

NetEase

1Q23 Investor Presentation

Investor Relations
May 25, 2023

SAFE HARBOR STATEMENT

This announcement contains statements of a forward-looking nature. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. In addition, statements that are not historical facts, including statements about NetEase’s strategies and business plans, its expectations regarding the growth of its business and its revenue and the quotations from management in this announcement are or contain forward-looking statements. NetEase may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks related to: the risk that the online games market will not continue to grow or that NetEase will not be able to maintain its position in that market in China or globally; risks associated with NetEase’s business and operating strategies and its ability to implement such strategies; NetEase’s ability to develop and manage its operations and business; competition for, among other things, capital, technology and skilled personnel; potential changes in government regulation that could adversely affect the industry and geographical markets in which NetEase operates, including, among others, initiatives to enhance supervision of companies listed on an overseas stock exchange and tighten scrutiny over data privacy and data security; the risk that NetEase may not be able to continuously develop new and creative online services or that NetEase will not be able to set, or follow in a timely manner, trends in the market; the risk related to economic uncertainty and capital market disruption; the risk related to the expansion of NetEase’s businesses and operations internationally; and the risk that fluctuations in the value of the Renminbi with respect to other currencies could adversely affect NetEase’s business and financial results. Further information regarding these and other risks is included in NetEase’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. NetEase does not undertake any obligation to update this forward-looking information, except as required under applicable law.



NetEase, Inc.

NetEase, Inc. (NASDAQ: NTES and HKEX: 9999, "NetEase") is a leading internet and game services provider centered around premium content. With extensive offerings across its expanding gaming ecosystem, the Company develops and operates some of the most popular and longest running mobile and PC games available in China and globally.

Powered by one of the largest in-house game R&D teams focused on mobile, PC and console, NetEase creates superior gaming experiences, inspires players, and passionately delivers value for its thriving community worldwide. By infusing play with culture, and education with technology, NetEase transforms gaming into a meaningful vehicle to build a more entertaining and enlightened world.

Beyond games, NetEase service offerings include its majority-controlled subsidiaries *Youdao* (NYSE: DAO), an intelligent learning company with industry-leading technology, and *Cloud Music* (HKEX: 9899), a well-known online music platform featuring a vibrant content community, as well as *Yanxuan*, NetEase's private label consumer lifestyle brand.

NetEase's market-leading ESG initiatives are among the most recognized in the global media and entertainment industry, earning it inclusion in 2022 Dow Jones Sustainability World Index, 2022 Dow Jones Sustainability Emerging Markets Index, and 2023 Bloomberg Gender-Equality Index, as well as receiving an "A" rating from MSCI. For more information, please visit: <http://ir.netease.com/>.

MARKET SNAPSHOT

In USD

\$53.8
billion

Market Cap¹
(5/24/23)

3.3
billion

Shares Outstanding,
Diluted (1Q23)

\$1.53

Basic net income per ADS
(GAAP) (1Q23)

\$3.6
billion

Net revenues
(1Q23)

\$984
million

Net income attributable to the
Company's shareholders (GAAP)
(1Q23)

\$13.9
billion

Cash position²
(03/31/23)

A

MSCI ESG Rating³

Note:

¹ Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$424.6 billion based on the closing price on the Hong Kong Stock Exchange

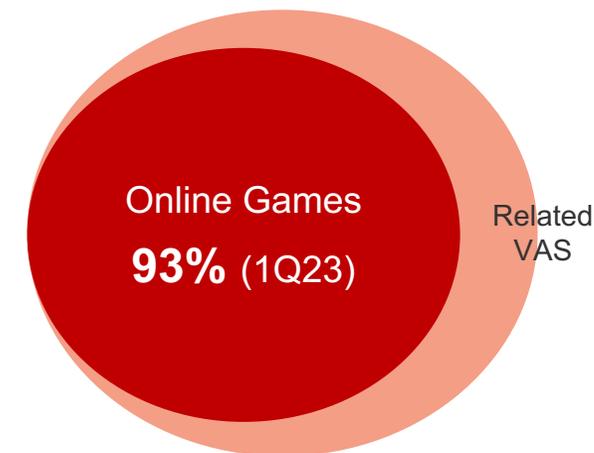
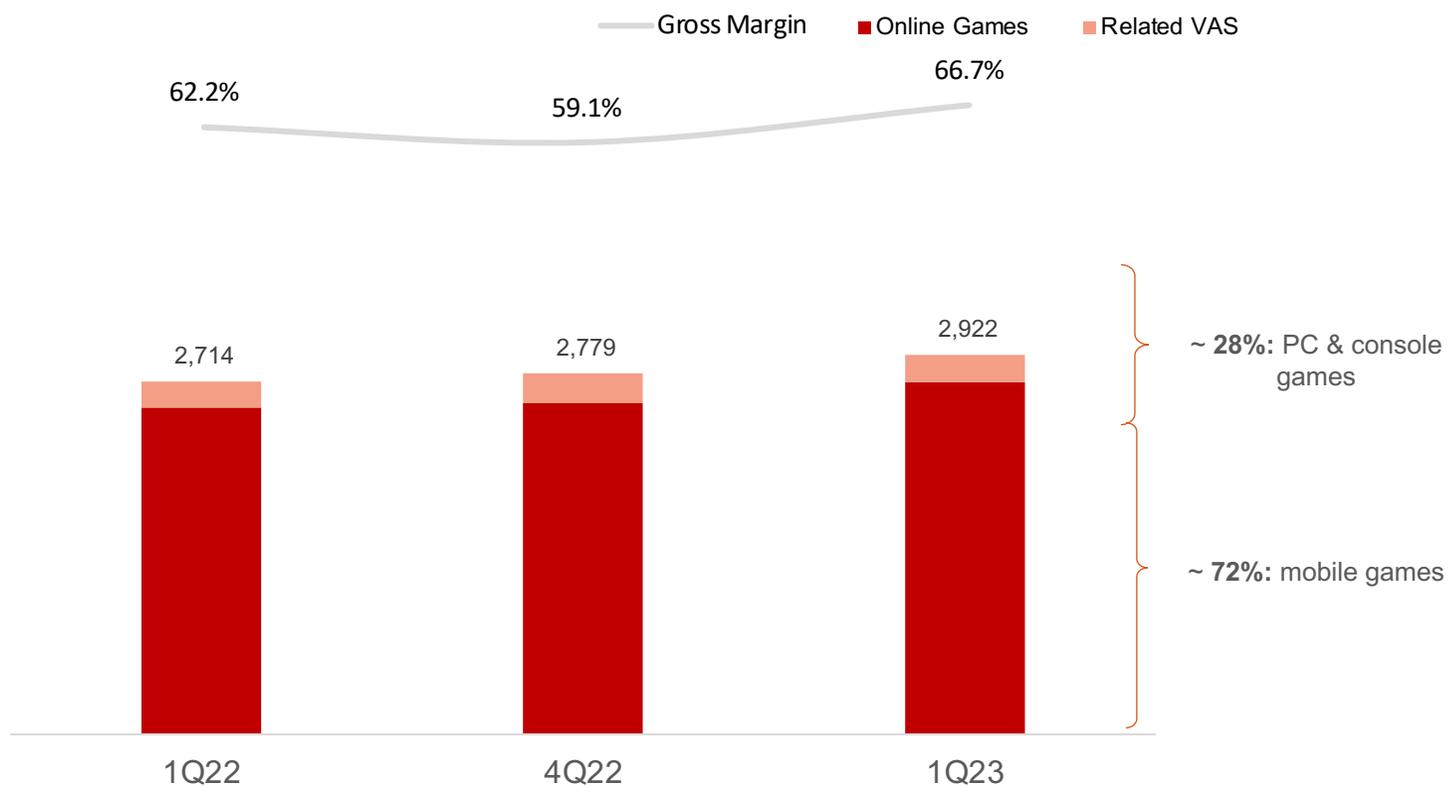
² Cash position refers to total cash and cash equivalents, current and non-current time deposits and restricted cash, as well as short-term investments balance, minus short-term and long-term loans

³ The result is based on the latest update in December 2022

GAMES AND RELATED VALUE-ADDED SERVICES

USD million¹

Games and Related Value-added Services Net Revenues and Gross Margin



Definition of this segment has been changed to include related value-added services, such as NetEase CC Live streaming service, game-related merchandise and others, since 2Q 2022.



Note:
¹ US\$1.00 = RMB6.8676 on Mar 31, 2023. Same exchange rate is applied to all years for illustrative purpose

ONLINE GAMES

PC & CONSOLE GAMES

Flagship Self-Developed PC & Console Titles



MOBILE GAMES

Self-Developed Mobile Games



Mobile Games in Overseas Markets



Licensed Mobile Games From Overseas Developers

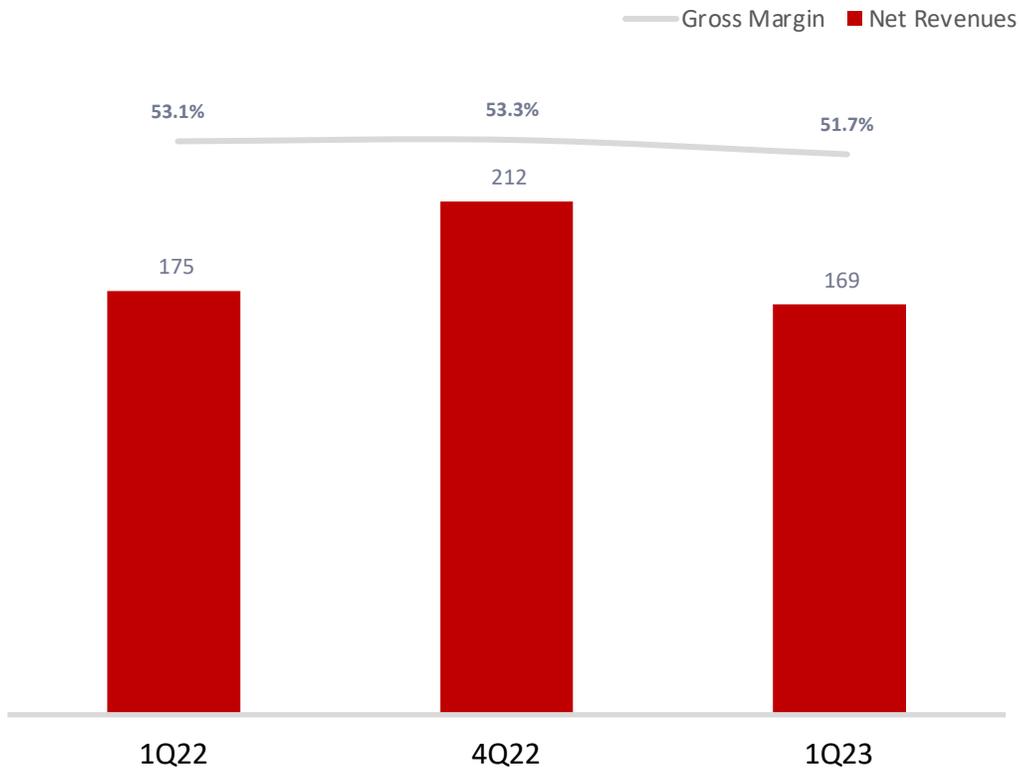


- Extended the popularity of leading franchise titles including **Fantasy Westward Journey** and **Westward Journey Online** series, as well as other hit titles such as **Identity V**, **Justice** and the mobile version of **New Ghost**
- **Eggy Party**: topping China's iOS games download chart in Q1, experienced accelerated user growth while strengthening its ecosystem
- Overseas NetEase studios: announced the establishment of two new game studios named **Anchor Point** and **Bad Brain**
- Robust slates: plan to release **Badlanders** on June 8, **Racing Master** on June 20, and **Justice** mobile game on June 30. Additionally, plans to bring **Harry Potter: Magic Awakened** to international markets this summer
- Upcoming star titles in pipeline: **Naraka: Bladepoint** mobile game, and **Eggy Party** for the international markets

YOU DAO

USD million ¹

Youdao Net Revenues and Gross Margin



- Resumed growth trajectory of STEAM courses and other key business lines, despite a challenging environment in January due to the pandemic
- STEAM courses continued to show solid growth and achieved impressive results as we further enriched their content
 - ❑ Our participants of Youdao Go courses won the Youth Group Championship at the British Youth Go Open in January
 - ❑ Youdao Fun Reading provides tailored reading content and enables a personalized experience for each user
- Continuously improve our smart devices and provide users with better experiences through our Youdao Dictionary Pen and Smart Learning Pad products

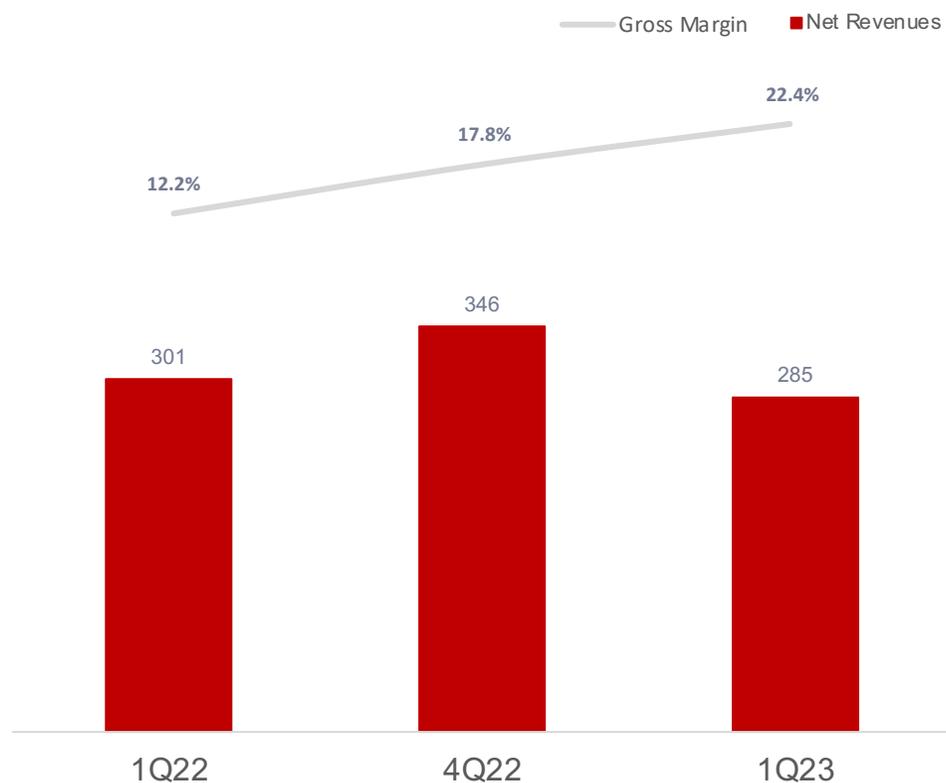
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CLOUD MUSIC

USD million¹

Cloud Music Net Revenues and Gross Margin



Note:

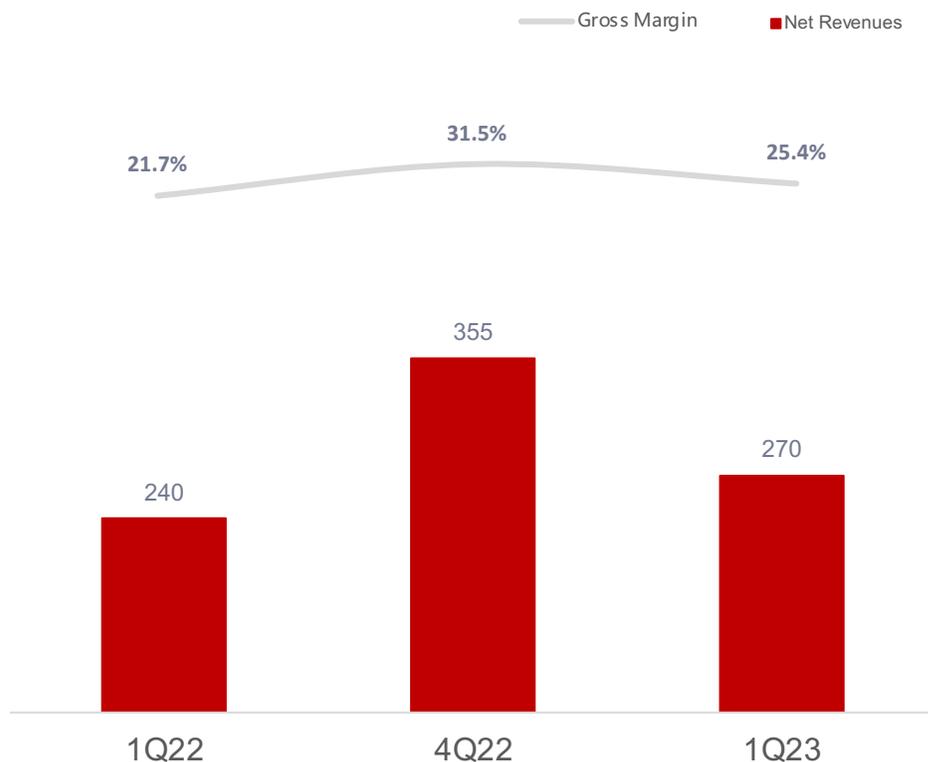
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- Online music MAUs continued steady growth and membership paying ratio remained solid at around 20%
- Gross margin reached above 20% for the first time, further reinforcing bottom-line performance
- Cloud Music expanded its music library through corporation with B'in Music, Rock Records, and CoMix Wave Films
- Continued to discover and nurture music talent with an environment founded upon creativity and an increasing suite of supportive tools

INNOVATIVE BUSINESSES AND OTHERS

USD million¹

Innovative Businesses and Others Net Revenues and Gross Margin



Note:

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NetEase Yanxuan

- Leading private-label consumer lifestyle brand in China
- Continued to build its brand awareness by consistently creating highly popular products through diversified channels
- Strong sales growth in Q1 was driven by categories such as pet supplies, home cleaning, home furnishings, bedding, and mattresses, with top-selling products including cat food, bathroom fragrances, coffee cookies, suitcases, and jelly blankets



Wangyi Xinwen

- www.163.com portal and related mobile app, Wangyi Xinwen, which deliver quality information such as news, sports events, technology, fashion trends and online entertainment to our users and generate revenues mainly from online advertising services



NetEase Mail

- China's leading email service provider since 1997, through which provide free and fee-based email services

FINANCIAL HIGHLIGHTS

USD billion ¹

Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

| US\$ | FY2020 | FY2021 | FY2022 | Q1 2023 |
|---|-----------|-----------|-----------|---------|
| Dividend per ADS (declared) | \$0.784 | \$1.170 | \$1.387 | \$0.465 |
| Total Dividends (declared) ² | \$515 m | \$777 m | \$906 m | \$300 m |
| Share Buyback | \$1,625 m | \$1,974 m | \$1,187 m | \$310 m |

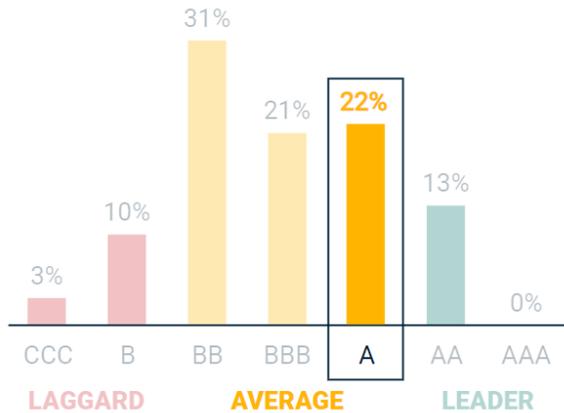
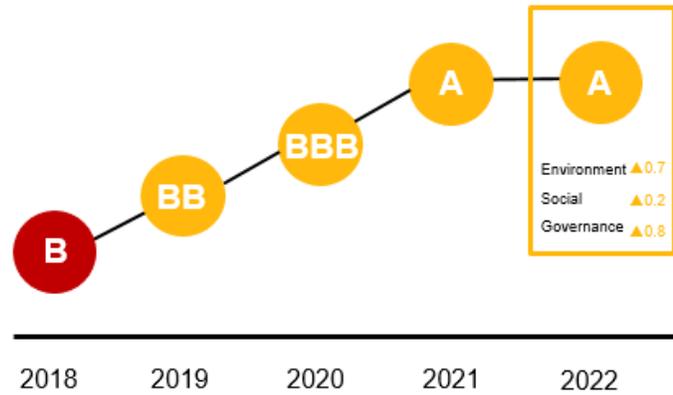
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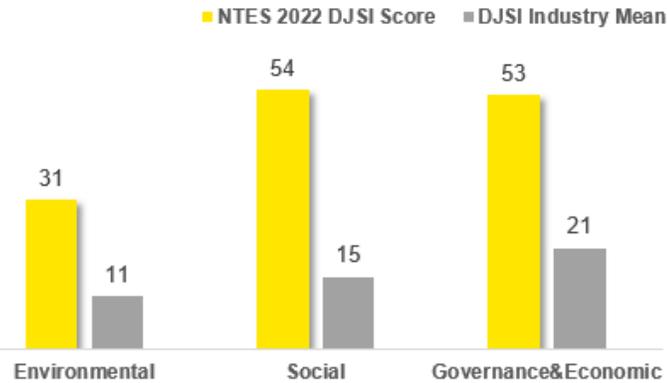
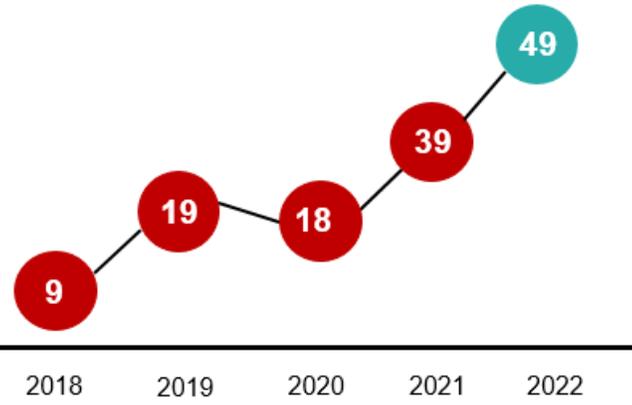
² Total Dividends (declared) equals to Dividend per ADS (declared) multiplied by each quarter's corresponding weighted average number of ADS outstanding, basic

ESG PERFORMANCE

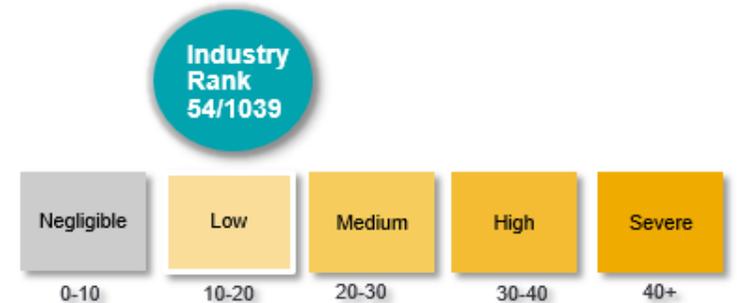
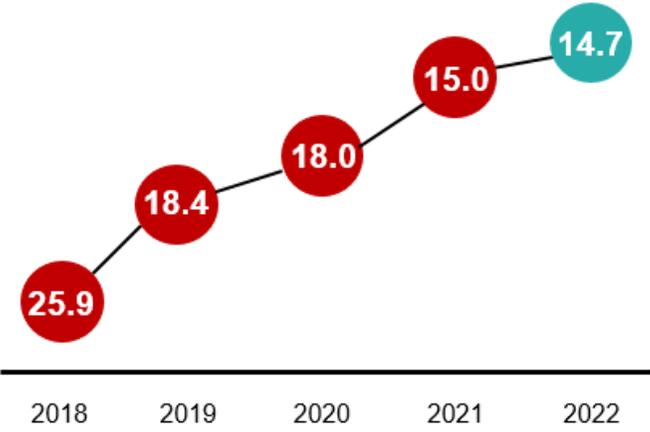
MSCI Ratings



DJSI (Dow Jones Sustainability Index) Ratings



Sustainalytics Ratings



BALANCE SHEET SUMMARY

| | 2022 | 2023 | |
|--|-------------|----------------------------|----------------------------|
| in millions | Dec 31, RMB | Mar 31, RMB (Unaudited) | Mar 31, USD (Unaudited) |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 24,889 | 13,701 | 1,995 |
| Time deposits | 84,948 | 98,365 | 14,323 |
| Other current assets | 21,766 | 23,481 | 3,419 |
| Total current assets | 131,603 | 135,547 | 19,737 |
| Property, equipment and software, net | 6,342 | 6,618 | 964 |
| Other non-current assets | 34,816 | 36,076 | 5,253 |
| Total assets | 172,761 | 178,241 | 25,954 |
| LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Contract liabilities | 12,519 | 12,998 | 1,893 |
| Other current liabilities | 44,310 | 45,183 | 6,579 |
| Total current liabilities | 56,829 | 58,181 | 8,472 |
| Total liabilities | 63,888 | 65,568 | 9,547 |
| Redeemable noncontrolling interests | 136 | 136 | 20 |
| Total shareholders' equity | 108,737 | 112,537 | 16,387 |
| Total liabilities, redeemable noncontrolling interests and shareholders' equity | 172,761 | 178,241 | 25,954 |

INCOME STATEMENT SUMMARY

| | 1Q22 | 4Q22 | 1Q23 | 1Q23 | QoQ | YoY |
|--|--------|--------|-------------|-------------|--------|--------|
| in millions except per ADS data & percentage data | RMB | RMB | RMB | USD | Change | Change |
| | | | (Unaudited) | (Unaudited) | | |
| Total net revenues: | 23,556 | 25,354 | 25,046 | 3,647 | -1.2% | 6.3% |
| <i>Games and related value-added services</i> | 18,642 | 19,086 | 20,066 | 2,922 | 5.1% | 7.6% |
| <i>Youdao</i> | 1,201 | 1,454 | 1,163 | 169 | -20.0% | -3.2% |
| <i>Cloud Music</i> | 2,067 | 2,376 | 1,960 | 285 | -17.5% | -5.2% |
| <i>Innovative businesses and others</i> | 1,646 | 2,438 | 1,857 | 271 | -23.9% | 12.8% |
| Gross profit | 12,836 | 13,244 | 14,897 | 2,169 | 12.5% | 16.1% |
| Gross profit margin | 54.5% | 52.2% | 59.5% | 59.5% | | |
| Operating profit | 5,507 | 4,433 | 7,220 | 1,051 | 62.9% | 31.1% |
| Operating profit margin | 23.4% | 17.5% | 28.8% | 28.8% | | |
| Net income attributable to the Company's shareholders | 4,394 | 3,953 | 6,755 | 984 | 70.9% | 53.7% |
| Diluted net income per ADS | ¥6.63 | ¥6.05 | ¥10.37 | \$1.51 | 71.4% | 56.4% |

Note:
All percentages are calculated based on numbers in millions except per ADS data

THANK YOU

網易 NETEASE