



SHINAGAWA

News Release  
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For Immediate Release

**Shinagawa Refractories Announces Acquisition Completion of Saint-Gobain's Refractories business in Brazil and Alumina-based Wear Resistant Ceramics business in the United States**

Tokyo - Shinagawa Refractories Co., Ltd (hereafter "Shinagawa") today announces that it has agreed with Saint-Gobain S.A. to complete the acquisition of the Brazilian Refractories business and the Alumina-based Wear-Resistant Ceramics business in the United States from Saint-Gobain S.A. on December 29, 2022.

**Acquisition Rationale**

The acquisition of the Brazilian Refractories Business represents a natural extension of our long-standing collaboration with Saint-Gobain in Brazil, whereby Shinagawa has been supplying technology for the manufacture of iron and steel refractory products. This relationship dates back to 1991 when Shinagawa first started licensing technology for the production of tap-hole mix for the Brazilian market. In recent years, Saint-Gobain in Brazil has also represented Shinagawa for the sale of refractory products made in Japan for the South American markets for iron and steel, cement, and other industries. This acquisition allows Shinagawa to further penetrate the South American market for various industries by providing Shinagawa with its own production base with well-established customer service networks.

The acquisition represents a unique opportunity for Shinagawa to establish a leading position in the growing Brazilian refractories market. Through this acquisition, Shinagawa will support the next phase of growth for the business through supplying technology for a wider range of in-demand products, as well as sharing operational best-practice know-how to further enhance competitiveness of the business, thereby promoting further growth and synergies.

The acquisition of the United States Alumina-based Wear-Resistant Ceramics Business represents a new and attractive adjacent non-refractories product offering for Shinagawa in the United States, complementing Shinagawa's existing offering for the North American iron & steel industry. Shinagawa has been in the business of Wear-Resistant Ceramics in Japan through Shinagawa Fine Ceramics Co., Ltd. and this acquisition enables Shinagawa to tap into global market for the first time. Further



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strengthening of our non-refractories business was a key objective identified in our 5<sup>th</sup> mid-term plan for the period 2021 to 2023 and this acquisition represents the perfect opportunity for Shinagawa to implement this strategy.

Increasing cost pressure in customers' end-markets, the ever increasing need to prolong the working life of industrial equipment, and expected upcoming increases in infrastructure spending will create even more need for abrasion, erosion and corrosion protection in industrial equipment, thereby further expanding the market size and potential. Leveraging the strong client relationships, local market knowledge, and materials and machining expertise of its talented workforce, Shinagawa intends to fully support the business to maximize value from the attractive market opportunity.

These acquisitions represent a significant increase in the size and importance of Shinagawa's overseas business, the strengthening of which was a key objective of our 5<sup>th</sup> mid-term plan, covering the period from 2021 – 2023. In addition, they will provide a strong platform for further growth in these attractive two markets and offer added diversification and resilience to Shinagawa's earnings profile.

### **Overview of the acquired businesses**

#### **1. Brazilian Refractories Business**

Operating from a state-of-the-art production facility in Vinhedo, in the State of Sao Paulo, Brazil, the business is a leading supplier of refractory ceramics for the iron & steel industry in Brazil, with strong market positions with the leading Brazilian steel manufacturers. The Vinhedo facility produces a full range of refractory products for the Brazilian iron and steel industry including blast furnace lining and repair products, trough and runner products, tap-hole mix, torpedo car solutions and EAF linings. In addition, the business offers refractory solutions for a growing number of customers in other industries including foundry, non-ferrous metals, petrochemicals, and cement.

Employing more than 300 individuals, the Brazilian Refractories Business benefits from a talented and knowledgeable management team and a highly skilled workforce, with an outstanding commitment and track-record for quality and safety. We look forward to welcoming the management and employees to Shinagawa and supporting their further growth and development in the South American market.



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The business generated sales of BRL394 million (¥9.9 billion at ¥25/BRL) during the calendar year 2021.

The business to be acquired was previously part of Saint-Gobain Do Brasil Produtos Industriais E Para Construcao LTDA, a wholly owned subsidiary of Saint-Gobain S.A. The target business has been transferred to a new legal entity called SR do Brasil Ltda. Shinagawa has established a wholly-owned subsidiary holding company in Brazil, Shinagawa Participações Do Brasil Ltda, and the acquisition will be implemented via a purchase of 100% of the outstanding shares of SR do Brasil Ltda by Shinagawa Participações Do Brasil Ltda.

## 2. United States Alumina-based Wear-Resistant Ceramics Business

Operating from a single production facility in Latrobe, PA (close to Pittsburgh), the business produces a range of market-leading wear-resistant alumina products under the brand name Durafrax®. These premium wear-resistant ceramics are supplied in both standard sizes and pre-engineered shapes, highly customized to customer requirements. These products are used to provide abrasion protection, reduce wear-and-tear, and enhance the lifespan and sustainability of industrial processing equipment in a variety of end markets, including mining and mineral processing, iron and steel, asphalt, and energy.

The highly skilled management and workforce at Latrobe specialize in providing highly customized and value-added pre-engineered ceramic shapes that offer abrasion resistance, corrosion resistance, impact / shock resistance and thermal insulation, thereby drastically improving the performance, lifetime, and sustainability of industrial machinery. The high-performance alumina products outlast carbon steel by 5 – 10x, are FDA approved, and can be engineered into almost any shape to provide uniform protection in any operating environment.

The business generated sales of US\$9 million (¥1.2 billion at ¥130/\$1) during the calendar year 2021. The business employs around 50 individuals.

The business to be acquired is currently part of Saint-Gobain Ceramics & Plastics, Inc., a wholly owned subsidiary of Saint-Gobain S.A. Shinagawa has established a new wholly owned subsidiary in the United States, Shinagawa Specialty Ceramics Americas LLC, which will purchase the business via an asset transfer.