,580	-	-		+371
R&D Support Services	6	67	57	7	61	3	-	-		(63)
Sales	1,520	1,274	1,418	1,404	1,147	1,582	-	-		+306
Japan	+48.8%	(17.1%)	+29.6%	(19.9%)	(24.7%)	(1.7%)	-	-		-
North America	-	-	-	-	-	-	-	-		-
Rescula® Eye Drops	+88.9%	(17.1%)	+29.6%	(61.8%)	(41.7%)	(1.7%)	-	-		-
Japan	-	-	+27.7%	+208.0%	+130.2%	+81.5%	-	-		-
North America	+87.1%	+8.9%	+6.9%	+55.2%	(45.1%)	+30.8%	-	-		-
AMITIZA® Capsules	+114.6%	+46.8%	+10.8%	+77.2%	(22.6%)	+43.9%	-	-		-
Manufacturing & Marketing of Drugs	+106.6%	+20.2%	+15.1%	(5.8%)	(28.3%)	+30.7%	-	-		-
R&D Support Services	+7.3%	(23.9%)	+137.5%	(76.7%)	+844.9%	(95.3%)	-	-		-
Sales (YoY)	+105.6%	+16.5%	+17.7%	(7.3%)	(24.5%)	+24.0%	-	-		-
Japan	22.8%	27.3%	24.4%	24.1%	22.8%	21.7%	-	-		-
North America	6.6%	-	-	-	-	-	-	-		-
Rescula® Eye Drops	29.5%	27.3%	24.4%	24.1%	22.8%	21.7%	-	-		-
Japan	8.9%	17.4%	15.9%	19.1%	27.3%	25.5%	-	-		-
North America	61.0%	50.0%	55.6%	56.3%	44.4%	52.7%	-	-		-
AMITIZA® Capsules	69.9%	67.4%	71.5%	75.4%	71.8%	78.1%	-	-		-
Manufacturing & Marketing of Drugs	99.5%	94.9%	95.8%	99.6%	94.5%	99.9%	-	-		-
R&D Support Services	0.4%	5.3%	4.0%	0.5%	5.3%	0.2%	-	-		-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2014	03/2014	03/2014	03/2014	03/2015	03/2015	03/2015	03/2015		
Cash & Deposit	5,711	5,592	6,075	6,615	5,977	6,198	-	-	-	+605
Accounts Receivables	535	478	230	415	320	519	-	-	-	+41
Inventory	1,210	1,390	1,459	1,319	1,572	1,586	-	-	-	+196
Other	269	412	574	645	590	682	-	-	-	+269
Current Assets	7,726	7,873	8,340	8,995	8,460	8,986	-	-	-	+1,113
Tangible Assets	396	451	441	415	398	385	-	-	-	(65)
Intangible Assets	110	101	96	87	79	79	-	-	-	(22)
LT Investment Securities etc.	1,682	1,586	2,532	1,899	1,808	1,838	-	-	-	+252
Fixed Assets	2,189	2,140	3,070	2,403	2,286	2,304	-	-	-	+163
Total Assets	9,915	10,013	11,411	11,399	10,747	11,290	-	-	-	+1,277
Accounts Payable	232	233	372	189	273	257	-	-	-	+24
Short Term Debt	-	-	-	-	-	-	-	-	-	-
Other	577	552	522	716	455	499	-	-	-	(52)
Current Liabilities	810	785	895	906	728	757	-	-	-	(28)
Long Term Debt	246	246	301	647	647	873	-	-	-	+627
Other	548	530	872	652	599	606	-	-	-	+75
Fixed Liabilities	795	777	1,173	1,300	1,247	1,480	-	-	-	+702
Total Liabilities	1,606	1,563	2,068	2,207	1,975	2,237	-	-	-	+674
Shareholders' Equity	7,281	7,463	7,743	7,999	7,633	7,878	-	-	-	+414
Other	1,028	986	1,598	1,192	1,137	1,175	-	-	-	+188
Net Assets	8,309	8,450	9,342	9,192	8,771	9,053	-	-	-	+602
Total Liabilities & Net Assets	9,915	10,013	11,411	11,399	10,747	11,290	-	-	-	+1,277
Equity Capital	8,284	8,404	9,293	9,141	8,717	8,981	-	-	-	+577
Interest Bearing Debt	246	246	301	647	647	873	-	-	-	+627
Net Debt	(5,464)	(5,345)	(5,774)	(5,967)	(5,329)	(5,324)	-	-	-	+21
Capital Ratio	83.5%	83.9%	81.4%	80.2%	81.1%	79.5%	-	-	-	(4.4%)
Net Debt Equity Ratio	(75.0%)	(71.6%)	(74.6%)	(74.6%)	(69.8%)	(67.6%)	-	-	-	+4.0%
ROE (Net Profit / Equity Capital)	17.2%	12.9%	12.4%	12.3%	5.1%	7.9%	-	-	-	(5.0%)
ROA (Recurring Profit / Total Assets)	20.3%	15.2%	14.5%	13.9%	4.9%	8.2%	-	-	-	(7.0%)
Quick Ratio	771%	773%	704%	775%	864%	887%	-	-	-	-
Current Ratio	953%	1002%	932%	992%	1161%	1187%	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

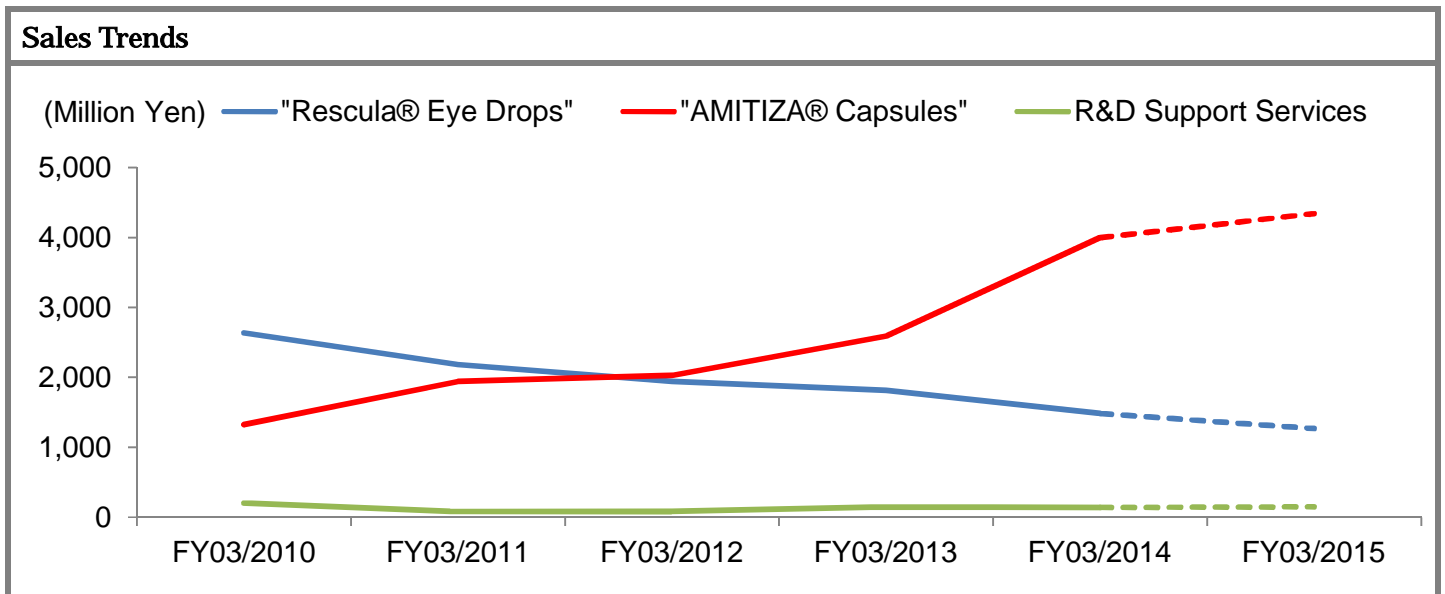
Cash Flow Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2014	03/2014	03/2014	03/2014	03/2015	03/2015	03/2015	03/2015		
Operating Cash Flow	na	822	na	1,428	na	(182)	-	-	-	(1,005)
Investing Cash Flow	na	(78)	na	(107)	na	(21)	-	-	-	+57
Operating CF + Investing CF	na	744	na	1,320	na	(203)	-	-	-	(948)
Financing Cash Flow	na	(290)	na	114	na	(255)	-	-	-	+34

Source: Company Data, WRJ Calculation

FY03/2015 Company Forecasts

Initial Company forecasts for FY03/2015 have remained unchanged, going for prospective sales ¥5,763m (up 2.6% YoY), operating profit ¥1,431m (up 0.8%), recurring profit ¥1,434m (down 2.9%) and net profit ¥1,003m (down 5.5%), while prospective operating profit margin 24.8% (down 0.4% points), gross profit margin 65.5% (up 1.6% points) and the ratio of SG&A expenses to sales 40.7% (up 2.0% points).

In regards to dividend per share, Company forecasts are going for ¥25.0, implying payout ratio 48.1%. The Company, being aggressively sharing earnings with shareholders, raised dividend per share up to ¥25.0, implying payout ratio 45.4%, from ¥15.0, implying payout ratio 52.2%, given surging earnings through FY03/2013 to FY03/2014. However, as net profit is expected to be adjusted in FY03/2015, dividend per share is to remain unchanged from FY03/2014.



Source: Company Data, WRJ Calculation

As discussed earlier, the Q1 to Q2 results were worse than initial Company forecasts, ¥118m (4.1%) in sales and ¥119m (22.4%) in operating profit. However, full-year Company forecasts are to be met. Some sales were delayed to Q3 from Q1 to Q2, while R&D expenses were concentrated in Q1 to Q2, as initially planned. Thus, sales in H2 are to be better than initially expected, while expenses are to come down from Q1 to Q2.

The Company is going for prospective sales ¥4,342m (up 8.7%) for "AMITIZA® Capsules" and ¥1,270m (down 14.4%) for "Rescula® Eye Drops". Compared with the former based on contracted manufacturing, the latter based on manufacturing of self-developed products carries gross profit margin higher, as far as we could gather. Changes of sales, expected in Company forecasts, suggest that change of sales mix should negatively affect to gross profit margin. Nevertheless, in regards to "AMITIZA® Capsules", surging sales in Japan carrying gross profit margin higher than that of North America are to improve gross profit margin as a whole over the year. The impacts from here are to be substantial enough to improve sales mix as a whole for the Company, resulting in increasing gross profit margin as a whole.

FY03/2015 Company forecasts are based on ¥100 per US\$, unchanged from FY03/2014. Thus, benefits from yen's weakness as in FY03/2014 are not expected to reappear in FY03/2015. However, given yen's depreciation in reality so far, earnings should be enhanced by this. A swing of ¥1 per US\$ is supposed to make a swing of some ¥20m at the gross profit level.

Meanwhile, as clinical trial at the current development phase for therapeutic agents for Retinitis Pigmentosa is now on the verge of being completed, the Company goes for R&D expenses ¥1,545m (up 12.6%), increasing faster than sales growth rate (up 2.6%). However, SG&A expenses but for those are to remain almost unchanged over the year. On top of this, gross profit margin is to rise due to aforementioned improving sales mix as a whole and thus the Company is to secure growth in operating profit, albeit not much.

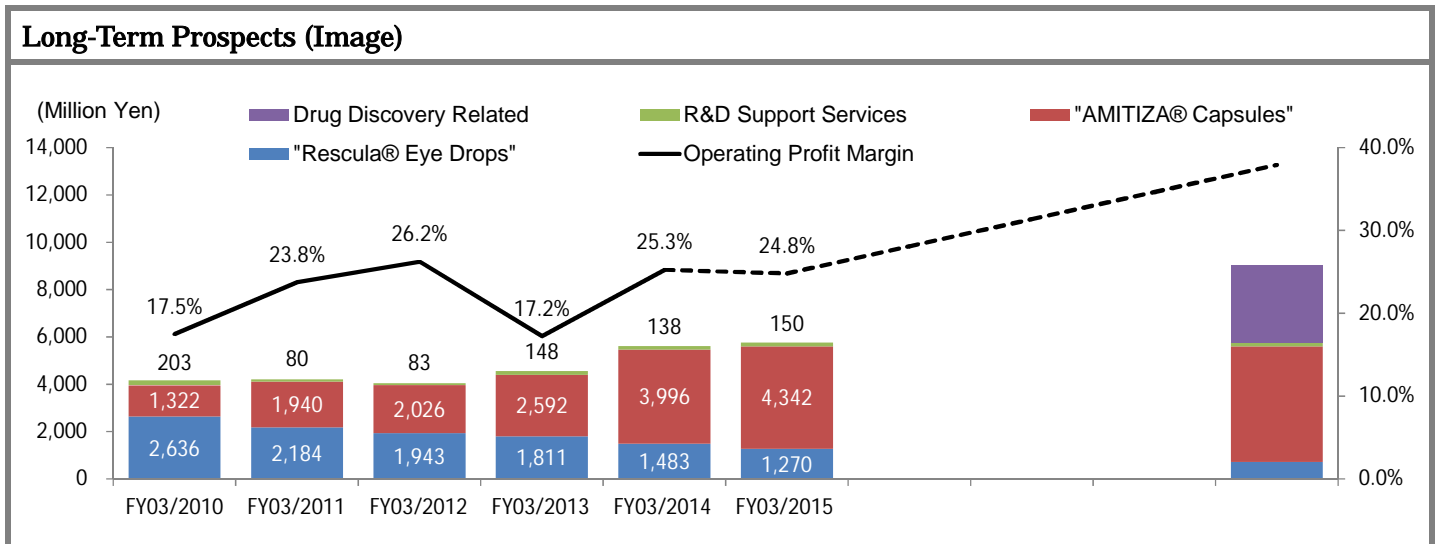
Company Forecasts in FY03/2015 and Results

Fiscal Year (Parent) (Million Yen)	Date	Event	Sales	OP	RP	NP
FY03/2015CoE	14-May-14	Q4 Results	5,763	1,431	1,434	1,003
FY03/2015CoE	12-Aug-14	Q1 Results	5,763	1,431	1,434	1,003
FY03/2015CoE	12-Nov-14	Q2 Results	5,763	1,431	1,434	1,003
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY03/2015CoE	14-May-14	Q4 Results	5,763	1,431	1,434	1,003
FY03/2015CoE	12-Nov-14	Q2 Results	5,763	1,431	1,434	1,003
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Half Year (Parent) (Million Yen)	Date	Event	Sales	OP	RP	NP
Q1 to Q2 FY03/2015CoE	14-May-14	Q4 Results	2,846	530	531	372
Q1 to Q2 FY03/2015CoE	12-Aug-14	Q1 Results	2,846	530	531	372
Q1 to Q2 FY03/2015Act	12-Nov-14	Q2 Results	2,728	411	462	356
		Amount of Gap	(118)	(119)	(69)	(16)
		Rate of Gap	(4.1%)	(22.5%)	(13.0%)	(4.3%)
Q1 to Q2 FY03/2015CoE	14-May-14	Q4 Results	2,846	530	531	372
Q1 to Q2 FY03/2015Act	12-Nov-14	Q2 Results	2,728	411	462	356
		Amount of Gap	(118)	(119)	(69)	(16)
		Rate of Gap	(4.1%)	(22.4%)	(13.0%)	(4.3%)
Half Year (Parent) (Million Yen)	Date	Event	Sales	OP	RP	NP
Q3 to Q4 FY03/2015CoE	14-May-14	Q4 Results	2,917	901	903	631
Q3 to Q4 FY03/2015CoE	12-Aug-14	Q1 Results	2,917	901	903	631
Q3 to Q4 FY03/2015CoE	12-Nov-14	Q2 Results	3,035	1,020	972	647
		Amount of Gap	118	119	69	16
		Rate of Gap	4.0%	13.2%	7.6%	2.5%
Q3 to Q4 FY03/2015CoE	14-May-14	Q4 Results	2,917	901	903	631
Q3 to Q4 FY03/2015CoE	12-Nov-14	Q2 Results	3,035	1,020	972	647
		Amount of Gap	118	119	69	16
		Rate of Gap	4.0%	13.2%	7.6%	2.5%

Source: Company Data, WRJ Calculation

Long-Term Prospects

The Company has potentials to see steady earnings growth over the long term. Prospective earnings from existing "AMITIZA® Capsules" and "Rescula® Eye Drops" are likely to gradually come down in a long-term view, but sales associated with developments of new drugs (Drug Discovery Related) carrying high gross profit margin are kicking in, in FY03/2016 at the earliest, and are to increase over the long term. Meanwhile, the Company used to go for ROE more than 10% to be achieved by FY03/2016 as its midterm target, but the Company has already achieved ROE as high as 12.3% (up 5.4% points YoY) in FY03/2014.



Source: Company Data, WRJ Calculation

The Company suggests that collective sales of "AMITIZA® Capsules" and "Rescula® Eye Drops" are likely to remain effectively unchanged over the next 5 years. Sales of "Rescula® Eye Drops" whose patents had been already expired are to inevitably continue coming down. However, this will be compensated for by increasing sales of "AMITIZA® Capsules" which is expected to be launched in Europe, preceded by North America and Japan. Increasing sales of "AMITIZA® Capsules" are expected to persist, at least, by 2021 when generic medicament is to appear in North America. However, a possibility is spotted for earnings of the Company to be negatively affected by increasing exposure to "AMITIZA® Capsules" based on contracted manufacturing and carrying relatively lower gross profit margin.

Thus, over the next 5 years, "AMITIZA® Capsules" will be the growth driver for sales of the Company. Prior to future slowdown for this, more importantly, the Company should start benefiting from Drug Discovery Related as the new growth driver. In details, the Company suggests that it should benefit from incoming sales stemming from licensing-out of therapeutic agent for Dry Eye (development code: RU-101) and from own manufacturing of Retinitis Pigmentosa (development code: UF-021) as "Ocuseva™".

As mentioned earlier, in regards to therapeutic agent for Dry Eye (development code: RU-101) whose clinical trial at Early Phase was completed in November 2014, the Company is now negotiating with some major pharmaceutical manufacturers as candidates for licensing-out. The Company suggests that it could see some meaningful amount of licensing-out income as sales in FY03/2016 at the earliest. As expenses to correspond to sales in here are nothing but those of R&D to have been already spared and thus gross profit margin in here should be 100%. On top of this, the Company suggests that the market size associated with Dry Eye is as large as ¥150bn on a global basis and is to see CAGR 10%, going forward.

In regards to therapeutic agent for Retinitis Pigmentosa (development code: UF-021) whose clinical trial at Phase is to be completed in spring of 2015, the Company suggests approval and launch in Japan in FY03/2017, while calling for seeing full-year sales in FY03/2019, in Japan where the market size is estimated at some ¥2.0bn. Meanwhile, the Company is currently examining a possibility for itself to set up own sales forces to sell Retinitis Pigmentosa (development code: UF-021) to be manufactured by the Company as “Ocuseva™” with no dependence on those of major pharmaceutical manufacturers.

Retinitis Pigmentosa, in the first place, refers to hereditary retina choroid disease that could lead to blindness, causing major symptoms of progressive night blindness and visual field constriction. The number of patients in Japan is estimated at some 30,000, suggesting that this is orphan disease. However, on a global basis, the number is estimated at about a million. Thus, the Company is going for overseas market cultivation, calling for possibilities to benefit from this in FY03/2020 and onwards.

On top of all those new drug developments associated with ophthalmology, steady progress has been made, associated with dermatology, in the Company’s development pipelines. The Company suggests that all those issues will generate revenue in order, going forward, driving sales for the Company.

4.0 Business Model

Drug Discovery Venture, Specializing in Ophthalmology and Dermatology

The Company is a drug discovery venture, specializing in ophthalmology and dermatology. While this is based on future earnings in a long-term view, earnings with the Company currently hinge on manufacturing & marketing of drugs. Manufacturing & marketing of “Rescula® Eye Drops” (therapeutic agent for glaucoma and ocular hypertension) to have been succeeded from Ueno Fine Chemicals Industry, Ltd., combined with contracted manufacturing of “AMITIZA® Capsules” developed by Sucampo Pharmaceuticals, Inc. (therapeutic agent for chronic idiopathic constipation symptom, etc.), collectively account for overall current earnings of the Company. Funded from here, the Company started up spending on R&D for new drugs on a full-fledged basis, triggered by changeover of top management in June 2009.



Source: Company Data

13

Pipelines of R&D for New Drugs in Ophthalmology and Dermatology

Code No.	Generic Name	Target Indication	Non-Clinical	Phase	Phase	Phase	Application	Approval	Launch
UF-021	Isopropyl Unoprostone	Retinitis Pigmentosa							
RTU-007		Diabetic Cataract Diabetic Retinopathy Age-related Macula Degeneration							
RU-101	Recombinant Human Serum Albumin	Sever Dry Eye							
RK-023	Nobiprostan	Alopecia							
RK-023	Nobiprostan	Eyelash Hypotrichosis							
RTU-1096		Atopic Dermatitis Contact Dermatitis Psoriasis Vulgaris							

Source: Company Data

On the other hand, in own new drug development pipelines to show development situations and phases for various compounds that are candidates for new drugs as found above, the Company is running three development projects in ophthalmology (comprising those of development code: UF-021, RTU-007 and RU-101) and three more in dermatology (comprising two for development code: RK-023 and one for development code: RTU-1096). In terms of the state of development processes, they fall into those of non-clinical (three years to five years to take) to clinical trials Phase , and (collectively, 5 to 10 years), while not currently exposed to application and approval (one to two years).

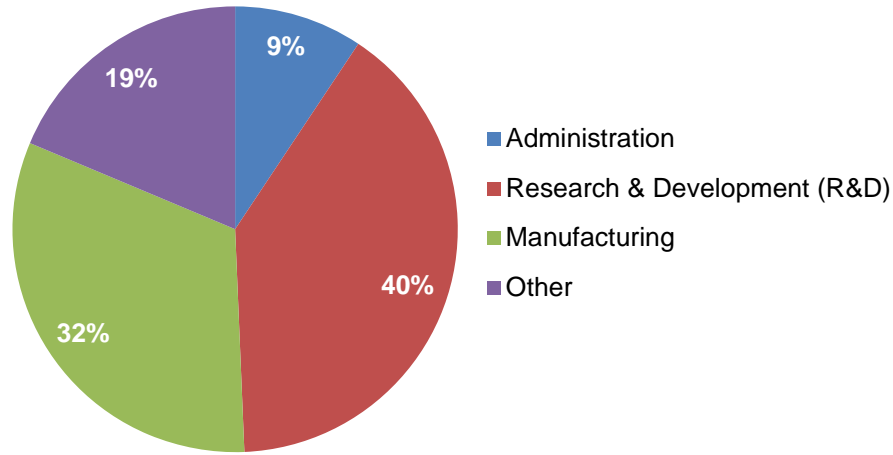
Now, as far as business model of drug discovery venture is concerned, sales are supposed to be generated by licensing-out income associated with the objects of the developments or by means of effectively selling rights to succeed the developments and/or those of marketing. Thus, it appears that sales of drug discovery venture are dependent on needs for specific new drugs they develop from counterparts of licensing-out contracts for rights to succeed their developments and/or those of their marketing.

From large pharmaceutical manufacturers or counterparts of licensing-out contracts, drug discovery venture receives proceeds of licensing-out income and/or royalty income. The former comprises a) lump-sum to be gained at the startup of licensing-out contract and b) milestone income to be collected in line with progress in the development phases, sometimes including incentives to be gained at the achievement of sales targets after the launches. Meanwhile, the latter refers to income to be collected at a fixed ratio of sales of the new drugs after the launches.

Therapeutic agent for Dry Eye (development code: RU-101) completed its Early Phase Trial on 10 November 2014. The Company suggests that licensing-out contact will be signed up in the foreseeable future. Thus, the Company is likely to see licensing-out income (lump-sum for the contract) as a drug discovery venture for the first time.

Meanwhile, the Company is persistently running its operations of R&D for innovated drugs. Out of headcounts 75 as of the end of March 2014, R&D division in charge of this accounted for 30 and/or 40% of total, while administration division 9% (7), manufacturing division 32% (24) and other 19% (14).

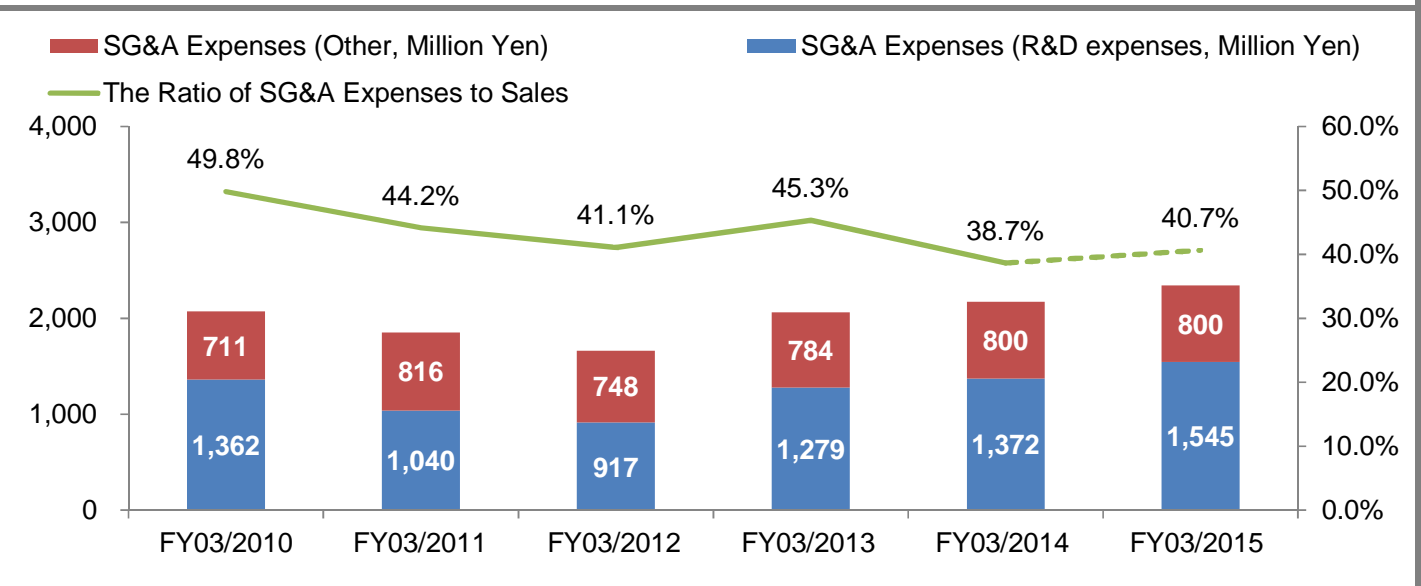
Headcounts by Operational Segment (The Number of Headcounts 75: As of the end of FY03/2014)



Source: Company Data, WRJ Calculation

Personnel expenses for headcounts 30 in R&D division and expenses for the use of CRO (Contract Research Organization), collectively, account for the bulk of R&D expenses. When personnel expenses for headcounts 7 in administration division and related expenses are added on top of R&D expenses, it accounts for the bulk of SG&A expenses for the Company, as far as we could gather.

SG&A Expenses (R&D Expenses and Other)



Source: Company Data, WRJ Calculation

The number of headcounts for the Company, including that of R&D division, has remained almost unchanged for years, while prospective major changes are unlikely in the foreseeable future. Nevertheless, SG&A expenses are recently picking up in line with increasing R&D expenses, which has a lot to do with increasing expenses in line with increasing use of aforementioned CRO.

Over the past 5 years, the Company saw cumulative sales ¥22,592m versus cumulative SG&A expenses ¥9,834m (43.5% of sales). Meanwhile, the latter comprised cumulative R&D expenses ¥5,972m (26.4%) and SG&A expenses other than R&D expenses ¥3,861m (17.1%), while cumulative operating profit came in at ¥4,995m (22.1%).

Simply presuming based on all those figures, it could be concluded that operating profit was halved by spending on R&D expenses for developments of new drug. However, it should be considered that the R&D expenses are effectively costs of goods sold for future sales stemming from licensing-out income, etc. As costs of goods sold have been booked already, future sales stemming from licensing-out income should carry gross profit margin 100%.

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	YoY Net Chg.
	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013	FY 03/2014	FY 03/2015	
Sales	4,162	4,204	4,053	4,552	5,618	5,763	+144
Costs of Sales	1,358	1,349	1,324	1,703	2,026	-	-
Gross Profit	2,803	2,855	2,728	2,849	3,592	-	-
SG&A	2,074	1,856	1,665	2,064	2,172	-	-
Operating Profit	728	998	1,063	784	1,419	1,431	+11
Non Operating Balance	3	8	9	105	57	3	(54)
Recurring Profit	732	1,006	1,073	890	1,477	1,434	(43)
Extraordinary Balance	284	965	(51)	(4)	-	-	-
Pretax Profit	1,017	1,972	1,022	885	1,477	-	-
Tax Charges etc.	350	724	342	323	414	-	-
Net Profit	666	1,248	680	561	1,062	1,003	(59)
Sales YoY	(30.6%)	+1.0%	(3.6%)	+12.3%	+23.4%	+2.6%	-
Operating Profit YoY	(50.4%)	+37.0%	+6.5%	(26.2%)	+80.9%	+0.8%	-
Recurring Profit YoY	(48.8%)	+37.4%	+6.6%	(17.0%)	+65.9%	(2.9%)	-
Net Profit YoY	(28.8%)	+87.2%	(45.5%)	(17.4%)	+89.1%	(5.5%)	-
Gross Profit Margin	67.4%	67.9%	67.3%	62.6%	63.9%	65.5%	+1.6%
(SG&A / Sales)	49.8%	44.2%	41.1%	45.3%	38.7%	40.7%	+2.0%
Operating Profit Margin	17.5%	23.8%	26.2%	17.2%	25.3%	24.8%	(0.4%)
Recurring Profit Margin	17.6%	23.9%	26.5%	19.6%	26.3%	24.9%	(1.4%)
Net Profit Margin	16.0%	29.7%	16.8%	12.3%	18.9%	17.4%	(1.5%)
Tax Charges etc. / Pretax Profit	34.4%	36.7%	33.5%	36.5%	28.1%	-	-

Source: Company Data, WRJ Calculation

Sales by Business Segment

Sales by Business Segment (Million Yen)	Par.Act FY 03/2010	Par.Act FY 03/2011	Par.Act FY 03/2012	Par.Act FY 03/2013	Par.Act FY 03/2014	Par.CoE FY 03/2015	YoY Net Chg.
Japan	-	-	1,696	1,347	1,382	1,270	(112)
North America	-	-	-	464	101	-	(101)
Licensing Income	-	-	247	-	-	-	-
Rescula® Eye Drops	2,636	2,184	1,943	1,811	1,483	1,270	(213)
Japan	-	-	-	264	852	-	-
North America	-	-	2,026	2,327	3,143	-	-
AMITIZA® Capsules	1,322	1,940	2,026	2,592	3,996	4,342	+346
Manufacturing & Marketing of Drugs	3,958	4,124	3,969	4,404	5,479	5,613	+134
R&D Support Services	203	80	83	148	138	150	+12
Sales	4,162	4,204	4,053	4,552	5,618	5,763	+145
Japan	-	-	-	(20.6%)	+2.6%	(8.1%)	-
North America	-	-	-	-	(78.2%)	-	-
Licensing Income	-	-	-	-	-	-	-
Rescula® Eye Drops	(14.9%)	(17.2%)	(11.0%)	(6.8%)	(18.1%)	(14.4%)	-
Japan	-	-	-	-	+222.2%	-	-
North America	-	-	-	+15.3%	+35.0%	-	-
AMITIZA® Capsules	(47.6%)	+46.7%	+4.4%	+27.9%	+54.1%	+8.7%	-
Manufacturing & Marketing of Drugs	(29.8%)	+4.2%	(3.8%)	+11.0%	+24.4%	+2.4%	-
R&D Support Services	(42.8%)	(60.7%)	+3.8%	+78.3%	(6.4%)	+8.1%	-
Sales (YoY)	(30.6%)	+1.0%	(3.6%)	+12.3%	+23.4%	+2.6%	-
Japan	-	-	41.8%	29.6%	24.6%	22.0%	-
North America	-	-	-	10.2%	1.8%	-	-
Licensing Income	-	-	6.1%	-	-	-	-
Rescula® Eye Drops	63.3%	52.0%	47.9%	39.8%	26.4%	22.0%	-
Japan	-	-	-	5.8%	15.2%	-	-
North America	-	-	50.0%	51.1%	55.9%	-	-
AMITIZA® Capsules	31.8%	46.1%	50.0%	56.9%	71.1%	75.4%	-
Manufacturing & Marketing of Drugs	95.1%	98.1%	97.9%	96.7%	97.5%	97.4%	-
R&D Support Services	4.9%	1.9%	2.0%	3.3%	2.5%	2.6%	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	Net Chg.
Cash & Deposit	3,196	4,741	5,209	5,119	6,615	-	-
Accounts Receivables	299	477	469	1,157	415	-	-
Inventory	1,601	1,441	1,296	1,282	1,319	-	-
Other	274	218	260	239	645	-	-
Current Assets	5,371	6,878	7,235	7,799	8,995	-	-
Tangible Assets	657	565	421	400	415	-	-
Intangible Assets	146	114	86	117	87	-	-
LT Investment Securities etc.	868	935	1,586	1,602	1,899	-	-
Fixed Assets	1,672	1,615	2,094	2,120	2,403	-	-
Total Assets	7,043	8,493	9,329	9,919	11,399	-	-
Accounts Payable	77	125	124	252	189	-	-
Short Term Debt	-	-	-	-	-	-	-
Other	663	764	581	720	716	-	-
Current Liabilities	741	890	705	973	906	-	-
Long Term Debt	-	-	-	246	647	-	-
Other	143	367	529	508	652	-	-
Fixed Liabilities	143	367	529	755	1,300	-	-
Total Liabilities	884	1,257	1,234	1,728	2,207	-	-
Shareholders' Equity	5,702	6,753	7,138	7,217	7,999	-	-
Other	457	482	956	974	1,192	-	-
Net Assets	6,159	7,235	8,095	8,191	9,192	-	-
Total Liabilities & Net Assets	7,043	8,493	9,329	9,919	11,399	-	-
Equity Capital	6,159	7,235	8,082	8,166	9,141	-	-
Interest Bearing Debt	-	-	-	246	647	-	-
Net Debt	(3,196)	(4,741)	(5,209)	(4,872)	(5,967)	-	-
Capital Ratio	87.4%	85.2%	86.6%	82.3%	80.2%	-	-
Net Debt Equity Ratio	(56.1%)	(70.2%)	(73.0%)	(67.5%)	(74.6%)	-	-
ROE (Net Profit / Equity Capital)	10.8%	18.6%	8.9%	6.9%	12.3%	-	-
ROA (Recurring Profit / Total Assets)	9.8%	13.0%	12.0%	9.3%	13.9%	-	-
Quick Ratio	472%	586%	805%	645%	775%	-	-
Current Ratio	725%	772%	1026%	801%	992%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
(Million Yen)	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	Net Chg.
Operating Cash Flow	1,369	1,819	814	267	1,428	-	-
Investing Cash Flow	261	(2,756)	(746)	(197)	(107)	-	-
Operating CF + Investing CF	1,631	(937)	68	69	1,320	-	-
Financing Cash Flow	(822)	(200)	(299)	(240)	114	-	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	Net Chg.
No. of Shares FY End (-000 Shares)	98	98	98	96	19,302	-	-
Net Profit / EPS (-000 Shares)	98	98	98	98	19,285	-	-
Treasury Stocks FY End (-000 Shares)	0	0	0	0	0	-	-
Earnings Per Share	6,773.2	12,679.2	6,910.5	5,746.7	55.1	52.0	-
Earnings Per Share (Fully Diluted)	-	-	6,894.3	5,717.7	54.7	-	-
Book Value Per Share	62,564.1	73,499.2	82,230.4	84,665.7	473.6	-	-
Dividend Per Share	2,000.0	3,000.0	3,000.0	3,000.0	25.0	25.0	-
Payout ratio	29.5%	23.7%	43.4%	52.2%	45.4%	48.1%	-
Per Share Data (After Adjustments for Split) (Yen)	Par.Act	Par.Act	Par.Act	Par.Act	Par.Act	Par.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2010	03/2011	03/2012	03/2013	03/2014	03/2015	Net Chg.
Stock Split Factor	200	200	200	200	1	-	-
Earnings Per Share	33.9	63.4	34.6	28.7	55.1	-	-
Book Value Per Share	312.8	367.5	411.2	423.3	473.6	-	-
Dividend Per Share	10.0	15.0	15.0	15.0	25.0	-	-

Source: Company Data, WRJ Calculation

6.0 Other Information

Coping with Unmet Medical Needs

The Company's strengths are found in its capability to cope with patients' needs, unmet medical needs in particular, and that of constructing joint research system with academia (universities, etc.). Currently, changes are made for medical needs in that demand to cope with unmet medical needs is increasing, where there are no therapeutic methods and/or existing drugs are not satisfactory, on top of the domains of lifestyle-related diseases whose markets are huge.

Meanwhile, Dr. Yukihiro Mashima, M.D. (Physician (ophthalmologist)) was appointed as representative director for the Company, in June 2009, and this triggered full-fledged involvements with drug discovery for the Company in the domains where demand to cope with unmet medical needs was high. It could be said that the Company got started as drug discovery venture in line with the appointment of Dr. Mashima as director in April 2005.

Dr. Mashima, having been assistant professor of ophthalmology at medical department of Keio University, specialized in molecular elucidation and therapeutic development for hereditary eye diseases including corneal disease, retinal disease, Leber's disease, glaucoma, etc. Since having identified the cause of the glaucoma gene myocilin in 1997, he worked hard to materialize therapeutic methods proper and safe for treatment of glaucoma, which is polygenic disease, based on genome diagnosis of individuals, i.e., so-called "personalized medicine". The study results brought him Japan Medical Association medical research grant in FY2004 and Japan Ophthalmological Society Council Award in 2007.

At the same time, Dr. Mashima contributed to Japan's medical care of ophthalmology as ophthalmology clinicians, having been awarded with Japan Ophthalmologists Association Chairman's Award in 2002 and Japan Medical Association highest award in 2006. After having been appointed as director for the Company, he served as general manager of research & development and then as medical director, while propelling joint research system with academia with universities and research institutes domestically and overseas in order to develop therapeutic agents that target ophthalmic disease with no effective treatment methods.

Meanwhile, origin of "Rescula® Eye Drops" or the first earning pillar for the Company, is founded in R&D activities back in the 1980s by Dr. Ruji Ueno, founder of the Company. In those days, Dr. Ueno, who used to work as the group leader for transmitter substance research at HAYAISHI project of New Technology Development Agency, discovered new types of functional fatty acid and started up development of drugs at the same time, as he found great opportunities for applications in the fields of treatment.

Co-founder of the Company, Dr. Sachiko Kuno, participated in Dr. Ueno's project in the mid-1980s in order to develop new types of functional fatty acid discovered by Dr. Ueno as drugs. Development cooperation by the two medical doctors resulted in the launch of "Rescula® Eye Drops" (therapeutic agent for glaucoma and ocular hypertension) by Ueno Fine Chemicals Industry, Ltd. in the market for Japan in 1994.

Meanwhile, the Company, founded back in September 1989 by Dr. Ruji Ueno with objectives to study and manufacture group of compounds that he newly discovered, succeeded manufacturing operations of "Rescula® Eye Drops", in April 2001.

Dr. Ruji Ueno is a well-known researcher known internationally as a leading expert of pharmacology, physiology and biochemistry, concerning endogenous functional fatty acid and related compounds. So far, Dr. Ueno has acquired patents for his inventions over 650 worldwide on functional fatty acid, while they have been all held and maintained by Sucampo Pharmaceuticals, Inc. which was also founded by Dr. Ueno. He transferred to the United States to pursue his study in 1996 and locally set up this company.

Company History

Date	Events
September 1989	Established for manufacturing, marketing and R&D of drugs as major business objectives
April 2001	Marketing & manufacturing operations for “Rescula® Eye Drops”, inherited from Ueno Fine Chemicals Industry, Ltd .
April 2003	Employees, transferred from Prescription Drug Division, Ueno Fine Chemicals Industry, Ltd .
September 2004	Headquarters, moved to Chiyoda-ku, Tokyo
October 2004	Marketing affiliation for “Rescula® Eye Drops”, changed from Fujisawa Pharmaceutical Co., Ltd (currently, Astellas Pharma Inc.) to Santen Pharmaceutical Co., Ltd. Contract for manufacturing and provision of “AMITIZA® Capsules”, made with Takeda Pharmaceutical Company Limited and Sucampo Pharmaceuticals, Inc.
September 2005	Sanda factory, obtained approval for a factory manufacturing “AMITIZA® Drug Substance” from U.S. Food and Drug Administration (FDA)
April 2008	Listed on Hercules, Osaka Securities Exchange (currently, Tokyo Stock Exchange JASDAQ Standard)
October 2008	Sanda factory, obtained approval for a factory manufacturing “AMITIZA® Drug Substance” from Medicines and Healthcare Products Regulatory Agency (MHRA), UK
February 2009	Contract for exclusive manufacturing and provision of “AMITIZA® Capsules” to Japan, Asia and Oceania Areas, made
April 2009	Contract for assignment of marketing approval and dealership of “Rescula® Eye Drops”, licensing of related patents, and exclusive manufacturing and provision of the product in United States and Canada for indications of glaucoma and ocular hypertension, made with Sucampo Pharma Americas, Inc.
May 2010	Sanda factory obtained approval for a factory manufacturing “Rescula® Eye Drops” from US Food and Drug Administration (FDA)
March 2011	Contract for developing, manufacturing and marketing of "Unoprostone" in regions other than Japan, China, Taiwan, Korean and North America, made with Sucampo Manufacturing and Research AG
April 2011	Kobe R&D Institute, established in Kobe City, Hyogo

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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