

This English translation is provided for the information purpose only. If any discrepancy arises between this translation and the Japanese original, the Japanese original shall prevail

**Notice regarding Partial Redemption Amount of the
1st Series Unsecured Bonds on February 18, 2013**

To Bondholders:

January 31, 2013
Covalent Materials Corporation

Covalent Materials Corporation (the “Company”) hereby announces that it has confirmed the partial redemption amount of the 1st Series Unsecured Bonds (with inter-bond pari passu clause) (ISIN Code: JP330135A829) (the “Bonds”) to be made on February 18, 2013 in accordance with the formula described in “8. Methods and Date of Redemption” of the Terms and Conditions of the Bonds, as noted below. Based on the calculations noted below, the Company will not redeem part of the principal amount of the Bonds on February 18, 2013, and will only make an interest payment on such date.

1. Formula to calculate the partial redemption amount of the Bonds

The formula to calculate the partial redemption amount of the Bonds is provided for as follows:

The Company shall redeem part of the principal amount of the Bonds on February 18, 2013, in the aggregate amount to the nearest but not exceeding the amount whichever is higher obtained by either of (i) deducting (x) the aggregate amount paid or to be paid for the Bonds agreed to be purchased by the Company during the period from October 15, 2012 to December 31, 2012 in accordance with the purchase offer for all holders of the Bonds at the purchase price of JPY 76 per face value of JPY 100 of each Bond with the maximum purchase amount of JPY 28,000,000,000 in the face value from (y) JPY 21,300,000,000, or (ii) deducting (x) JPY 3,000,000,000 and the aggregate purchase price of the Bonds through the purchase offer as set forth above (excluding the amount already paid) from (y) the aggregate amount of the cash and deposit and liquidity securities as shown on the consolidated balance sheet of the Company as of December 31, 2012, at JPY 100 per face value of JPY 100 of each Bond. The redemption amount per each Bond shall be the maximum JPY 1,000,000 or an integral multiple thereof as calculated by the above formula.

2. Calculation of the partial redemption amount of the Bonds based on the formula above

The partial redemption amount of the Bonds has been calculated as follows, based on the formula noted in 1. above.

(A) Since the total purchase amount of the Bonds agreed to be purchased pursuant to the purchase offer was equivalent to the maximum purchase amount of JPY 28,000,000,000 (total purchase price of JPY 21,280,000,000), the amount

calculated in accordance with 1.(i) above is JPY 20,000,000.

- (B) (i) Consolidated cash and deposit and liquidity securities
(as of December 31, 2012): JPY 6,882,349 thousand
- (ii) Remaining purchase price of the Bonds (JPY 17,360,000 thousand already
paid):

JPY 3,920,000 thousand

Deducting (ii), as well as JPY 3,000,000 thousand, from (i) above, equivalent to
the amount calculated in accordance with 1.(i) above, is JPY -37,651 thousand

Based on the calculations above, the maximum aggregate partial redemption amount
is JPY 20,000,000, and the partial redemption amount per Bond is less than the
minimum partial redemption amount of JPY 1,000,000 per Bond. Hence, the
partial redemption amount will be JPY 0, and no partial redemption of the Bonds
will be made on February 18, 2013.