

19 March 2013

SBI Holdings, Inc.

### **Comments on FACTA ONLINE's Article**

SBI Holdings, Inc. (hereafter "SBIH") desires to comment on an article in the April 2013 issue of "FACTA ONLINE" published by Facta Publishing Ltd. (hereafter "the article"), since the article, as well as the past articles, contains not only unfounded writings which might generate misunderstandings among the SBI Group's stakeholders, including customers and stockholders of SBIH, but also malicious statements about the SBI Group.

SBIH will not tolerate this article, and is currently considering legal action.

1. First of all, we would like to inform you that, although the article concerning the appraised value of SBI Biotech Co., Ltd. (hereinafter "SBI Biotech"), a consolidated subsidiary of SBIH, states that the appraised value of the equity held by SBI Private Equity Fund III, a fund raised from investors, and that held by SBIH are different due to our arbitral appraisal of the two values, such statement is false and causes misunderstandings.

Accordingly, as we announced in the press release dated 25 December 2012, the shares-in-kind held by the SBI Private Equity Fund III were invested to receive the allotment of the shares of SBI Biotech, and the appraised value of such allotted shares was JPY 200,000 per share, as of the end of December 2012.

However, the value of the shares of SBI Biotech has not been announced for over one month and, in such case, according to the rules of the Investment Trusts Association, Japan, the acquisition value needs to be appraised at their net asset value per share for the last accounting period. Thus, we appraised the acquisition value of the SBI Private Equity Fund III at JPY 28,847.30 per share as of the end of January 2013.

Note that this does not mean the financial conditions of SBI Biotech have been changing significantly since the end of December 2012, and we consider that the difference of JPY 28,847.30 per share of the SBI Private Equity Fund III will correspond to the appraisal gain for the investors of the Fund in the future, since the appraised market value of SBI Biotech will continue to be JPY 200,000 per share.

On the other hand, the shares of SBI Biotech held by SBIH are appraised at their market value of JPY 200,000 as before, since the aforementioned rules of the Investment Trusts Association, Japan do not apply.

Therefore, we can confirm that the difference between the appraised value of the shares of SBI Biotech held by the SBI Private Equity Fund III and that of SBIH did not arise from any arbitrary or inappropriate practices on our part.

2. Furthermore, this article states that the auditing firm of the SBI Private Equity Fund III is Yusei Audit & Co., but such statement is also false. The SBI Private Equity Fund III is registered in Luxemburg, and is audited by Deloitte in Luxemburg, and not by Yusei Audit & Co. Moreover, Yusei Audit & Co. is not involved in auditing the privately-placed investment trusts which are invested by the Fund.

**\* About SBI Biotech Co., Ltd. and its subsidiary Quark Pharmaceuticals, Inc.**

SBI Biotech develops treatments for intractable illnesses, such as cancer and immune diseases, and innovative new drugs, taking advantage of a worldwide network of researchers. SBI Biotech focuses particularly on R&D related to multiple antibody pipelines of plasmacytoid dendritic cells (pDCs), which are drawing attention for their important role in natural immunity, (the intellectual property right necessary for developing and selling therapeutic agents for autoimmune diseases, such as ILT7, has been granted to MedImmune, LLC of the U.S.). In the nucleic acid pharmaceutical field, SBI Biotech has multiple pipelines of DNA-type nucleic acid (GNKG168: under clinical development in the U.S. concerning its application for the treatment of chronic and acute lymphatic leukemia; GNKS356: a therapeutic agent for autoimmune disease), partnering with China's Changchun Huapu Biotechnology Co. Ltd., and is also conducting clinical trials of immune cell therapy in collaboration with Baylor Research Institute of the United States.

Quark Pharmaceuticals, Inc. (hereafter "Quark"), a bioventure firm headquartered in California, U.S., leads the world in R&D on siRNA pharmaceuticals, and has a number of siRNA pipelines at clinical development levels. The global distribution rights of Quark's primary product under development, PF-665, a potential therapeutic agent for age-related macular degeneration diseases and diabetic macular edema, have been transferred to Pfizer, Inc. of the U.S., and development of PF-665 has entered the latter stage of Phase II clinical trials. The priority negotiating rights for the worldwide distribution rights of another Quark's primary products under development, QPI-1002, a potential therapeutic agent for acute nephropathy and delayed graft function, are held by Novartis International AG of Switzerland, and development of QPI-1002 is now in Phase II

clinical trials. Furthermore, Quark is independently conducting Phase II clinical trials for a potential therapeutic agent used to treat non-arteritic anterior ischemic optic neuropathy.

Based on the two companies' pipelines and the progress of their clinical trials, SBI Biotech is considered to be able to go public, in the light of the Mothers listing guidelines of Tokyo Stock Exchange. Accordingly, SBI Biotech is currently preparing for its IPO in the fiscal year ending December 2014, with Mizuho Securities Co., Ltd. as a lead managing underwriter.

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