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## **SBI HOLDINGS, INC.**

(Incorporated in Japan with limited liability)

(Stock code: 6488)

### **PRICE SENSITIVE INFORMATION AND OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.09(1) and (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached copy of the Announcement.

On behalf of the Board

**SBI Holdings, Inc.**

**Yoshitaka Kitao**

*Representative Director,*

*President & Chief Executive Officer*

Japan, 15 November 2012

*As of the date of this announcement, the executive Directors are Mr Yoshitaka Kitao, Mr Taro Izuchi, Mr Takashi Nakagawa, Mr Tomoya Asakura, Mr Shumpei Morita, Mr Noriaki Maruyama and Mr Peilung Li, the non-executive Directors are Mr Yasutaro Sawada, Mr Hiroyoshi Kido, Mr Noriyoshi Kimura, Mr Hiroshi Tasaka and Mr Takashi Okita and the independent non-executive Directors are Mr Masaki Yoshida, Mr Kiyoshi Nagano, Mr Keiji Watanabe, Mr Akihiro Tamaki and Mr Masanao Marumono.*

November 15, 2012  
SBI Holdings, Inc.  
(TOKYO: 8473 / Hong Kong: 6488)

## **SBIH to Turn Quark Pharmaceuticals into a Consolidated Subsidiary**

We are pleased to announce that SBI Holdings, Inc. (“SBIH”) has today decided to turn Quark Pharmaceuticals, Inc., one of our investee companies (“Quark”), into a consolidated subsidiary.

Quark is to become a consolidated subsidiary as Quark and Q-SFM, Inc. (“Q-SFM,” one of the consolidated subsidiaries of SBIH) will execute an absorption-type merger in which Quark will be the surviving entity and Q-SFM as a special purpose company will be the entity that ceases to exist after the merger (the “Merger”). Quark and Q-SFM each passed a resolution today to execute the Merger.

### 1. Purpose of Merger

Quark, which will be the surviving company in the Merger, was one of the investee companies of the biotechnology-related fund operated by the SBI Group. And, as the world’s leading enterprise in the field of research and development of siRNA pharmaceuticals, it was striving to expand its business by offering its shares to the public in the financial markets. However, in the aftermath of the global business downturn, it became increasingly difficult for enterprises such as Quark involved in the biotechnology-related business to raise funds in the financial markets and drive research and development single-handedly.

Meanwhile, the SBI Group has identified the biotechnology-related business as one of its flagship businesses and has invested in and loaned funds to various biotechnology-related enterprises in Japan and abroad. From the perspective of developing and streamlining its biotechnology-related business further, the SBI Group intends to move sequentially ahead with operational realignment of its biotechnology-related business.

SBIH and Quark held discussions repeatedly in light of these circumstances, and Quark has opted to play a role in the SBI Group’s biotechnology-related business with a view to realizing future business expansion. In addition, SBIH has decided to identify Quark as the core enterprise for realignment of its biotechnology-related business and hence decided to turn Quark into its consolidated subsidiary.

Quark, as a Californian bio-venture enterprise, leads the world in the field of research and development of siRNA pharmaceuticals, and holds a number of siRNA pharmaceuticals at clinical development levels. The development of a potential therapeutic agent for age-related macular degeneration and diabetic macular edema, one of the Quark’s primary developing products, has progressed to phase 2B clinical trial, with its global distribution rights transferred to Pfizer Inc. Quark also progressed to phase 2 clinical trial in its development of another key product, a potential therapeutic agent for acute renal dysfunction and post-transplant organic insufficiency, of which Novartis International AG (Switzerland) has a first refusal right of global distribution rights. In addition, Quark is independently conducting phase 2 clinical trial of a potential therapeutic agent for non-arteritic anterior ischemic optic neuropathy. These pipelines are expected to make a significant medium- and long-term contribution to SBI’s biotechnology-related business.

Q-SFM, which is to become the company that ceases to exist in the Merger, is a special purpose company established in the State of California on September 25, 2012, for the purpose of executing the Merger by means of a “Short-Form Merger” (for which a resolution of the general meeting of Quark’s shareholders would not be required) under the laws of California.

We have decided to carry out the Merger and thereby turn Quark into a consolidated subsidiary as we held

more than 90% of Quark's voting rights through Q-SFM, a proportion which was statutorily required for the Short-Form Merger, and obtained approval of an independent committee established within Quark and other established procedures under the laws of the State of California.

## 2. Summary of Merger

### (1) Time schedule for Merger

Date of Resolution of the Board of Directors	November 15, 2012
Date of Contract Conclusion	November 15, 2012
Date of Executing Merger (Effective Date)	December 7, 2012 (provisionally scheduled)

### (2) Method of Merger

We will adopt an absorption-type merger in which Quark will be the surviving entity and Q-SFM will be dissolved.

As stated earlier, Q-SFM currently holds more than 90% of the issued and outstanding shares of Quark, and hence intends to complete the relevant merger procedures by means of a Short-Form Merger in accordance with the laws of the State of California.

### 3. Overview of Entities Party to Merger (as of November 15, 2012)

	Surviving Entity in Absorption-Type Merger	Entity Ceasing to Exist in Absorption-Type Merger
(1) Name	Quark Pharmaceuticals, Inc.	Q-SFM, Inc.
(2) Location	6501 Dumbarton Circle, Fremont, California, USA	720 14 <sup>th</sup> Street Sacramento, California, USA
(3) Title and name of representative	Chairman & CEO Daniel Zurr	President & CEO Takeshi Irie
(4) Business description	Research and development of siRNA pharmaceuticals	Special purpose company
(5) Paid-in capital (USD in thousands)	115	104
(6) Date established	December 14, 1993	September 25, 2012
(7) No. of issued and outstanding shares	265,993,784	239,631,944
(8) Fiscal year end	December	December
(9) No. of employees	(Consolidated) 82	—
(10) Main business partners	Pfizer Inc., Novartis International AG	—
(11) Main bankers	Wells Fargo	Mizuho Corporate Bank
(12) Major shareholders and percentage of shares held	Q-SFM, Inc.: 90.16%	Fund operated by the SBI Group *1: 72.16%
(13) Relationship between listed company and entities party to merger		
Capital relationship	SBIH holds 90.16% of the issued and outstanding shares of Quark through	SBIH holds 72.16% of the issued and outstanding shares of Q-SFM through

	Q-SFM.	the funds operated by the SBI Group.*1
Personal relationship	SBIH dispatches two of the officers/employees of its subsidiaries to Quark as outside directors.	SBIH dispatches three of the officers/employees of its subsidiaries to Q-SFM as outside directors.
Business relationship	There is no reportable business relationship between SBIH and Quark. There is no reportable business relationship between the interested parties or affiliated companies of SBIH and the interested parties or affiliated companies of Quark.	There is no reportable business relationship between SBIH and Q-SFM. There is no reportable business relationship between the interested parties or affiliated companies of SBIH and the interested parties or affiliated companies of Q-SFM.
Status of interested party (as of March 31, 2012)	Quark does not fall under an interested party with regards to SBIH. The interested parties or affiliated companies of Quark do not fall under interested parties with regards to SBIH.	Not applicable as Q-SFM was established on September 25, 2012.

(14) Business results and financial condition in past three years

Fiscal year	Quark Pharmaceuticals (Consolidated)			Q-SFM*2		
	FY ended 12/2011	FY ended 12/2010	FY ended 12/2009	FY ended __/____	FY ended __/____	FY ended __/____
Consolidated net assets	-69,538	-37,383	-17,132	-	-	-
Consolidated total assets	12,562	17,571	15,690	-	-	-
Consolidated net assets per share (\$)	-5.89	-11.03	-5.06	-	-	-
Consolidated net sales	7,989	5,201	2,655	-	-	-
Consolidated operating income	-23,573	-21,021	-19,888	-	-	-
Consolidated recurring income	-24,964	-21,559	-19,801	-	-	-
Consolidated net income	-25,043	-21,842	-19,641	-	-	-
Consolidated net income per share (\$)	-5.80	-6.58	-2.13	-	-	-
Dividend per share	-	-	-	-	-	-

(In thousands of dollars unless specifically noted otherwise)

\*1 A total percentage based on the International Financial Reporting Standards (IFRS) criteria for subsidiary funds of SBIH.

\*2 There are no reportable financial results or financial conditions covering the past three years as Q-SFM is a new entity established on September 25, 2012.

4. Post-Merger Status

		Surviving Entity in Absorption-Type Merger
(1)	Name	Quark Pharmaceuticals, Inc.
(2)	Location	6501 Dumbarton Circle, Fremont, California, USA
(3)	Title and name of	Chairman & CEO Daniel Zurr

	representative	
(4)	Business description	Research and development of siRNA pharmaceuticals
(5)	Paid-in capital (USD in thousands)	104 (scheduled)
(6)	Fiscal year ended	December
(7)	Net assets	Not finalized at this time
(8)	Total assets	Not finalized at this time

#### 5. Future Outlook

The effect that the Merger will have on the business performance of SBIH is currently being fully examined, and will be disclosed as soon as it becomes known.

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For further information, please contact:

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