

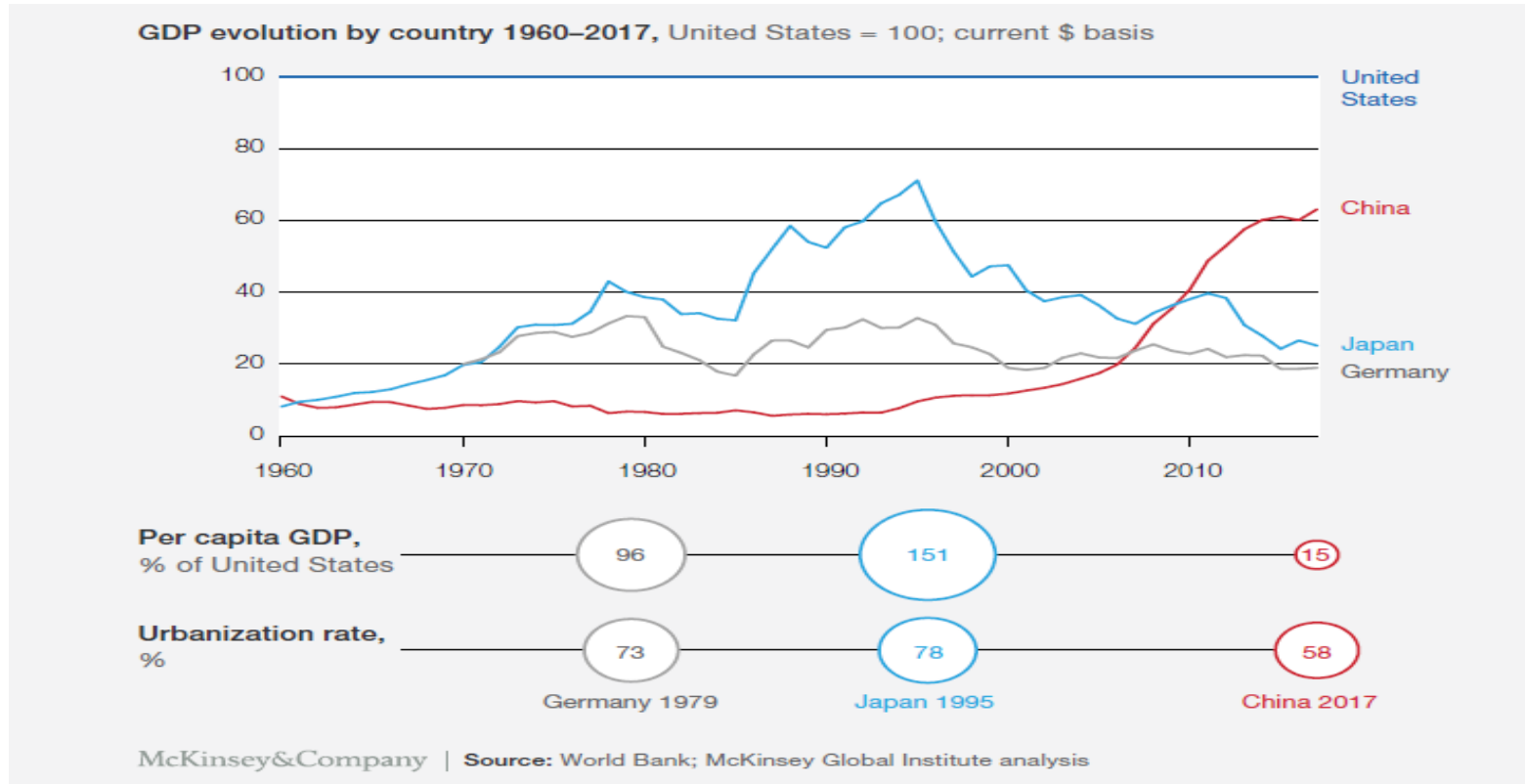
NetEase Kaola – the Gateway to China Consuming Market

Sean Wang, VP



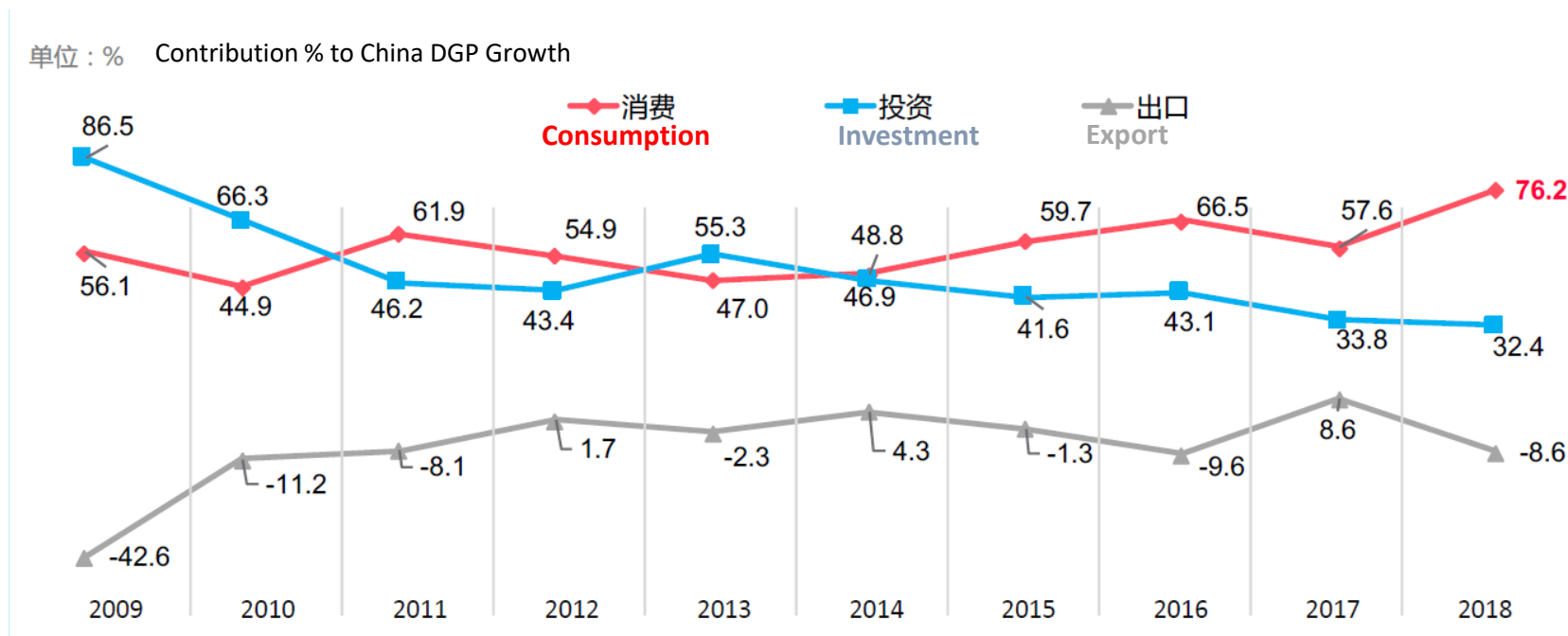
NetEase Kaola

China GDP in the World

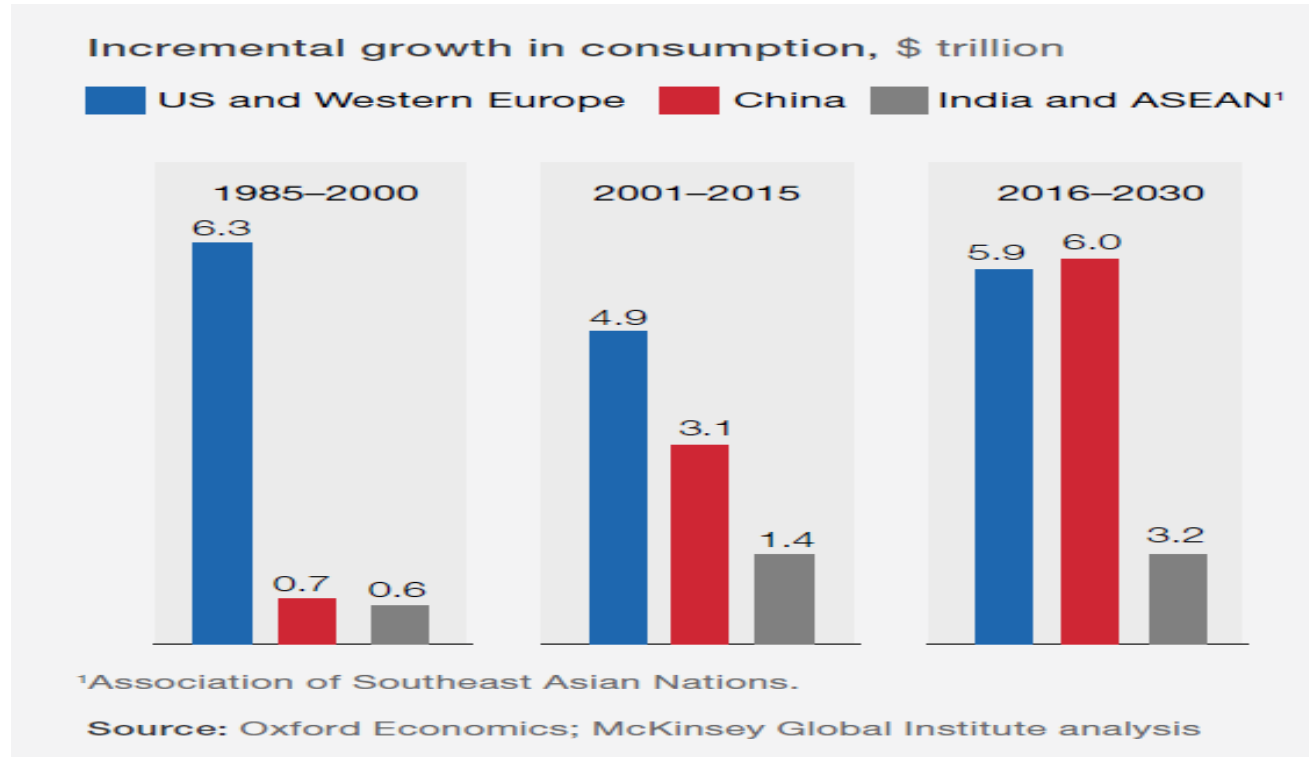


High Growth, but still room as far as per capita and urbanization are concerned

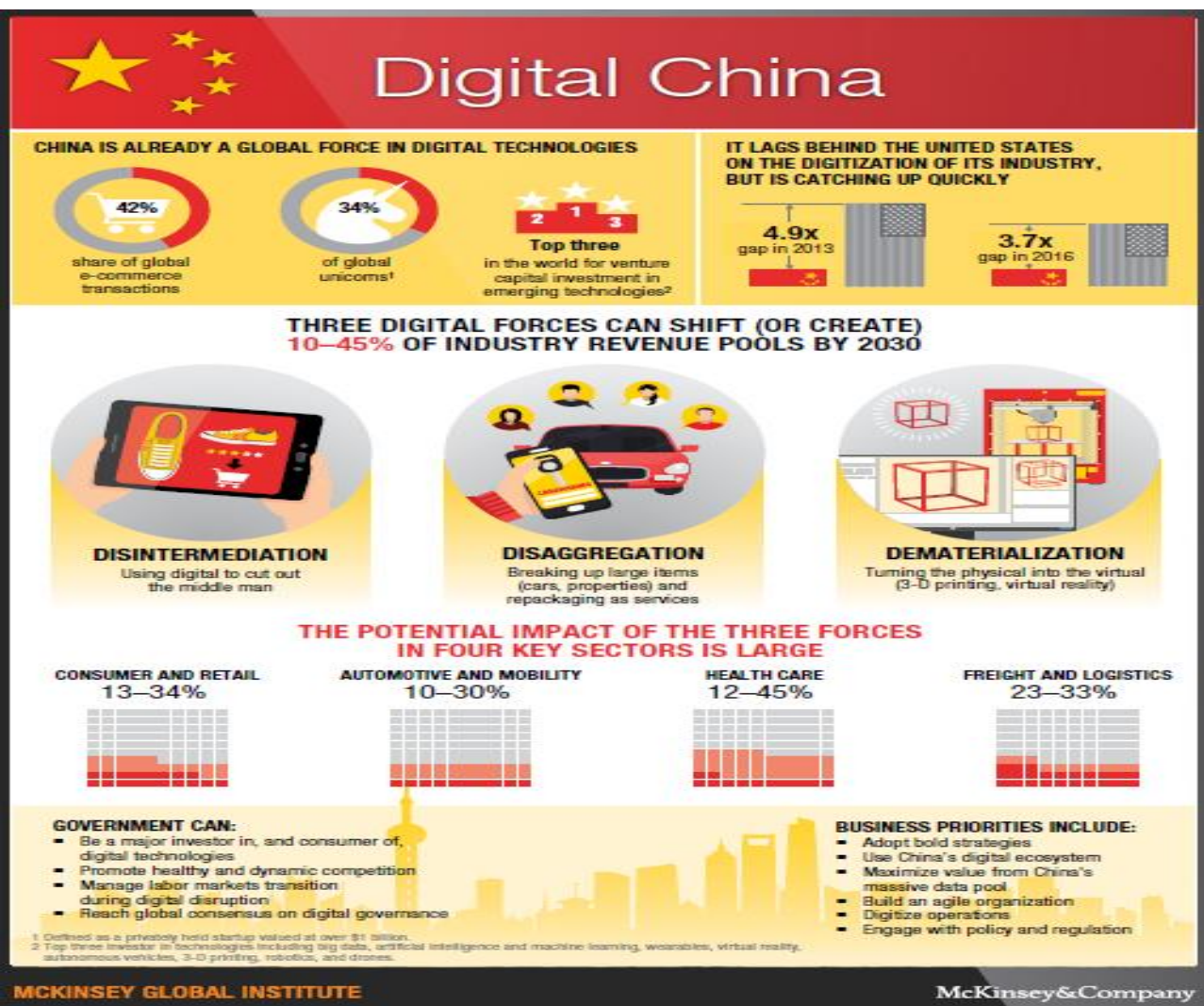
China Growth is More Consumption Driven



Become More Important Market in Consumption



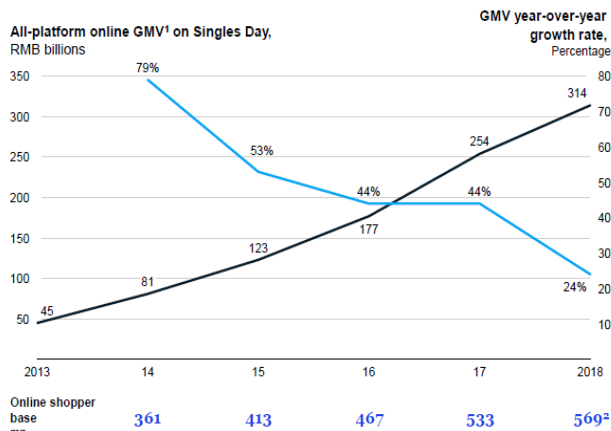
China Has Become Very Digital



China is the Highland for the E-commerce

- Largest online retail market in the world with total GMV of 1.3 trillion USD and online buyers over 610 million, including mobile online buyers over 592 million in 2018
- China's total retail sales grew 6.9%, well as online retail grew 23.9% and cross-border e-commerce importation grew more than 39.8% in 2018
- China's import/export trade increased 9.7%, well as cross-border e-commerce trade grew more than 50% in 2018

Singles Day absolute GMV growth and year-over-year growth rate¹



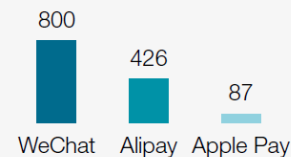
Online shopper base mn: 361 (2014), 413 (2015), 467 (2016), 533 (2017), 569² (2018)

¹ Gross merchandise volume
² As of June 2018
 Source: Syntun, CNNIC

2018 Single Day sales was 45 Billion USD in 24 Hours, 3 times bigger than Black Friday and Cyber Monday online sales combined in US

Infrastructure for E-commerce in China

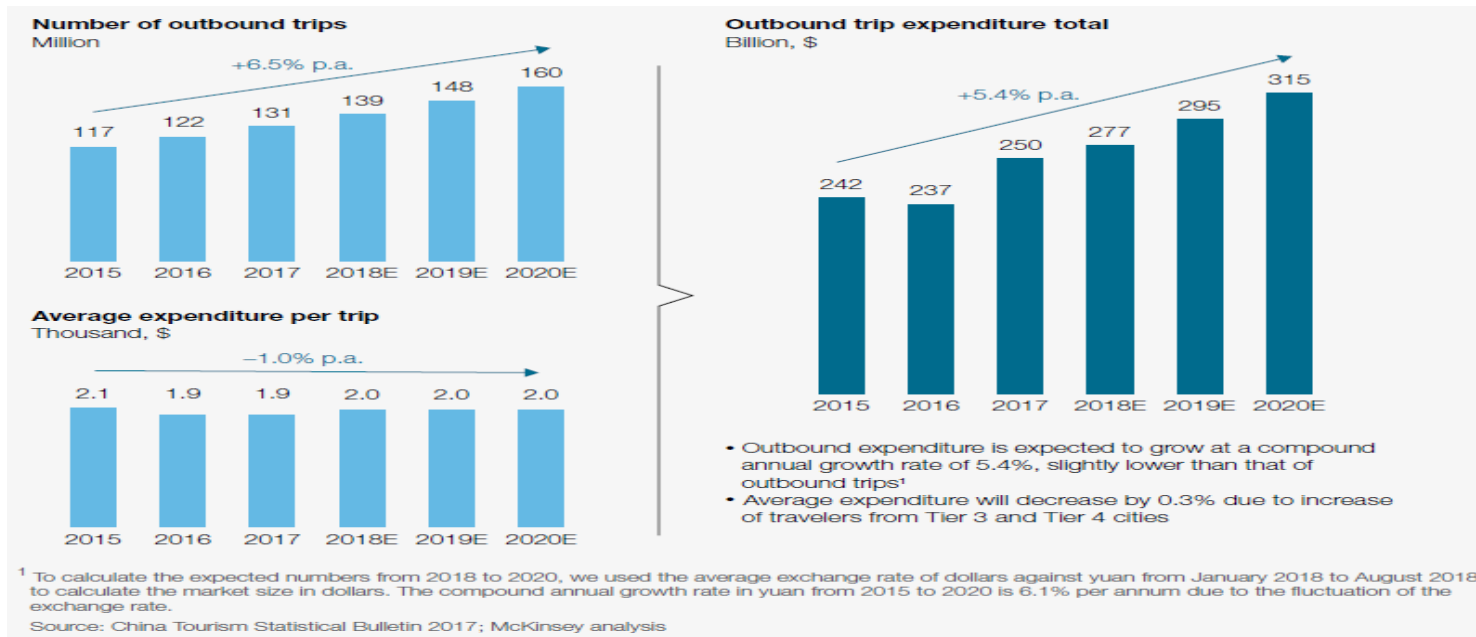
Active payment app users, Q4 2017, million



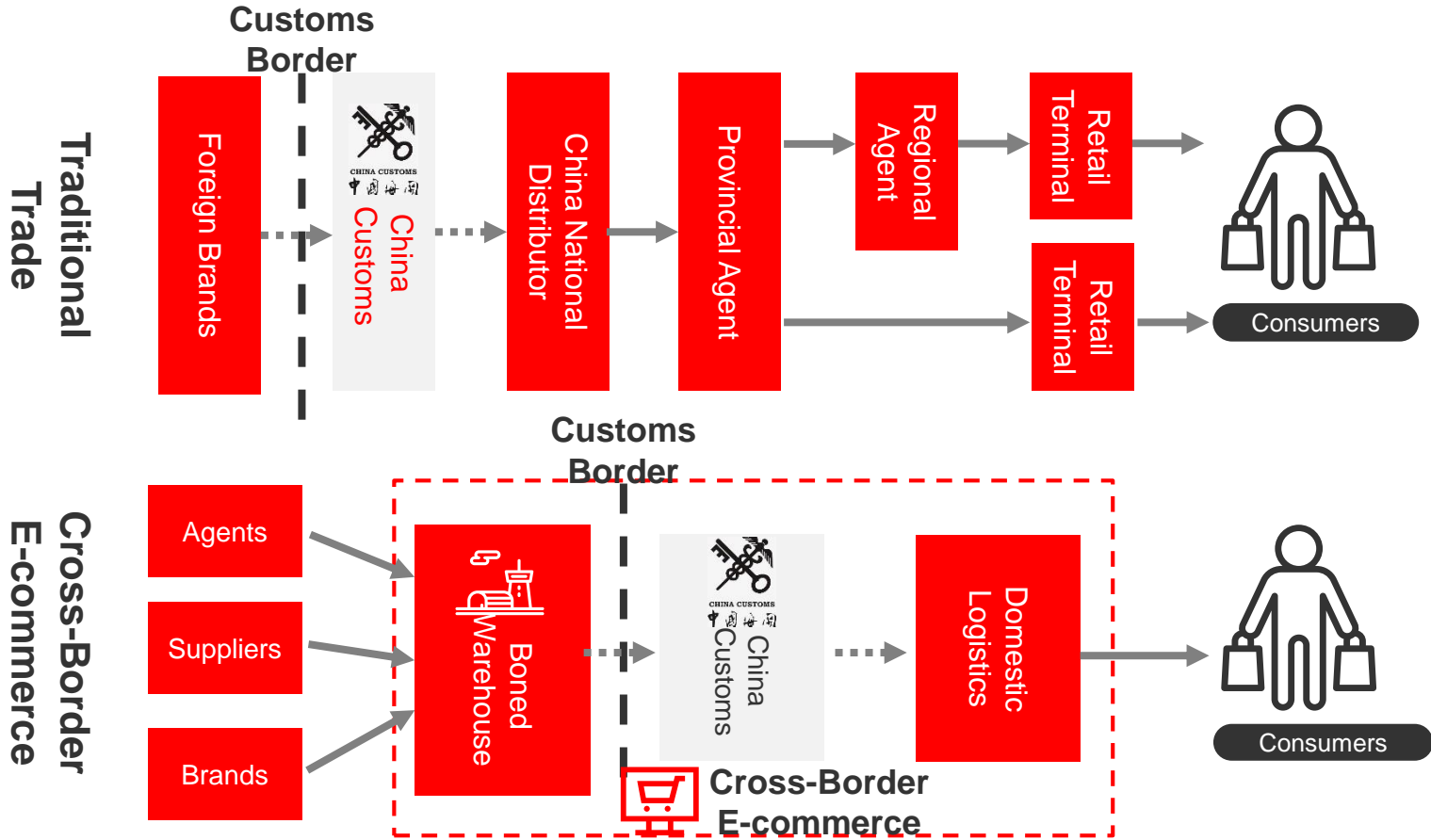
In 2018, daily parcel delivery was 140 million pieces, equivalent to that of US, EU, Japan combined

Why Cross-border E-commerce (CBEC)

Overseas Shopping  E-commerce  **Cross-Border E-commerce**



Government Policy Has Enabled CBEC



Cross-border E-commerce Adds Value to Customers

Fast

Reduce import timing for brands

Example: Reducing GNC Nutrition and Health products importation procedure time from 1-2 years to 1 week.



1-2
year

Traditional
commerce

1
week

Cross-
border E-
commerce

Affordable

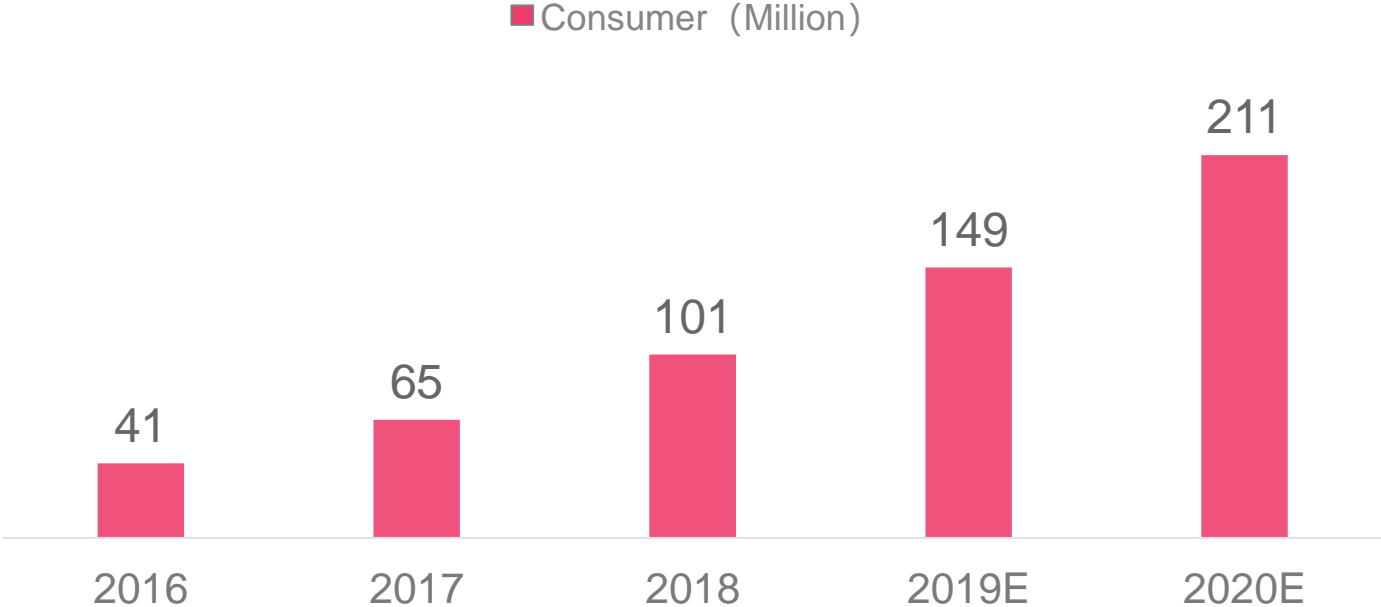
Matching origination country price for consumers

Example: Favorable tax policies

- ✓ 0% tariff charged
- ✓ 30% discount on VAT and Sales tax
- ✓ Optimized postal tax

Chinese Cross-border consumer size has reached 100 Million in 2018

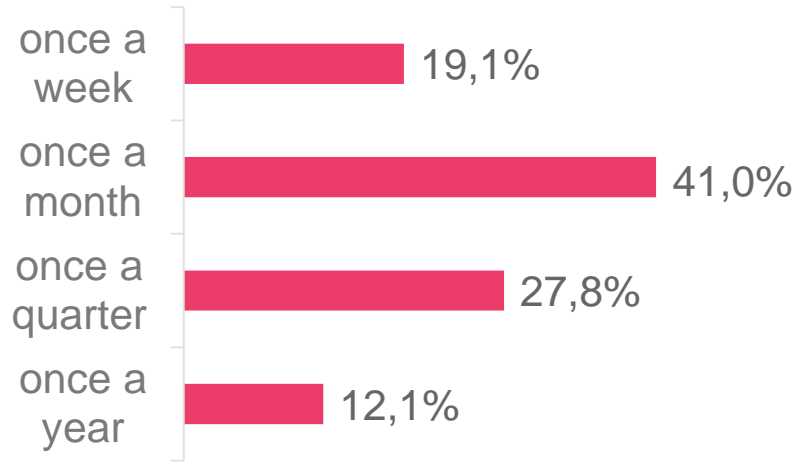
2016-2020 Chinese Cross-border consumer size and prediction



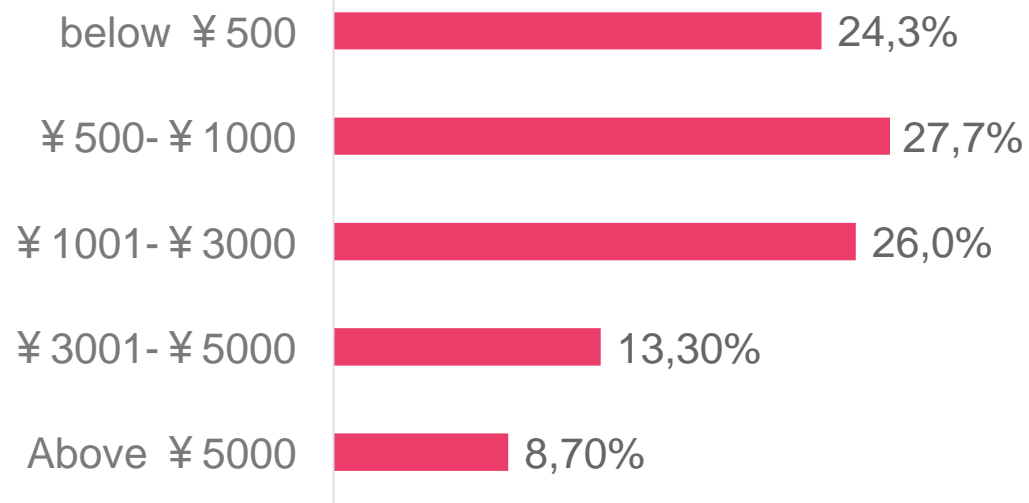
Data Source: iiMedia Research

High shopping frequency of Chinese CBEC consumers

2018 Chinese CBEC consumers shopping frequency



2018 Chinese CBEC consumers monthly spending

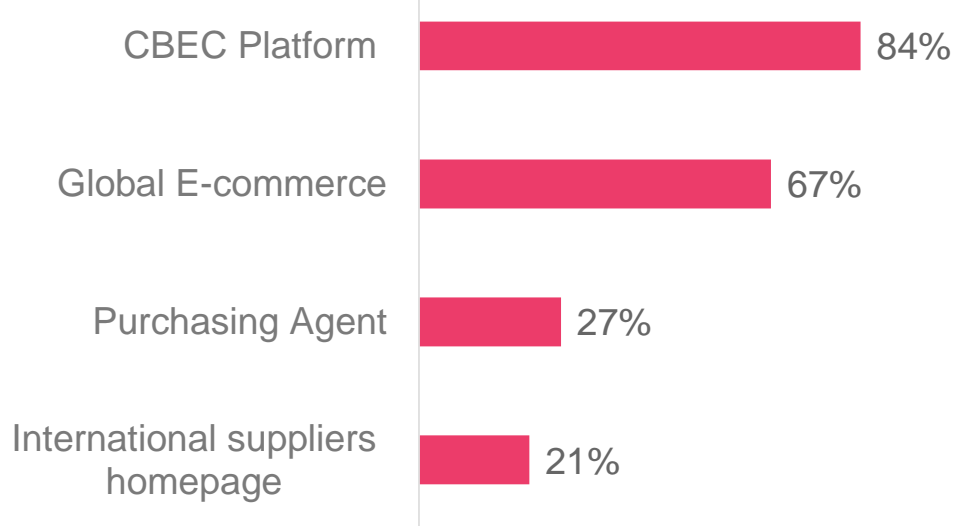


CBEC has become the first choice for brands entering Chinese market

Mainly sales channels for oversea retailers in China



Y2018 China's online Cross-border shopping channels



PART. 2

NetEase Kaola – the Leading Cross-border E-commerce in China



NetEase Overview

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NETEASE

Founded in 1997 and listed in **NASDAQ** since 2000, NetEase, Inc., is a **leading China-based internet technology company** that develops and operates some of China's most popular online PC and mobile games, runs one of the largest and fastest growing Cross-border and private label E-commerce businesses in China and provides comprehensive internet services including online advertising, innovative businesses and others.

A Brief introduction of the NetEase Group

- NetEase has been listed in the Forbes Asia's 2018 Fabulous 50, the fourth year to be included since it first entered the list in 2015.
- In Q4 of 2018, the net income of NetEase reached USD 2.9 billion, with an annual growth of 35.9%. The net income of NetEase in 2018 reached USD 9.8 billion.



NetEase Key Business



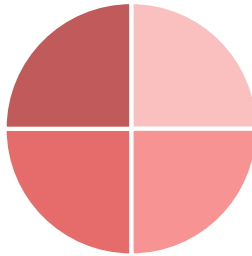
PC & Mobile Games

Leading provider and operator of self-developed PC and mobile games to internet users in China; licensee of leading games by Blizzard Entertainment and Mojang AB (a Microsoft subsidiary).



Internet Media

Through NetEase News App and other NetEase mobile and PC products, our internet media services provide not only content, but also social communities to our users, creating a massive interactive marketing platform for NetEase's advertising clients.



E-commerce

Leading service provider of Cross-border and private label E-commerce through NetEase Kaola and Yanxuan. Both platforms offer access to cost effective, high-quality and trustworthy products and they are the go-to platforms for the rising middle-class consumers in China.



Innovative businesses and others

This segment reflect our heightened focus on developing key incubated businesses, including live video streaming, cloud music, online education, and other cloud application services, among others.

NetEase Key Products/Services

One of China's biggest internet/mobile internet news platforms



网易新闻
www.163.com

The world's highest-earning mobile game publisher



The biggest Chinese E-mail platform with over 800 million individual users and 350 corporate users



YAHOO!

EA
ELECTRONIC ARTS™

Gmail™

Abundant Internal Resources from NetEase Group

Powerful Entry-level Media Platform and Rich Mass Product Matrix



E-commerce



网易考拉

NetEase Kaola

- NetEase Kaola and Netease Yanxuan are synergistic components of our E-commerce business. NetEase Kaola is our platform, and NetEase Yanxuan is our private-label brand

- Both sites offer access to cost effective, high-quality and trustworthy products, supported by 1P business model

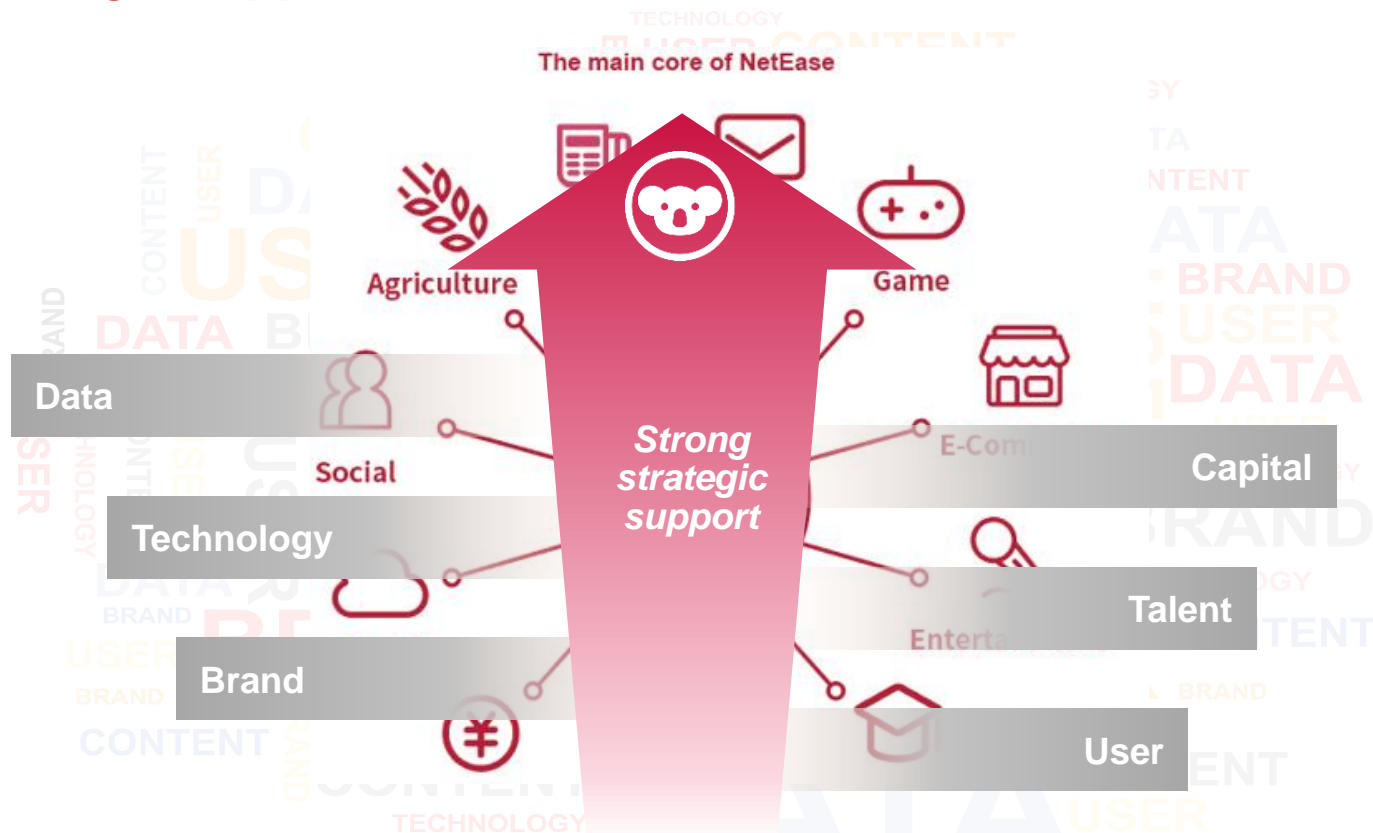


NetEase Yanxuan

- Both sites cater towards the rising middle class in China who are increasingly concerned with the quality and authenticity of products

- Our e-commerce business continues to lead the market with strong growth, while maintaining a disciplined approach to spending

Strong strategic support from NetEase Group



20+

years of operations

940mm

registered users²

網易 NETEASE

www.163.com

18

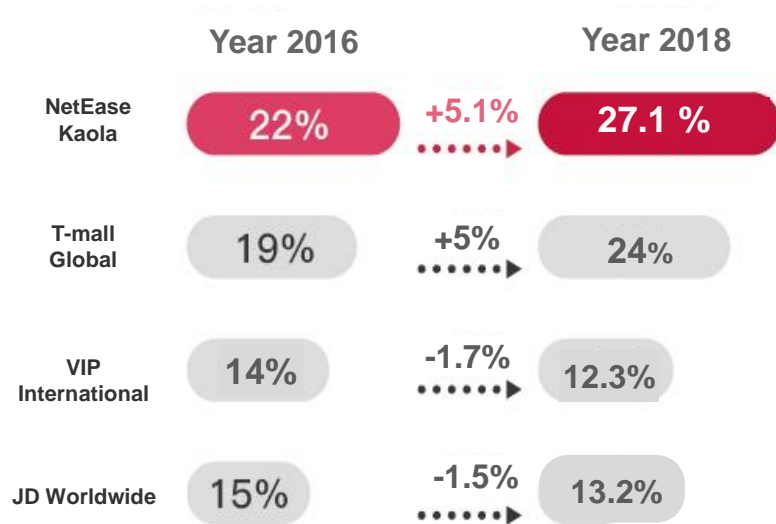
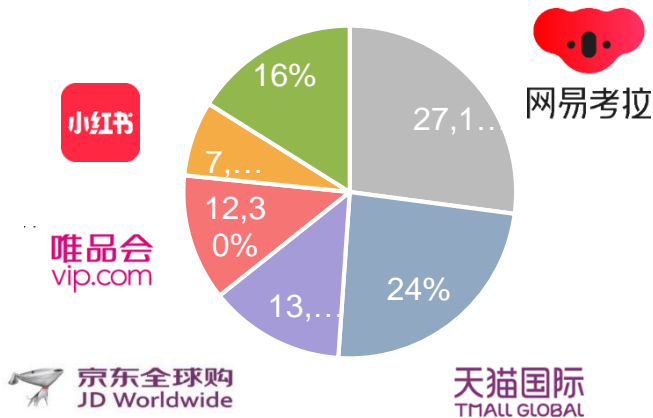
years on NASDAQ

\$35bn

market cap¹

NetEase Kaola is ranked No.1 in Market Share

- NetEase Kaola, a **27.1%** market share
- **No.1** in the Cross-border E-commerce platforms in 2018
- The **7** consecutive times



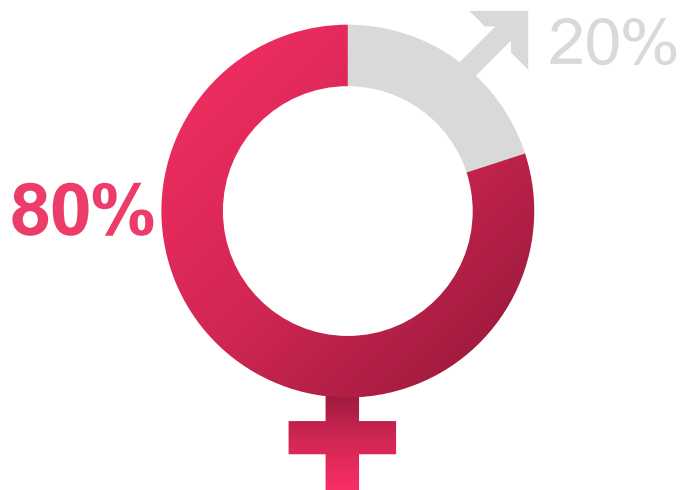
Trading-up Market in China drives demand for Premium Quality

- NetEase Kaola was established in January, 2015.
- Categories: baby care, beauty care, clothing, homecare& personal care, healthcare, affordable luxury, digital & electronics, global food, sports & outdoors, and watch & accessories.
- More than **5,000 brands** from over **80 countries** have products sold at NetEase Kaola .
- **3 business models:** Self-Operation, Marketplace for PoP & Consignment, and Factory to Consumer



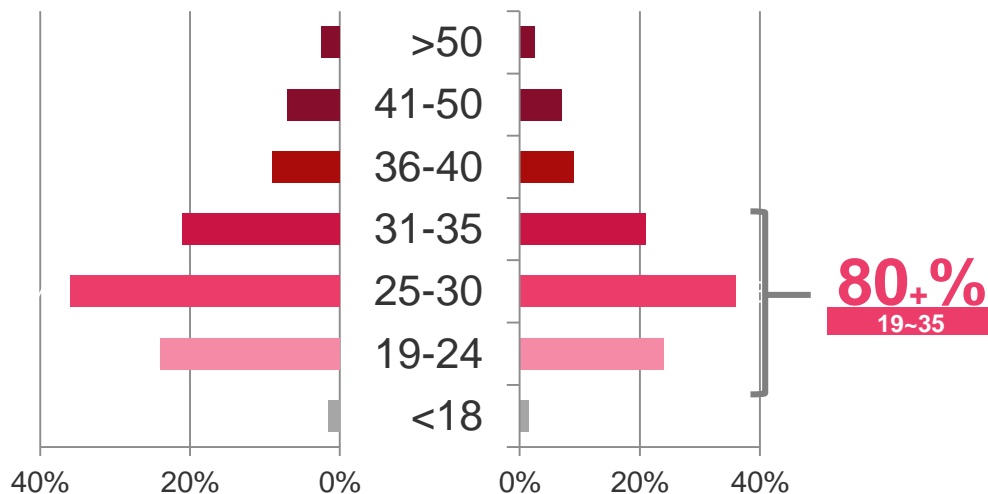
Kaola's Consumer Profile

Gender Structure



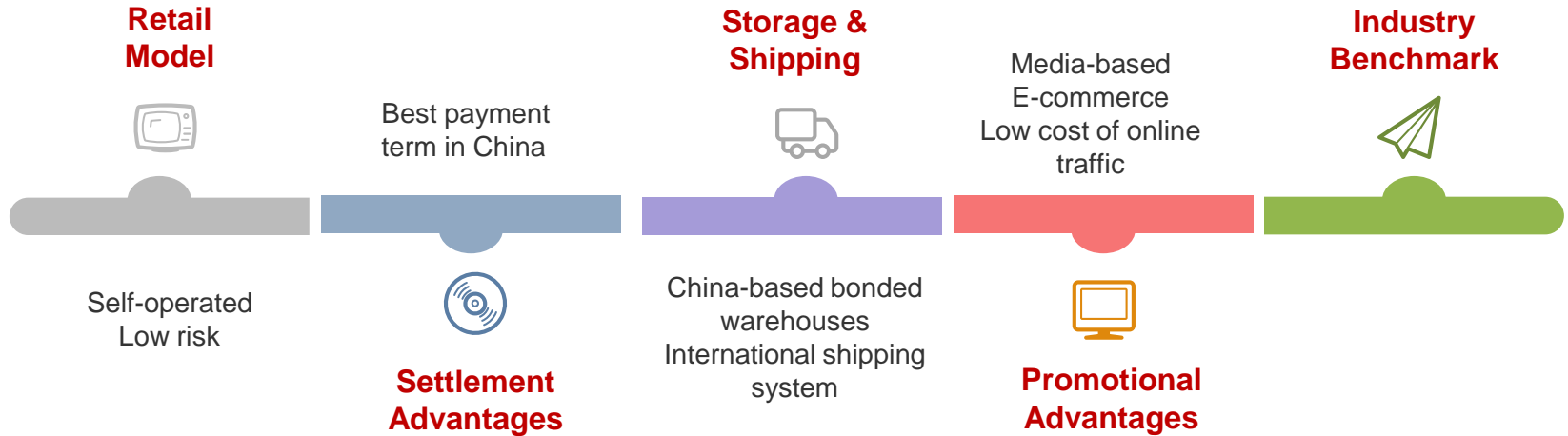
More female consumers with higher purchasing desire

Age Structure

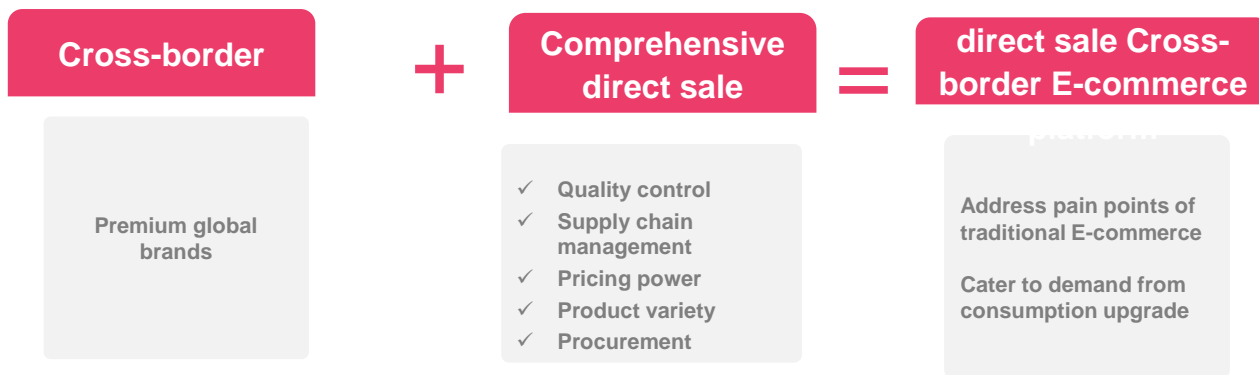


- Young women aged 18 – 35
- Having an educational background of bachelor degree or above
- Middle class families Household income 18,000RMB/MO
- Mainly living in the first-tier and second-tier cities economically developed
- Decision makers related to consumptive expenditure
- Having higher demands for quality and fashion than for price

Kaola's Competitive Advantages for the Partners



Kaola's Comprehensive Direct Sales Model



Marketplace Services on Koala

- Partners can set up their flagship stores on Kaola
- Kaola may provide operation support to the partners
- Kaola may provide warehouse and logistic support to the partners
- Commissions and fees are competitive



—畅销店铺排行榜—



Factory to Consumer on Koala

- Sourcing from the top global ODM manufacturers as their dedicated brands to Kaola
- High quality for cost effective without top brand premium price
- Export to the global distributors and retailers

Listed RMB price divided by 7.53 = EURO

热销

内含 4个吸头 双11



新人优惠

考拉工厂店 P6手持家用无...
强劲吸力 除螨除尘

¥759 ¥1599

1%

Wireless Vacuum

双11



券每满300减40

考拉工厂店 智能双驱超跑平衡车
潮酷代步, 智能玩乐

¥1499 ¥2999

1%

Electric Wheel Bike

热销

双11



券每满220减20

考拉工厂店 北欧风企鹅玻...
北欧风HYGGE设计灵感

¥89 ¥159

立即购买

Thermal Bottle

双11



券每满300减40

考拉工厂店 可机洗“赛羽绒”...
羽绒被保暖纤维被价格

¥339 ¥699

立即购买

Feather Quilt

热销

双11



129选3件 | 券每满300减40

考拉工厂店 苹果快充数据线
(MFi认证)
苹果官方认证数据线

¥49 ¥89

1%

iPhone Charge Line

双11

新人优惠



考拉工厂店 意大利纯山羊...
冬季经典的诠释

¥379 ¥659

1%

Cashmere Scarf

双11



满2件减20 | 券每满220减20

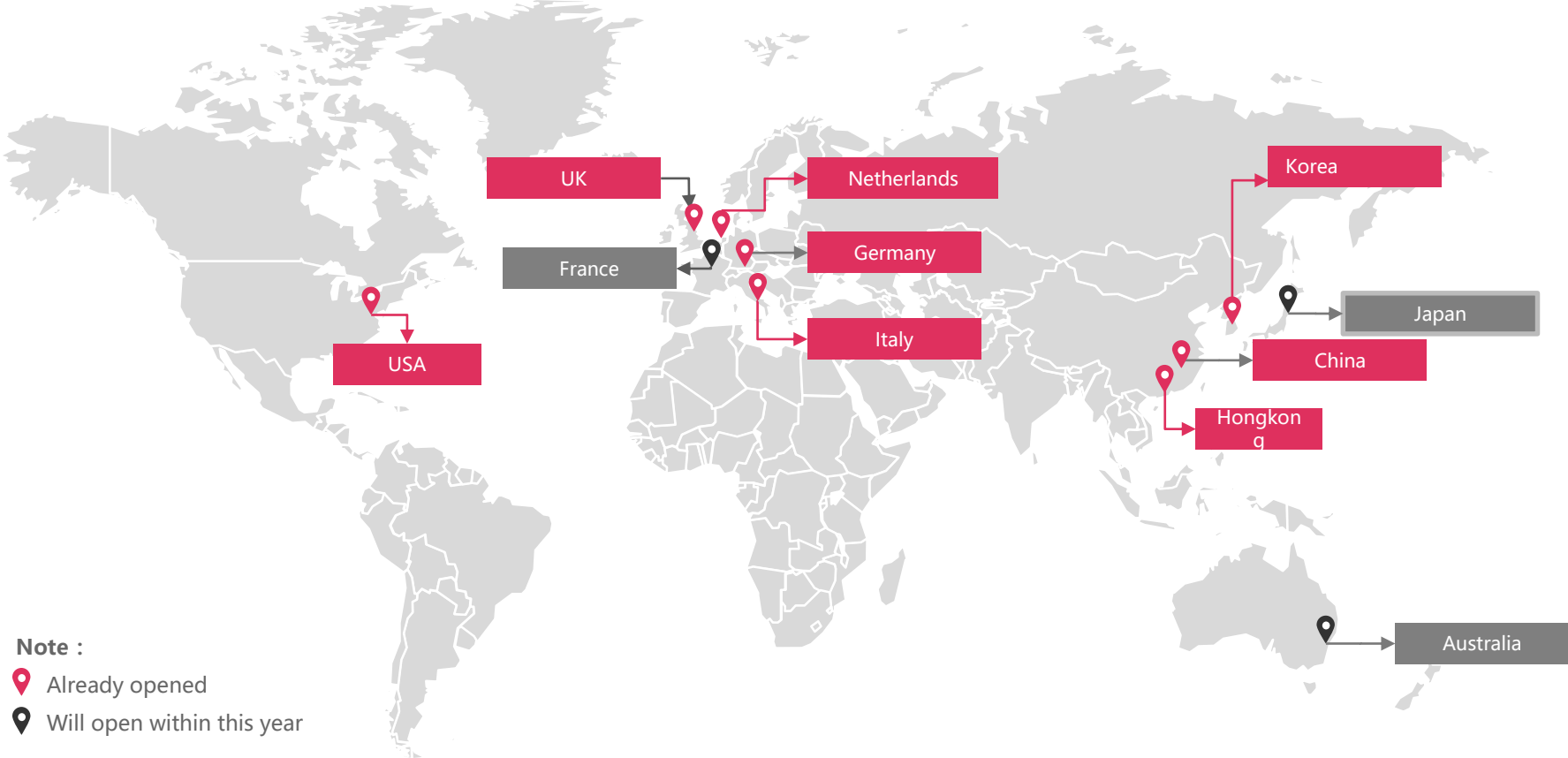
【大眼秘笈】眼部专用5支化妆套刷 打造精致眼妆
眉眼间的风情, 更美的自己

¥89 ¥129



1%

Makeup Brush Set

NetEase Kaola's Warehouse



Note :

-  Already opened
-  Will open within this year

Diversified External Resources In China's Vibrant Environment

In addition to its rich internal resources, Netease kaola also has abundant external resources throughout China



Radio and television media

Cooperation with 339 media including CCTV+major satellite TV channels



National news agencies and print media

Cooperation with 216 agencies and media



Internet media

4 portals/8central media/34 regional media/60 vertical media



We media

Over 100 outstanding we-media including science, technology, entertainment and lifestyle



Distributing media

20+China's core distributing partnership platform



Shopping guide media

30+media of shopping guide and word of mouth commenting



Film and television implantation

100+film and TV programs embedded resources yearly



Celebrity KOL

100+celebrities in the fields of film, music, sports and culture. 5000+fashion and female KOLs

Sponsor of The Famous TV Show



Extending Offline Push

- In 2019, an extension of offline push in China.
- **7** stores, in Hangzhou, Shanghai, Zhengzhou, Chongqing, Chengdu, etc.
- **15** stores estimated in 2019.





OUR PARTNERS & SUCCESSFUL CASES

Strategic partnership with more than 1,000 top brands and suppliers all over the world.

Our Partners Examples 1



World's leading pharmacy group



World's top 3 organic baby food producer



The largest European household group



World's largest personal care producer



Popular Japanese daily commodity brand



World's largest food manufacturer



Top US healthcare brand



World's largest daily consumption manufacturer



US professional skincare brand



World-famous high-end brand



Leading Australian healthcare brand



World-famous food group



Popular South Korean comprehensive product group



Popular US baby brand



World's largest nutrition food producer



World's largest infant nutrition product company



Popular Australian brand



Inventor of modern infant ingredient milk powder



Germany's 2nd largest E-commerce group



Top European supplier



Germany's largest daily commodity supermarket chain



Australia's largest supermarket chain group



Leading South Korean retail group



Japan's largest E-commerce platform



Giant Japanese comprehensive product company

Our Partners Examples 2:



Beiersdorf

World's skincare tycoon



Kraft Heinz

World's 5th largest food & drinks company



ROSENDAHL
COPENHAGEN

Denmark's top household brand



ferrer

Largest European pharmacy group



Top US healthcare brand



The largest North American jam brand



KIDILIZ
GROUP
KIDWEAR FASHION

European kids wear tycoon



CAUDALIE
PARIS

Popular French cosmetics brand



Japanese pharmacy healthcare & personal care tycoon



YAMADA

The largest Japanese electronics seller



Denmark's leader in organic products



The largest French cosmeceutical chain brand



Naris
Since 1932 JAPAN

Popular Japanese skincare brand



High-end French candy brand



ego
the science of healthy skin

Australian professional skincare brand



Top Japanese cosmeceutical brand

Case sharing

Joint Promotion - Thailand Latex Pillow



- CCTV & NetEase
 - increase the sales of Thailand latex pillow by 466% in 5 months
 - improved the economic development of Thailand latex industry
- “Excellent Enterprise Prize for Economy & Trade Promotion”
by the Commercial Attaché of the Royal Thai Embassy

Case sharing

Joint Promotion - US GNC



GNC

One of the world's largest healthcare brands



In 2016,

The number of SKU entering China market in 1 year \approx the past 10 years.



In 2017,

NetEase Kaola, the largest sales channel of GNC in China.



Set up **marketing** and **promotion plans** in China.

Case sharing

Joint Promotion - Rakuten Japan



- **Rakuten Japan**

- Primary E-commerce platform in Japan
- 40,000 + online shops

- **Strategic partner**

- Since June 2016, flagship store on NetEase Kaola
- **10% +** of overseas marketing value in 2018

THE FUTURE TREND



The Future Trend



Cross-border shopping habit is increasingly being adopted by lower tier cities.

We monitored faster growth in lower tier cities than in developed cities



Individual shoppers are shifting to become family shoppers

As they age, consumers are spending more for their family when they shop online for overseas products



Cross-border shoppers tend to spend more for each order



China's cross-border shoppers are becoming mobile

We found that there are more shoppers using mobile devices than desktop computers. Improving mobile experience for customers is important.



Chinese customers' demands are more diversified, meaning more opportunities for niche brands and categories

Customers value a better shopping experience

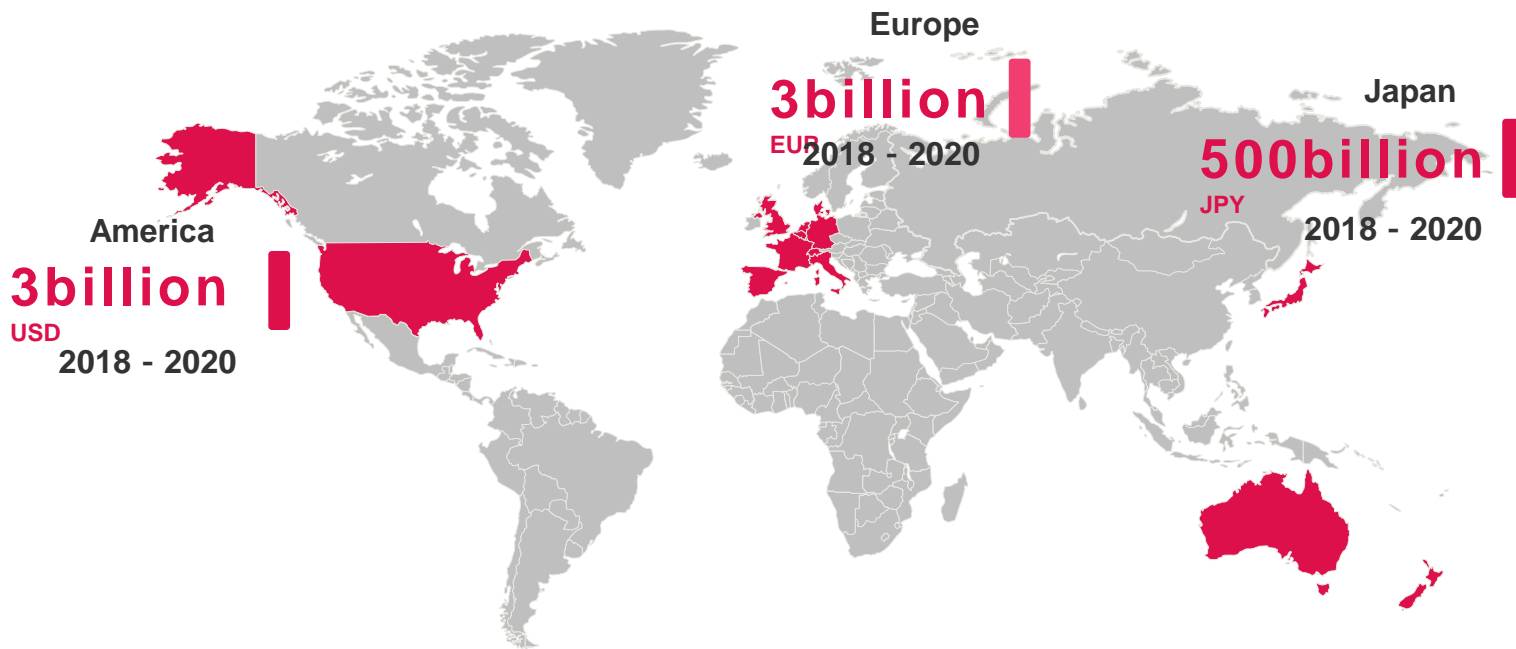


Customers value a better shopping experience

NetEase Kaola's Purchasing Project in the coming years

Pledged to procure **20 billion yuan** (\$3 billion) worth of goods In the future

 Europe, America and Japan





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Thank You!