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To Our Bondholders:

July 25, 2014  
Covalent Materials Corporation

**Notice Regarding a Partial Early Redemption of 1st Series Unsecured Bonds**  
**(with Inter-Bond Pari Passu Clause)**

Covalent Materials Corporation hereby announces that it will make early partial redemption of its 1st Series Unsecured Bonds (with inter-bond pari passu clause) which were issued on February 18, 2008 (ISIN Code: JP330135A829) (the “Bonds”) in accordance with paragraph 8, items (3) and (5) of the terms and conditions of the Bonds (as amended by a resolution passed at the bondholders’ meeting of the Bonds held on October 5, 2012 and approved by the Tokyo District Court on October 12, 2012) (the “Redemption”) with details as follows.

**1. Bond name to be Partially Redeemed**

Covalent Materials Corporation 1st Series Unsecured Bonds (with inter-bond Pari Passu Clause)

**2. Date of Early Redemption**

August 18, 2014

**3. Details of the Redemption**

|   |                        |
|---|------------------------|
| Early redemption price per face value of 100 yen of each Bond:                  | 103.75 yen             |
| Principal amount to be redeemed per face value of 100 million yen of each Bond: | 7 million yen          |
| Redemption amount per face value of 100 million yen of each Bond:               | 7.2625 million yen     |
| Balance of principal of each Bond after Redemption:                             | 93 million yen         |
| Total amount of Redemption:   | 1,837.4125 million yen |
| Total principal amount to be redeemed:  | 1,771 million yen      |
| Balance of principal after the Redemption:                                      | 23,529 million yen     |

**4. Funding for the Redemption**

Funding for the Redemption will be provided with a reserve in the Sinking Fund in accordance with paragraph 11, item (2) of the terms and conditions of the Bonds, in the amount of 340,197,406 yen, and cash on hand as surplus fund, in the amount of 1,497,215,094 yen, a total of 1,837,412,500 yen.

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