

COVALENT

Covalent Materials Corporation
Nissei Bldg., 6-3, Osaki 1-chome, Shinagawa-ku,
Tokyo 141-0032, Japan

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July 30, 2012

To whom it may concern:

Covalent Materials Corporation

Re: Holding of Bondholders Meeting concerning Amendment to the Terms and Conditions (Extension of Maturity Date, etc.) of the 1st Series Unsecured Bond

At its board of directors meeting held today, Covalent Materials Corporation (the "Company") passed a resolution to hold a bondholders meeting to amend the terms and conditions that include the extension of the maturity date prescribed in the terms and conditions with respect to ¥55 billion in total of the 1st Series Unsecured Bond of the Company (with inter-bond pari passu clause) that the Company issued on February 18, 2008 (outstanding balance of ¥53.3 billion) (ISIN Code: JP330135A829) (the "Bonds").

1. Background and Reasons for the Amendment to the Terms and Conditions

The Company has completed a business transfer of its silicon wafer business to Sino-American Silicon Products Inc., (Taiwan) on March 29, 2012, and is currently concentrating its corporate resources on the highly competitive ceramics business, and focusing on establishing corporate structures that ensure profitability and lead to continuous growth as a specialized ceramics manufacturer. However, as at the end of March 2012, the Company did not hold sufficient funds to cover the redemption amount of ¥ 53.3 billion of the outstanding Bonds by the redemption date of February 18, 2013. Therefore, there was a situation that could lead to doubts in the Company's status as a going concern at the end of the latest fiscal year. This situation has not changed to this day. In order to overcome this situation, the Company has implemented structural reforms, led by the radical review of unprofitable businesses, special invitations for early retirement, a reduction of fixed charges, and seeking to enhance the Company's profitability and stabilize its cash management including funding. However, the Company is facing difficulty in funding the redemption amounts of all of the outstanding Bonds until the redemption date, February 2013. The financial condition of the Company must be promptly stabilized and doubts in the Company's status as a going concern need to be promptly dispelled, in order for the Company to continue business. For this purpose, we came to the conclusion that we must obtain

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the understanding of the bondholders to partially extend the redemption date of the Bonds and modify the Bonds to amortizing bonds over 6 years. For these reasons, we are making this proposal.

2. Outline of Amendment to the Terms and Conditions

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|-----|--|---|
| (1) | February 18, 2013
(current maturity date) | Redemption of ¥40 million per ¥100 million of each Bond |
| (2) | February 18, 2017 | Redemption of ¥20 million per ¥100 million of each Bond |
| (3) | February 18, 2018 | Redemption of ¥20 million per ¥100 million of each Bond |
| (4) | February 18, 2019 | Redemption of ¥20 million per ¥100 million of each Bond |

The interest rate of the Bonds will not change from the current rate of 2.87% per annum.

3. Holding of Bondholders Meeting concerning the Bonds

Amendment to the terms and conditions of the Bond will be determined through consultation at the bondholders meeting scheduled as stated below. The validity of the resolution of this bondholders meeting is subject to the approval of the Court.

Details

- (1) Date and time of the Bondholders Meeting
September 12, 2012 (Wednesday) at 3:00 PM (Tokyo time)
- (2) Venue for the Bondholders Meeting
"Basho" room, U-Port 6th floor
4-13, Nishi-Gotanda 8-chome, Shinagawa-ku, Tokyo
- (3) Purpose of the Bondholders Meeting
Partial amendment to the Terms and Conditions of the Bond
- (4) Substance of the Proposal
The Condition 8 (1) of the Terms and Conditions of the Bond regarding the redemption method and maturity date of the Bond shall be amended as follows:

(Before amendment)
With regard to the principal of the Bond, the total amount shall be redeemed on February 18, 2013 (the "redemption date").

(After amendment)

With regard to the principal of the Bond, ¥40 million shall be redeemed for each ¥100 million of the Bond on February 18, 2013, ¥20 million shall be redeemed for each ¥100 million of the Bond on February 18, 2017, ¥20 million shall be redeemed for each ¥100 million of the Bond on February 18, 2018 and ¥20 million shall be redeemed for each ¥100 million of the Bond on February 18, 2019 (the “final redemption date”).

In addition, along with these amendments, the “redemption date” referenced in the Terms and Condition of the Bonds shall be deemed to be replaced with the “final redemption date.”

4. Holding of Briefing Session for Bondholders on Amendment to the Terms and Conditions of the Bond

The Company will hold a briefing session for bondholders on amendment to the terms and conditions of the Bonds in advance of the bondholders meeting described in Section 3 above. At the briefing session, we will explain matters including the background leading up to the amendment to the terms and conditions of the Bond, the current situation of the Company and the Company's future strategies. Details such as the time and venue of the briefing session will be announced in early August. You are cordially invited to attend.

In addition, the Company may make further communications with individual bondholders for coming notification. For that purpose, bondholders are kindly requested to send the following information by email or facsimile to the Company at the contacts listed below: {1} trade name, headquarters location and name of representative (for corporations) or name and address (for individuals), {2} contact information (person in charge, address, telephone number, facsimile number and email address) and {3} the face amount in yen of the Bonds held. After hearing from you, we intend to send notices directly to you to the extent reasonably possible.

In addition to seeking the support of financial institutions, the Company is presently pushing forward on a number of fronts to improve financial strength and stability, and making every effort to build a corporate platform designed to generate sustainable profits and growth. We deeply apologize for causing tremendous burdens and issues for our bondholders and will act to implement a thorough business restructuring with the strongest resolve. We hope to receive your continued support in the future.

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*For inquiries regarding the bondholders meeting and the briefing session for bondholders:

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