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December 26, 2014

To Bondholders:

6-3, Osaki 1-chome, Shinagawa-ku, Tokyo  
Covalent Materials Corporation  
Toshio Nagahama, Representative Director and President

**Notice regarding an Early Redemption of Entire Amount and Occurrence of Redemption Option Event of the 1st Series of Unsecured Bonds (with Inter-Bond *Pari Passu* Clause)**

Covalent Materials Corporation (the “Company”) hereby announces that, as of today, it determined to make early redemption on February 18, 2015 of the entire amount of its 1st Series of Unsecured Bonds (with inter-bond *pari passu* clause) , which were issued by the Company as of February 18, 2008 (ISIN code: JP330135A829) (the “Bonds”), in accordance with Condition 8, Items (3) and (5) of the terms and conditions of the Bonds (which refers to the amended terms and conditions of the Bonds that (i) was approved by resolution at the bondholders’ meeting held on October 5, 2012 and (ii) was approved by the Tokyo District Court as of October 12, 2012; the same shall apply hereinafter) as follows, and that, as of today, the event triggering the option of the bondholders to request for redemption of the Bonds (the “Redemption Option”) set forth in Condition 8, Item (4) of the terms and conditions of the Bonds has occurred. If a bondholder does not exercise the Redemption Option, the entire amount to be redeemed to such bondholder will be early redeemed on February 18, 2015 with the interests accrued up to and including such early redemption date. However, if a bondholder exercises the Redemption Option and receive the redemption amount prior to February 18, 2015, as the amount of interest payable to such bondholder shall be the interest accrued up to and including the date of such redemption, such amount falls below the amount such bondholder would receive as a result of the early redemption of the entire amount on February 18, 2015.

**I. Early Redemption of Entire Amount**

**1. Name of Bonds to be Early Redeemed**

Covalent Materials Corporation 1st Series of Unsecured Bonds (with inter-bond *pari passu* clause)

**2. Date of Early Redemption**

February 18, 2015

The Bonds shall bear no interest after the date of early redemption.

**3. Early Redemption Price**

105 yen per face value of 100 yen per each Bond

**4. Redemption Amount per each Bond**

97,650,000 yen (the principal amount of each Bond was initially 100,000,000 yen, and a part of which was redeemed as of August 18, 2014; the balance of the principal of each Bond after such redemption is 93,000,000 yen, and the redemption amount will be calculated on the basis of 105 yen per face value of 100 yen of such outstanding principal amount), plus interest to be accrued up to and including the date of early redemption (half year's interest accrued on the above-mentioned principal amount of 93,000,000 yen at the rate of 4.25% per annum).

On or after the date of early redemption, the redemption amount will be paid to each bondholder in accordance with the Act on Book-Entry Transfer of Company Bonds, Shares, etc., the regulations of the Japan Securities Depository Center, Inc. and other rules and regulations.

**II. Occurrence of Redemption Option Event**

**1. Name of Bonds subject to Redemption Option**

Covalent Materials Corporation 1st Series of Unsecured Bonds (with inter-bond *pari passu* clause)

**2. Date on Which Redemption Option Event Occurred**

December 26, 2014

**3. Reason for Occurrence of Redemption Option Event**

Carlyle Japan Partners II, L.P., Carlyle Japan International Partners II, L.P., CJP Co-Investment II A, L.P., CJP Co-Investment II B, L.P., Unison Capital Partners II(F), L.P., Unison Capital Partners II, L.P., UC Mask Investors 2(F), L.P., UC Mask Investors, L.P. and UC Mask Investors (F), L.P., who are the shareholders of the Company (collectively, the "Controlling Shareholders") have transferred all shares of the Company held by the Controlling Shareholders (95.2% of the total number of voting rights) to CoorsTek, Inc.

(HQ: Golden, Colorado, USA; “CoorsTek”), and as a result, as of today, December 26, 2014, the number of voting rights held by the Controlling Shareholders has fallen below two-thirds of the total number of voting rights of the Company based on the Company’s shareholders’ register, which has triggered the “Change of Control Event” set forth in Condition 8, Item (4)(a) of the terms and conditions of the Bonds. Upon the occurrence of such Event, the Redemption Option has arisen.

**4. Redemption Price**

105 yen per face value of 100 yen of each Bond

**5. Redemption Value per each Bond**

97,650,000 yen (calculated on the basis of 105 yen per face value of 100 yen with respect to the outstanding principal amount of 93,000,000 yen for each Bond) plus interests to be accrued up to and including the redemption date. As the amount of accrued interests shall be the interests accrued up to and including the date of redemption as described above, such interest amount falls below the interest amount to be paid as a result of the redemption referred to in I. above. The Bonds shall bear no interest after the redemption date.

**6. Exercise of Redemption Option**

In order to exercise the Redemption Option, due to constraints under the book-entry transfer system for bonds and any other factors, the Company offers an option to sell the Bonds at an amount equal to an aggregate of the redemption amount plus accrued interests through a specific domestic securities company designated by the Company (the “Designated Securities Company”) (See “III. Purchase of Bonds by Company” below.). Any bondholder who takes this option is required to hold an account at the Designated Securities Company; therefore, if such bondholder does not hold such account, he/she is required to take procedures of opening such account separately. Since opening an account takes time, the procedures of opening the account may not be completed by the expiry of the period for which request for redemption may be made as set forth in (1) below, depending on the progress of the procedures. Please be advised in advance that in such case, the relevant Bonds shall be redeemed pursuant to the early redemption of the entire amount on February 18, 2015 (the “Early Redemption”).

(1) Period for Which Request for Redemption May be Made

From December 26, 2014 to January 19, 2015

Since the Company plans to conduct the Early Redemption as of February 18, 2015, as

described in I. above, if the notice required for making request for redemption reaches the Company on or after January 20, 2015, the Company will redeem such Bonds through the Early Redemption, not as the redemption pursuant to the request for redemption, because the date of Early Redemption pursuant to I. above will arrive before the redemption date upon exercise of redemption option by bondholders pursuant to the terms and conditions of the Bonds.

(2) Redemption Date

The Company shall redeem the relevant Bonds on a day designated by the Company within 30 days after the request for redemption in an appropriate form has reached the Company. The Company will separately notify the redemption date to each bondholder who has made the request for redemption.

(3) Method of Exercise of Redemption Rights

Please contact the following corporate contacts if any bondholder wishes to make a request for redemption. Explanation on the necessary documents, etc. for the procedures and the detailed method of exercise of the Redemption Option will be made at the following corporate contacts.

[Corporate Contacts with respect to the Early Redemption and the Redemption Option]

Covalent Materials Corporation

Accounting & Finance, Finance Group

Tel: +81-3-5437-8405 Fax: +81-3-5437-7254

President's Office, Legal Group

Tel: +81-3-5437-6240 Fax: +81-3-5437-7254

E-mail: IR-contact@covalent.co.jp

### **III. Purchase of Bonds by Company**

Due to constraints under the book-entry transfer system for bonds and any other factors, as described in II. 6. above, in order to simplify the procedures, the Bonds may be purchased by the Company (that is, sale of the Bonds by the bondholders), in place of being redeemed upon the exercise of the Redemption Option. Any bondholder who wishes to apply for the purchase by the Company is kindly requested to take the procedures for the sale after confirming the following.

### **1. Method of Application for Purchase**

As the bondholders are required to sell their Bonds to Mizuho Securities Co., Ltd. (“Mizuho Securities”) (Please note that Mizuho Securities might continue to hold such Bonds until the date of Early Redemption), a relevant bondholder is required to (i) open a transaction account with Mizuho Securities (a relevant bondholder who already has a transaction account is not required to open a new account) and (ii) make an account transfer of the relevant Bonds to an account opened at Mizuho Securities (such is not necessary if the relevant Bonds are held in an account at Mizuho Securities) under the book-entry transfer system during the application period set forth in 2. below. Explanation on the opening of a transaction account and the detailed method of selling the Bonds will be made by Mizuho Securities’ contact person set forth below.

### **2. Application Period**

From December 26, 2014 to January 19, 2015

Since the Company plans to conduct the Early Redemption as of February 18, 2015, as described in I. above, the Bonds for which an application for purchase is made on or after January 20, 2015 will be redeemed through Early Redemption. Please note that the bondholders who apply for the purchase on or after January 20, 2015 may sell such Bonds to a third party freely until the date of Early Redemption.

### **3. Date of Purchase**

The purchase will be conducted within the month of January 2015, depending on the status of the procedures of the application for purchase.

[Contact person with respect to the Purchase of Bonds]

Mizuho Securities Co., Ltd.

Debt Capital Markets Dept. II

Tomohiro Nakano

Tel: +81-3-5546-4987

E-mail: tomohiro.nakano@mizuho-sc.com