

COVALENT

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

<Not for distribution in or into the United States>

The Purchase Offer is being initiated for the Bonds of the Company, a company incorporated in Japan. Although the Purchase Offer is being conducted in accordance with the procedures and information disclosure standards, if applicable, prescribed by Japanese law, these procedures and information disclosure standards may not always coincide with those of the United States. The rules and regulations promulgated under the U.S. Securities Exchange Act of 1934, in particular Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934, do not apply to the Purchase Offer and the Purchase Offer is not being conducted in accordance with the procedures and requirements thereunder. It may be difficult to enforce any right or claim arising under U.S. federal securities laws, since the Company is incorporated outside the United States and none of its directors are U.S. residents. Bondholders may not be able to sue a non-U.S. company and its directors in a non-U.S. court for violations of the U.S. securities laws. Bondholders may not be able to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's jurisdiction.

[Translation]

November 13, 2012

To Whom It May Concern

Covalent Materials Corporation

Re: Determination of Details of Offer to Purchase the 1st Series Unsecured Bonds

Covalent Materials Corporation (the "Company") announced in the press release "Re: Holding of Bondholders Meeting concerning Amendment to the Terms and Conditions (Extension of Maturity Date, Increase in Interest Rate, Increase in Redemption Amount, etc.) and Offer to Purchase the 1st Series Unsecured Bonds" dated September 13, 2012 that, in order to make the offer (the "Purchase Offer") to purchase ¥55 billion (outstanding balance of ¥53.3 billion) in total of the 1st Series Unsecured Bonds (with inter-bond pari passu clause) (ISIN code: JP330135A829) issued by the Company on February 18, 2008 (the "Bonds"), the procedures of offer to purchase the Bonds from all the bondholders would be commenced. The Company hereby announces that its board of directors resolved today the details of the Purchase Offer, as its proposal concerning an amendment to the terms and conditions of the Bonds has been approved as proposed at the bondholders meeting held on October 5, 2012, and approval of that resolution of the bondholders

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meeting has been obtained from the Tokyo District Court. The Company plans to cancel the entire amount of the Bonds purchased through the Purchase Offer promptly after their purchase.

1. Purpose of the Purchase Offer

As at the end of March 2012, the Company did not hold sufficient funds to cover the redemption amount of 53.3 billion yen of the outstanding Bonds by the redemption date, which was originally 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. In order to overcome this situation, promptly stabilize the financial condition of the Company and dispel material doubts in the Company's status as a going concern, the Company examined various options including the partial extension of the Bonds' maturity date of the Bonds while promoting drastic structural reforms. As a result of considering these various options, on September 13, 2012, the Company made a decision to make an offer to purchase the Bonds at a discount price of 76 million yen per 100 million yen of the principle amount of the Bond, up to approximately 21.3 billion yen which is the excess cash flow amount after deduction of the required working capital, on or before the end of December 2012, on the condition, among other things, that the agenda concerning the amendment to the terms and conditions of the Bonds, including extension of the maturity date, is approved at the bondholders meeting and that the court's approval is consequently obtained. In accordance with this decision, the Company held the bondholders meeting on October 5, 2012, at which the proposal concerning the amendment to the terms and conditions of the Bonds, including extension of maturity date, was approved as proposed. Furthermore, this resolution of the bondholders meeting was approved by the Tokyo District Court on October 12, 2012. The amendment to the terms and conditions of the Bonds took effect on the same date. Following the fulfillment of those conditions for the implementation of the Purchase Offer, the Company today resolved the details of the Purchase Offer.

For details related to the decision on making the Purchase Offer and the amendment to the terms and conditions of the Bonds, please refer to the press release "Re: Holding of Bondholders Meeting concerning Amendment to the Terms and Conditions (Extension of Maturity Date, Increase in Interest Rate, Increase in Redemption Amount, etc.) and Offer to Purchase the 1st Series Unsecured Bonds" dated September 13, 2012.

2. Bonds to be Purchased

Covalent Materials Corporation 1st Series Unsecured Bonds (with inter-bond pari passu clause)
(ISIN Code: JP330135A829)

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Overview of the Bonds (for reference)

Issue date:	February 18, 2008 (Amended on October 12, 2012)
Total issue amount:	¥55 billion (outstanding balance of ¥53.3 billion)
Maturity date:	February 18, 2017 Provided that the Bonds will be partially redeemed on February 18, 2013
Interest rate:	On or before February 18, 2013, 2.87% per annum On or after February 19, 2013, 4.25% per annum
Redemption amount:	On or before February 18, 2013, ¥100 million per ¥100 million of each Bond On or after February 19, 2013, the redemption amount will increase semi-annually at the rate of 2.5% per annum

3. Purchase Offer Period

From November 14, 2012 to December 13, 2012

4. Purchase Price

¥76 million per ¥100 million of each Bond

The Company will undertake the procedure necessary to transfer (i) ¥62 million yen per each Bond on a date falling within 5 business days after the expiration of the Purchase Offer Period described in 3. above (the "Purchase Offer Period") in exchange for the Bonds to be purchased and (ii) ¥14 million per each Bond on February 18, 2013. No interest shall accrue on the Purchase Price at any time.

5. Total Amount of Face Value of Bonds to be Purchased

Maximum Amount of Bonds to be Purchased	¥28 billion (approximately 52.5% of the outstanding balance of the Bonds)
Maximum Number of Bonds to be Purchased	280
Maximum Price of Bonds to be Purchased	¥21.28 billion

The Company will not purchase all or part of the amount exceeding the maximum amount. In such case, the Company will purchase the Bonds and make a settlement, including delivery of the Bonds, for the Purchase Offer in accordance with a pro rata calculation as described in 7.(5) below.

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6. Administrative Agent

Mizuho Securities Co., Ltd. 5-1, Otemachi 1-chome, Chiyoda-ku Tokyo

SMBC Nikko Securities Inc. 3-1, Marunouchi 3-chome, Chiyoda-ku Tokyo

Bondholders interested in participating in the Purchase Offer are kindly requested to open accounts with either of the administrative agents above (bondholders who already hold an account with either of the administrative agents are not required to newly open an account). Non-Japanese resident bondholders are recommended to open accounts at either of the administrative agents at an early stage, considering that this procedure tends to take longer for non-Japanese resident bondholders.

Contact information of the administrative agents regarding the Purchase Offer:

* Mizuho Securities Co., Ltd.

For bondholder already holding an account with Mizuho Securities Co., Ltd., please contact the person(s) in charge of your existing account.

Japanese Residents

Wealth Management Group

Address: JA Building, 3-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-6825

Tel: 03-6704-5365

Person in charge:

Mr. Nishigaki

(Email) futoshi.nishigaki@mizuho-sc.com

Non-Japanese Residents

Fixed Incomes Sales Dept I

Address: Otemachi First Square, 5-1, Otemachi 1-chome, Chiyoda-ku Tokyo 100-0004

Tel: +81-3-5208-2924

Persons in charge:

Mr. Kawamata

(Email) hiroyuki.kawamata@mizuho-sc.com

Mr. Hong

(Email) myungjun.hong@mizuho-sc.com

* SMBC Nikko Securities Inc.

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Japanese Residents

Institutional Business Operation

Address: Shin-Marunouchi Building, 5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100-6524

Tel: 03-3283-5660

Persons in charge:

Ms. Katakabe,

(Email) katakabe_noriko@smbcnikko.co.jp

Ms. Nagatani

(Email) nagatani_ayako@smbcnikko.co.jp

Mr. Hasegawa

(Email) hasegawa_tsuyoshi@smbcnikko.co.jp

Non-Japanese Residents

Overseas Client Operation/ Institutional Business Operation

Address: Fukagawa Gazaria W1, 5-55, Kiba 1-chome, Koto-ku, Tokyo 135-8532

Tel: +81-3-5857-0270

Persons in charge:

Ms. Sekiguchi

(Email) sekiguchi.atsuko@smbcnikko.co.jp

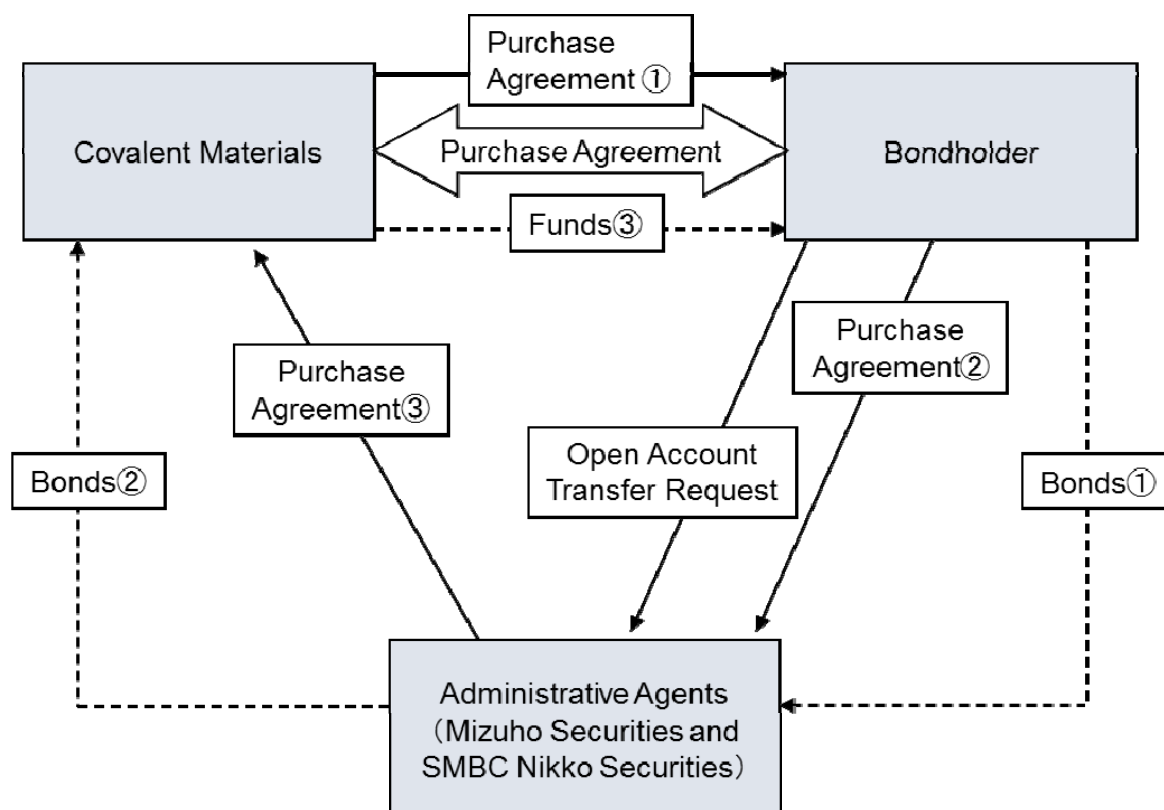
Mr. Tsuchiya

(Email) tsuchiya_takehiko@smbcnikko.co.jp

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7. Outline of Other Terms of the Purchase Offer

(Process Flow Chart)



The solid line indicates the deliveries of documents. Please note that the administrative agents are not a party to the Purchase Agreement.

The dotted line indicates transfers of the Bonds or funds.

The number indicates the sequential order of document deliveries or settlements.

* Please sign or affix a seal to the Purchase Agreement, account opening documents and transfer request made under the same name.

(1) Method of Application

- ① In order to participate in the Purchase Offer, a bondholder must enter into a purchase agreement (the “Purchase Agreement”) with the Company in the form designated by the Company. To process that application for the Purchase Offer, all required documents, including an executed original of the Purchase Agreement, must be received by the administrative agent with which an account has been opened to record the Bonds to be purchased, by 15:00 on the last day of the Purchase Period (for delivery of those documents by mail or any means other than hand delivery, please refer to the applicable administrative agent). The Company will send to the bondholders interested in participating in the Purchase Offer,

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upon request, a package of documents necessary to participate in the Purchase Offer, including the form of the Purchase Agreement. Such bondholders should contact the Accounting & Finance, Finance Group of the Company as described below.

- ② The administrative agents will accept applications for the Purchase Offer only if all of the Bonds submitted for sale by a bondholder participating in the Purchase Offer (the “Applicant Bondholder”) are recorded in an account opened by such Applicant Bondholder with either of the administrative agents. No application for the Purchase Offer made through financial instruments business operators other than the administrative agents may be accepted. Therefore, the Applicant Bondholders holding records of the Bonds in an account with financial instruments business operators other than the administrative agents will be required to complete a transfer (Note 1) of the records of their Bonds to an account opened with either of the administrative agents by 15:00 on the last day of the Purchase Period.
- ③ Bondholders who do not hold an account with either of the administrative agents will be required to open a new account with either of the administrative agents. Furthermore, identity verification documents (Note 2) and certain other documents designated by the applicable administrative agent must be prepared in order to open a new account. Please note that bondholders who already hold an account with either of the administrative agents may also be required to prepare identity verification documents in certain circumstances, including when there is a change in the bondholder’s registered information.
- ④ Please note that the procedures for the transfer of the Bonds described in ② above and opening a new account described in ③ above may take many days.

(Note 1) Transfer of the Bonds to accounts opened with the administrative agents

When the Bonds are transferred to an account opened with either of the administrative agents, in certain cases bondholders who already hold an account with either of the administrative agents will also be required to submit certain documents, including a necessary agreement to make the settlement of the Bonds through that account. The Applicant Bondholders are kindly requested to contact the administrative agent to whose account the Bonds are to be transferred, in advance, to obtain information on the necessary procedures and documents.

(Note 2) Identification Document

The identification documents required to be submitted by bondholders who open a new account with the administrative agent are as follows. For details regarding the identification documents and related matters, please contact the administrative agent with which an account will be opened.

Individual Bondholder	Any of a copy of a residence certificate (<i>jyumin-hyo</i>) (the
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	original of which must have been issued within the last 6 months), health insurance card (<i>kenkou-hoken-sho</i>) or driver's license or other similar document (which confirms the name, address and date of birth of the applicant).
Corporate Bondholders	Certificate of corporate registry (<i>toki-jiko-shomei-sho</i>) or other document issued by governmental authorities (which is issued within the last 6 months and confirms both the company's name and the location of the company's headquarters or main office). In addition to the identification of the corporate entity, an identification (submission of any of the documents described in "Individual Bondholder" above) of the person in charge of the execution of the Purchase Agreement (if the company's representative executes the Purchase Agreement, the company's representative) is required.
Non-Resident Bondholders	Documents issued by a foreign government recognized by the Japanese government or a competent international organization or any other similar organization thereto which must be equivalent to the identification documents required for Japanese residents.
Standing Proxy	The identification documents described above for the standing proxy and a copy of a power of attorney or written agreement for mandate agreement with the standing proxy (which confirms the name of the non-resident bondholder, the name of the non-resident bondholder's representative and the location of the non-resident bondholder outside Japan)

(2) Withdrawal of Application (Termination of Purchase Agreement)

The Applicant Bondholder may terminate the Purchase Agreement and revoke its application for the Purchase Offer at any time by 15:00 on the last day of the Purchase Offer Period. To terminate the Purchase Agreement, the Applicant Bondholder must provide a notice in the form designated by the Company (written notice stating the termination of this Agreement) to the administrative agent with which an account has been opened to participate in the Purchase Offer by 15:00 on the last day of the Purchase Offer Period. The termination of the Purchase

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Agreement will become effective at the time when such termination notice is received by the administrative agent. Please note that even if the Applicant Bondholder sends out the written termination notice before 15:00 on the last day of the Purchase Offer Period, the Purchase Agreement will not be terminated unless that termination notice is received by the administrative agent by 15:00 on the last day of the Purchase Offer Period.

In the event the Applicant Bondholder requests termination of the Purchase Agreement as described above, the Company will promptly return the Bonds in the manner described in (4) below, after the termination procedures are completed.

(3) Method of Settlement

Promptly after the expiration of the Purchase Offer Period, the Company will notify the Applicant Bondholder of the number and amount (face value) of the Applicant's Bonds to be purchased from the Applicant Bondholder.

The Company will pay to the Applicant Bondholder (i) ¥62 million yen per each Bond to be purchased on the day agreed to between the Company and the administrative agents and to be announced, which falls within 5 business days after the expiration of the Purchase Offer Period, in exchange for the Purchased Bonds and (ii) ¥14 million per each Purchased Bond on February 18, 2013, by fund transfer to the account designated by the Applicant Bondholder, provided, however, that any remittance charges that may be incurred due to such fund transfer being to an overseas account shall be borne by the Applicant Bondholder and the Company will deduct the amount of any such charges from the payment above. No interest will accrue on the purchase price of the Bonds at any time.

The administrative agents will take no part in the payment (fund transfer). The funds obtained through the purchase will be transferred to the bondholders directly from the Company. For any questions relating to the tax consequences of the settlement of the Purchase Offer, bondholders should consult with their respective tax experts to make a judgment at their own responsibility.

(4) Return of the Bonds

If the purchase of the Bonds submitted for the Purchase Offer is not undertaken in whole or in part pursuant to (5) or (6) below, the Company will return the applicable Bonds to the Applicant Bondholder by making a transfer of such Bonds from the account opened with the administrative agent to participate in the Purchase Offer to the account on the book-entry transfer institution in which such Bonds were originally recorded promptly after the day on which the Company determines not to purchase such Bonds (or the date of withdrawal of the Purchase Offer or termination of the Purchase Agreement as may otherwise be applicable) unless otherwise agreed to

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between the Applicant Bondholder and the administrative agent with which such Applicant Bondholder opened an account.

(5) Other Conditions and Methods of the Purchase Offer

If the total number of the Bonds submitted for sale by the holders of the Bonds pursuant to the Purchase Offer (the “Accepted Bonds”) exceeds the maximum number of Bonds to be purchased as described in 5. Above (the “Maximum Number”), the number and amount (face value) of the Bonds to be purchased from the Applicant Bondholders will be amended as determined on a pro rata basis in accordance with ① through ③ below.

- ① The number of the Accepted Bonds of each bondholder will be multiplied by the ratio of the Maximum Number against the aggregate number of Accepted Bonds, with any fraction less than one resulting being rounded up or down to the nearest whole number.
- ② If the total number of the Accepted Bonds to be purchased calculated by rounding up or down the number of the Bonds to be purchased from each Applicant Bondholder that is less than one resulting from the calculation described in ① above does not reach the Maximum Number, additional one Accepted Bond per each Applicant Bondholder will be purchased in the order from the Applicant Bondholder with the largest rounded-down portion until the total number of the Bonds to be purchased reaches the Maximum Number; provided, however, that if multiple Applicant Bondholders have equal rounded-down portions and purchasing additional Bonds from all of such Applicant Bondholders through this procedure would result in the Company purchasing more Bonds than the Maximum Number, the Company will resort to a lottery to select just enough of the equally ranked Applicant Bondholders to enable the Company to purchase no fewer than the Maximum Number of the Bonds.
- ③ If the total number of the Accepted Bonds to be purchased calculated by rounding up or down the number of the Bonds to be purchased from each Applicant Bondholder that is less than one resulting from the calculation described in ① above exceeds the Maximum Number, one Accepted Bond per each Applicant Bondholder will be reduced in the order from the Applicant Bondholder with the largest rounded-up portion until the total number of the Bonds to be purchased is reduced to the Maximum Number; provided, however, that if multiple Applicant Bondholders have equal rounded-up portions and reducing the Bonds to be purchased from all of such Applicant Bondholders would fall short of the Maximum Number, the Company will resort to a lottery to select just enough of the equally ranked Applicant Bondholders to enable the Company to purchase no fewer than the Maximum Number of the Bonds.

Please note that in the event that the Applicant Bondholders from which the Accepted Bonds will

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be purchased are determined by a lottery in ③ above, there is a possibility that no Bonds will be purchased from the Applicant Bondholders who submit only one Bond (face value of ¥100 million) for the Purchase Offer.

(6) Revision, Withdrawal and Termination

- ① The Company may revise the terms and conditions of the Purchase Offer to the extent such revision does not adversely affect the Applicant Bondholder's rights and obligations. When revising the terms and conditions of the Purchase Offer, the Company will post a notice setting out the details of such revision on its website (<http://www.covalent.co.jp/>) and notify the same to the Applicant Bondholder without delay. In the event the terms and conditions of the Purchase Offer are revised, the Purchase Agreement will be deemed to be automatically amended accordingly at the time when notice of such revisions is posted on the website above to the extent as so notified.
- ② In the event the Purchase Offer violates, or is likely to violate, any applicable laws and regulations, the Company may terminate the Purchase Agreement. When terminating the Purchase Agreement, the Company will post a notice regarding such termination on its website (<http://www.covalent.co.jp/>) and notify the same to each Applicant Bondholder without delay. Upon such posting on the website and notification to each Applicant Bondholder, the Purchase Agreement will be terminated.

* For inquiries regarding this matter:

Accounting & Finance, Finance Group,
Covalent Materials Corporation

For English communication, please contact us at the E-mail address below.

(E-mail: IR-contact@covalent.co.jp Mobile: +81-70-6526-8230)

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The contents of this press release have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this press release, you should obtain independent professional advice.

Nothing in this press release is intended to be an offering of any Bonds or any form of securities in Hong Kong, by means of any document. Any offer to repurchase the Bonds is only available to existing holders of the Bonds who are (a) "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made thereunder; or (b) in other circumstances which do not result in the press release or any accompanying document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong ("CO") or which do not constitute an offer to the public within the meaning of the CO.

No advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued other than with respect the Bonds which are or are intended to be acquired only from persons outside Hong Kong or only from existing holders of the Bonds who are "professional investors" as defined in the SFO and any rules made thereunder or whose dealings are otherwise permitted under the SFO or the CO.