



ESON

ESON Precision Engineering Co.,Ltd



ESON-KY (5243)



Reporter : JC Chang

Contents



ESON

Previous Performance



Product & vision



Criteria of USMCA

Previous Performance

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| ESON | FY 2016 | | FY 2017 | | FY 2017 Q1-Q3 | | FY 2018 Q1-Q3 | |
|------------------|---------------|-------|---------------|-------|---------------|-------|---------------|-------|
| | NTD (100M) | % | NTD (100M) | % | NTD (100M) | % | NTD (100M) | % |
| Capital fund | 17.35 | | 17.35 | | 17.35 | | 17.35 | |
| Net sales | 108.62 | | 108.77 | | 78.61 | | 73.68 | |
| Cost of sales | 94.34 | | 92.04 | | 66.29 | | 63.31 | |
| Gross profit | 14.28 | 13.2% | 16.73 | 15.4% | 12.32 | 15.7% | 10.37 | 14.1% |
| Gross profit | 10.44 | 9.6% | 11.03 | 10.1% | 8.23 | 10.5% | 7.61 | 10.3% |
| Operating profit | 3.84 | 3.5% | 5.70 | 5.2% | 4.09 | 5.2% | 2.76 | 3.8% |
| PBT | 4.37 | 4.0% | 4.90 | 4.5% | 3.56 | 4.5% | 3.37 | 4.6% |
| Income tax | 0.79 | 0.7% | 0.58 | 0.5% | 0.37 | 0.5% | 0.89 | 1.2% |
| Net income | 3.58 | 3.3% | 4.32 | 4.0% | 3.19 | 4.1% | 2.48 | 3.4% |
| EPS | 2.18 | | 2.50 | | 1.85 | | 1.40 | |

2018 FCST & Product Categories

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| | TV | Tools | Server | Auto | 3C |
|---------------|---|--|---|---|---|
| Products |  |  |  |  |  |
| 2016 Rev. % | 70.97% (NTD77.09) | 6.62% (NTD7.20) | 6.11% (NTD6.64) | 4.18% (NTD4.54) | 9.99% (NTD10.85) |
| 2017 Rev.% | 64.85% (NTD70.5) | 10.80% (NTD11.74) | 10.82% (NTD11.77) | 8.29% (NTD9.02) | 4.52% (NTD4.9) |
| 2018 Q3 Rev.% | 49.78% | 12.76% | 16.04% | 18.36% | 1.89% |

Product Milestone

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1987

2001

2010

2016

Product Milestone



- Metal product tools
- Home appliance tools export
- Automotive tools export

Tooling Product



- Notebook/ PC
- Game console
- Network server
- TV mechanical component

Consumer Product



- Anodizing
- Laser embedding
- Diamond cutting
- High-Gloss UV painting
- Evaporation/deposition
- Water transfer print/ heat transfer print

Surface Treatment



- Auto parts stamping/ injection
- Light weight mechanical parts
- Cloud server
- IPC server

Automotive Product

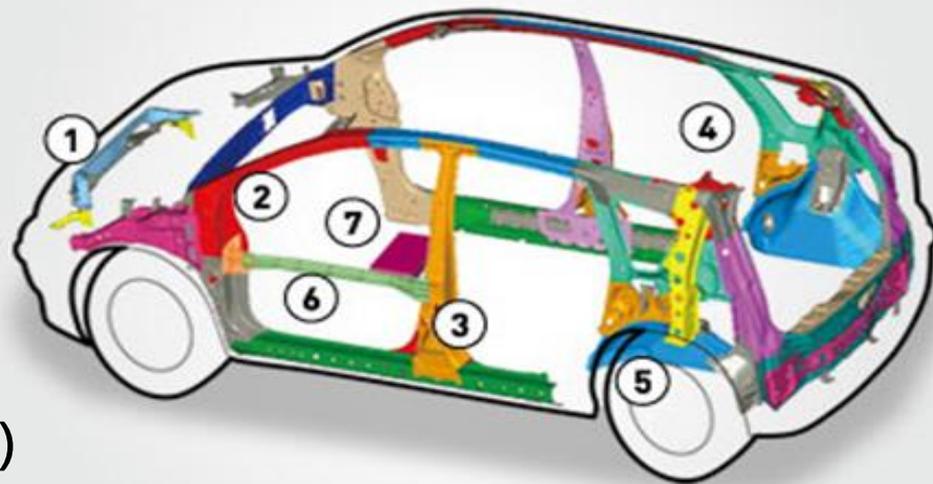
Product Tooling

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With experience and capability on
below automotive parts tooling design

1. Engine inner and outer cover
2. Automotive structure A , B , C column
3. Wheel Housing
4. Door Beam
5. Seat rail
6. Other (tank, door frame, chassis parts, etc.)

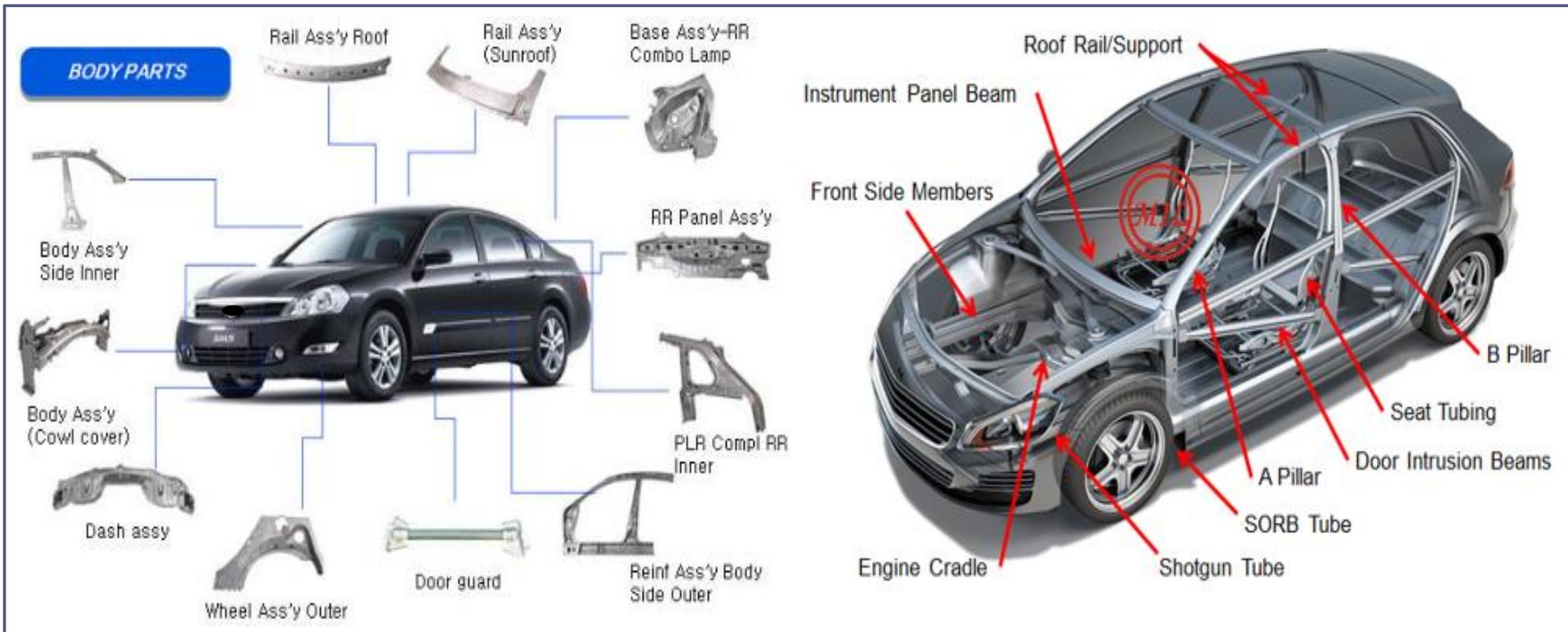
Major volume production items



Automotive parts

Body Parts

Inner Structure Parts



Production Capacity

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✓ Injection Machine(2000T-1000T-800T-800T-1600T)



Production Capacity

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✓ Stamping Machine(1600T-800T-800T-630T-630T)





Product of Cloud Server

P10/17

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Product of Consumer



Approx
0.2 in



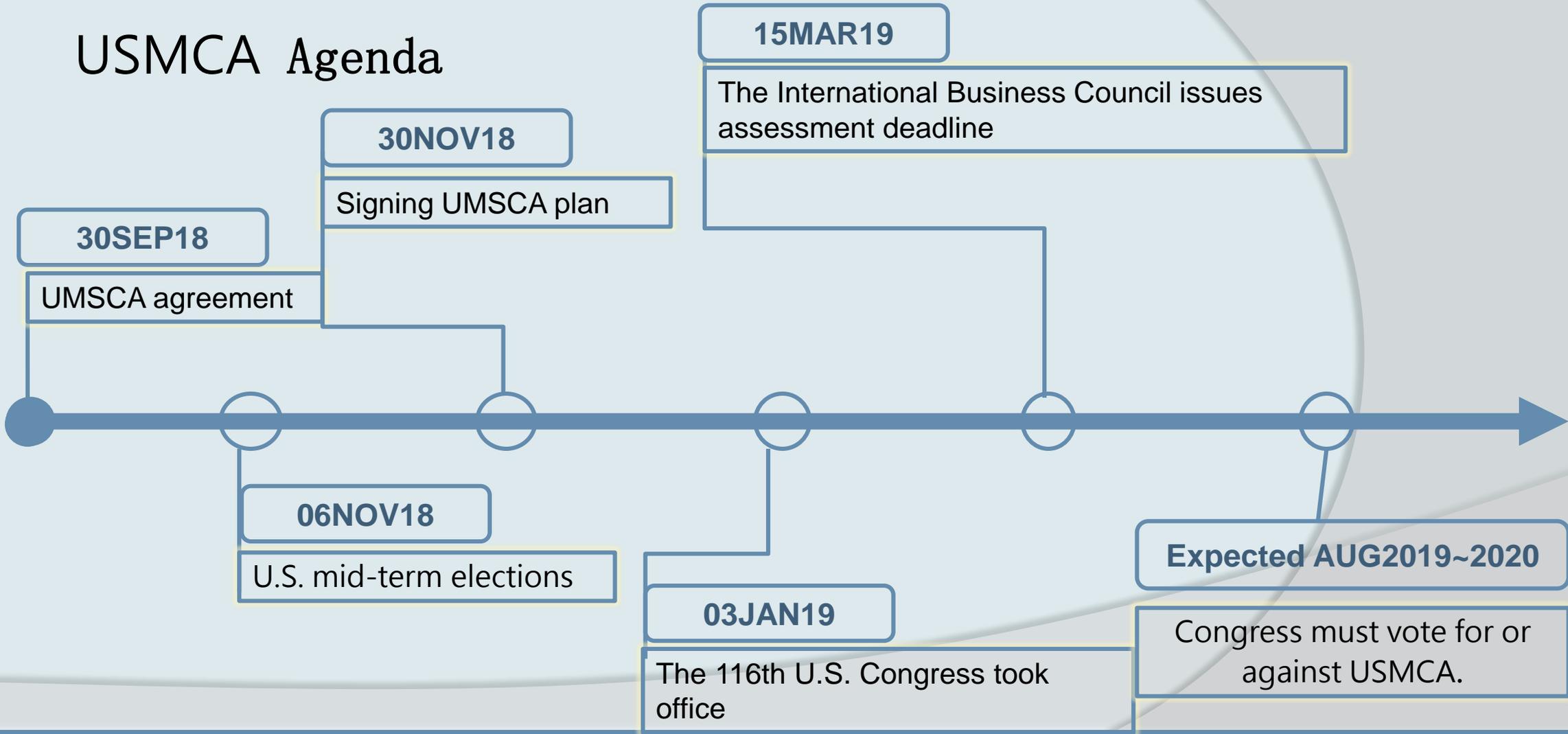


USMCA



USMCA

USMCA Agenda



NAFTA & USMCA Key Difference

| Key point | NAFTA | USMCA | | | | |
|--|---|---|-----------------|------|------------|------------------|
| Effective date | 1/1/1994 | The first day of the third month after the last country notified the completion of the domestic procedures required for its implementation agreement ◦ | | | | |
| Due date | Until the implementation of USMCA is passed ◦ | The agreement will automatically terminate after 16 years of entry into force. The three countries check whether they agree to extend for another 16 years every 6 years ◦ | | | | |
| Local-made rate | 62.50% | Small passenger cars and light trucks are upgraded to 75% year by year in 4 years. | | | | |
| | | | 2020 | 2021 | 2022 | 2023 |
| | | | 66% | 69% | 72% | 75% |
| | | Heavy trucks are gradually increased to 70% in 3 stages | | | | |
| | | | | 2020 | 2024 | 2027 |
| | | | | 60% | 64% | 70% |
| North American high-paying regional output value | No regulation | Component is divided into 3 parts specification | | | | |
| | | | Necessary parts | | Main parts | Additional parts |
| | | | 75% | | 70% | 65% |
| | | 40% of the total vehicle cost is produced by workers of at least \$16 per hour (Nearly three times the average salary in Mexico today). | | | | |
| | | | 2020 | 2021 | 2022 | 2023 |
| | | Manufacturing | 15% | 18% | 21% | 25% |
| Technology | 10% | 10% | 10% | 10% | | |
| Assembly | 5% | 5% | 5% | 5% | | |
| Total | 30% | 33% | 36% | 40% | | |
| Steel/Aluminum | No regulation | 70% of steel and aluminum used in OEM vehicle assembly year are purchased from North America ◦ | | | | |
| Section 232 tariff exemption | No regulation | Since June 1, 2018, the United States has imposed a 10% tariff on aluminum imported from Canada and Mexico and a 25% tariff on steel under Article 232. ◦ The number of duty-free quotas for the minibus products and auto parts that Mexico exports to the United States each year, of which 2.6 million passenger cars are exported to the United States (In 2017, Mexico exported about 1.74 million vehicles to the United States.), The amount of components exported to the United States is \$108 billion (the amount of Mexican exports to the United States in 2017 was about 56.3 billion) | | | | |

Impact of USMCA on ESON

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| Product | Part name | HTS Number | NAFTA Country of origin specification | USMCA Country of origin specification | Impact |
|------------|---|----------------------------------|--|--|-----------|
| Electronic | Parts for television (FBC, Funai, Goh), Parts for navigation system (Navico) | 85299099 | According to the tariff change rules or local-made rate reached (a) 60 % Transaction value method (b) 50 % Net cost method | According to the tariff change rules or local-made rate reached (a) 40 % Transaction value method (b) 30 % Net cost method | no effect |
| | Parts for industrial modem (Quake) | 85177099 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |
| Auto | Floor Support Bracket Door Handle, Rear Door Plate Rearwall, Potting Dam | 39263099 39269021 39269099 | According to the tariff change rules or local-made rate reached (a) 60 % Transaction value method (b) 50 % Net cost method | According to the tariff change rules, the tariff is 0% | no effect |
| | Front Cross Member, Rear Cross Assy | 87082916 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |
| | Battery Cover, Reinf C Pillar, Front Header, Floor Rear, Floor Seat, Roof Rail, Wheelhouse Inner, Wheelhouse Outer, Platter Lower | 87082920 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |
| | Front Vent Duct, Lift Gate Lampan, Reinf Shock Tower, Basin Cover | 87082999 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |
| | Dust Shield, Brake Rotor Shield | 87083099 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |
| | Cable Tray Assy | 87089999 | According to the tariff change rules, the tariff is 0% | According to the tariff change rules, the tariff is 0% | no effect |

At present, USMCA has no impact on the products of the ESON, but it must also be checked according to the latest HTS classification (customs tariff number) and the post-signing decree to ensure full compliance with relevant regulations!

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Thank You



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