

## Enhancing a Stable Supply System for the Magnet Business in China and Preparing to Enter the EV Motor Market

– New investment in a Chinese magnet processing subcontractor–

Aichi Steel Corporation (Headquarters: Tokai, Japan, President: Takahiro Fujioka) engages in the systematic production of MAGFINE®<sup>\*1</sup> dysprosium (Dy) free bonded magnets that contain no heavy rare earth from the magnetic powder stage. In the aim of enhancing the stable supply system for current Chinese clients and achieving full-scale market entry into China, which is set to become the world's largest market for EV motors, Aichi Steel Corporation will invest in Zhejiang Aichi Mechanical & Electrical Co., Ltd. (Headquarters: Pinghu Economic Development Zone, Zhejiang Province, Chairperson: Liu Xingwei), to which the fabrication of magnetic powder (product name: MAGFINE®) has been subcontracted.

Zhejiang Aichi is supplied magnetic powder from Aichi Steel Corporation's Seki Plant (Seki-shi, Gifu prefecture), fabricates a compound by mixing it with resin, and then supplies bonded magnetics to automobile seat motors, electric tools, and motorized beds for the domestic Chinese market. For now, it will increase its manufacturing power by engaging in fine-tuned response to the quality, cost and deadline demands of customers through production technology support that Aichi Steel Corporation has already conducted. In FY2018, Aichi Steel Corporation's direct injection formation technology<sup>\*2</sup> will be transferred and fused with the company's design proposal ability to promote joint development with new clients and push forward with a view to future entry into the EV motor market.

Going forward, Aichi Steel Corporation will further accelerate the cultivation and enhancement of next-generation businesses to steadily determine new business opportunities and contribute to creating a next-generation mobility smart society.

\*1 Dy free bonded magnet "MAGFINE®": Magnets made by fixating anisotropic neodymium (Nd) magnet powder in which no Dy, a heavy rare earth, has been used, with various types of plastic

\*2 direct injection formation technology: Molding method in which resin is heated and used to fill dies (established in 2015). With conventional technology, the magnets were cut and adhered to the rotor core (lamination steel) during motor assembly. However, the use of unified ejection formation technology has made it possible to achieve the ideal magnet shapes required by customers. Joint development and sales expansion initiative are being promoted for a wide range of uses including home appliances and energy.

### [Outline of company to be invested in (Zhejiang Aichi Mechanical & Electrical Co., Ltd.)]

1. Company name: Zhejiang Aichi Mechanical & Electrical Co., Ltd
2. Location: 588-7-2 Xinhe Road, Pinghu Economic Development Zone, Zhejiang province, People's Republic of China
3. Establishment: October 2016
4. Capital: 18 million yuan (approx. 300 million yen)
5. Investment amount: 9 million yuan (approx. 150 million yen)  
(capital after investment: 27 million yuan (approx. 450 million yen))
6. Investment ratio: Aichi Steel Corporation: 33.3%, Zhejiang Aichi Mechanical & Electrical Co., Ltd.: 66.7%
7. Organization:  
Chairperson: Liu Xingwei (Pinghu Geor Chi Electronics Co., Ltd.)  
Vice-Chairperson: Takashi Ishigami (Aichi Steel Corporation Director and Managing Executive Officer)  
Chief Executive Officer: Tao Siwu (Employee of Aichi Steel Corporation)  
Director: Chen Qinan (Pinghu Geor Chi Electronics Co., Ltd.)  
Auditor: Xu Haiying (Geor Chi Electronics (Shanghai) Co., Ltd.)  
Auditor: Hiroaki Chino (Aichi Steel Corporation Director and Managing Executive Officer)
8. Employees: 61
9. Main business: Bonded magnet MAGFINE® compression molding, injection formation



The merger agreement signing ceremony