



1Q 2021

Investor Presentation



SAFE HARBOR STATEMENT

This presentation 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 game market will not continue to grow or that NetEase will not be able to maintain its position in that market in China or globally; the risk that COVID-19 or other health risks in China or globally could adversely affect the Company’ s operations or financial results; 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; 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; competition in NetEase’ s existing and potential markets; 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 the applicable law.

COMPANY OVERVIEW



Founded in 1997, 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, and offers other innovative services, including online education, music streaming and a private label e-commerce platform.

NetEase, Inc. has been listed on NASDAQ since 2000 under the symbol (NASDAQ: NTES) and completed its dual listing on the Hong Kong Stock Exchange in June 2020 under the ticker (HK: 9999).

Its majority-owned education business, Youdao, has been listed on NYSE since October 2019 (NYSE: DAO).

As of March 31, 2021, NetEase had over 28,000 employees.

MARKET SNAPSHOT

In USD

\$70.4
billion

Market Cap¹
(5/17/21)

\$3.4
billion

Shares Outstanding,
Diluted
(1Q21)

\$1.01

Basic net income per²
ADS (GAAP) (1Q21)

\$3.1
billion

Net Revenue
(1Q21)

\$678
million

Net income attributable to
the Company's shareholders
(GAAP) (1Q21)

\$16.2
billion

Cash, time deposits
and short-term investment
(3/31/21)

Note:

¹ Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$ 549.9 billion (\$ 70.8 billion) based on the closing price on the Hong Kong Stock Exchange.

² Basic net income per ordinary share equals to US\$0.20, or HK\$1.55 (FX: 1 US\$= 7.77 HKD).

BUSINESS OVERVIEW

Online Games

- Leading developer and operator of self-developed PC and mobile games for internet users in China and internationally
- Operator of licensed games from Blizzard Entertainment, Mojang AB (a Microsoft subsidiary) and other leading game developers internationally

Self-Developed Games



Fantasy Westward Journey (Mobile)



Westward Journey (Mobile)



Onmyoji series



Knives Out



Identity V



Fantasy Westward Journey



Westward Journey



Justice

Licensed Games



World of Warcraft (Blizzard)



Diablo III (Blizzard)



Hearthstone (Blizzard)



Minecraft (Microsoft)

Online Education

- Leading intelligent learning services operated by Youdao, our majority-controlled subsidiary dedicated to developing and using technologies to provide learning content, applications and solutions to users of all ages

Learning Services



Youdao Premium Courses



China University MOOC



NetEase Cloud Classroom

Learning Products



Youdao Dictionary



Youdao Translation



Youdao Dictionary Pen

Innovative Businesses and Others



- Leading interactive music streaming service provider in China, aiming to provide precise, personalized recommendations, promote user interaction and create a strong social community



- Leading service provider of private label e-commerce through Yanxuan, targeting middle-class consumers in China with a strong emphasis on quality of life



1Q21 HIGHLIGHTS

Online Games

- Added a number of new titles in 1Q and recently, including *Revelation* mobile game, *Yu-Gi-Oh! Duel Links*, *Elysium of Legends* and *Pokémon Quest*
- Flagship titles remained strong growth: *FWJ Online* and *WWJ Online* mobile game grew at double digit rates YoY
- Hit titles continued popularity, such as *Life-After*, *Invincible* and *Onmyoji*
- Overseas existing titles maintained steady operation: *Knives Out* reached No.1 on Japan's top grossing chart, and *Identity V* reached No.2 during the first quarter
- Introduced *Infinite Lagrange* in European markets in April, with plans for additional market introductions in the near-term
- A robust pipeline including *Harry Potter: Magic Awakened*, *The Lord of the Rings: Rise to War*, *Nightmare Breaker*, *Diablo® Immortal™* and *Ghost World Chronicle*

Online Education

- 1Q achieved sound and sustainable growth:
 - ✓ Total net revenues increased by 147 % year-over-year to RMB1.3 billion
 - ✓ Total gross margin significantly improved to 57%, reaching the highest level since its IPO
- Introduced the Dictionary Pen 3.0 Pro version to better meet the needs of a variety of language learners

Innovative Businesses and Others

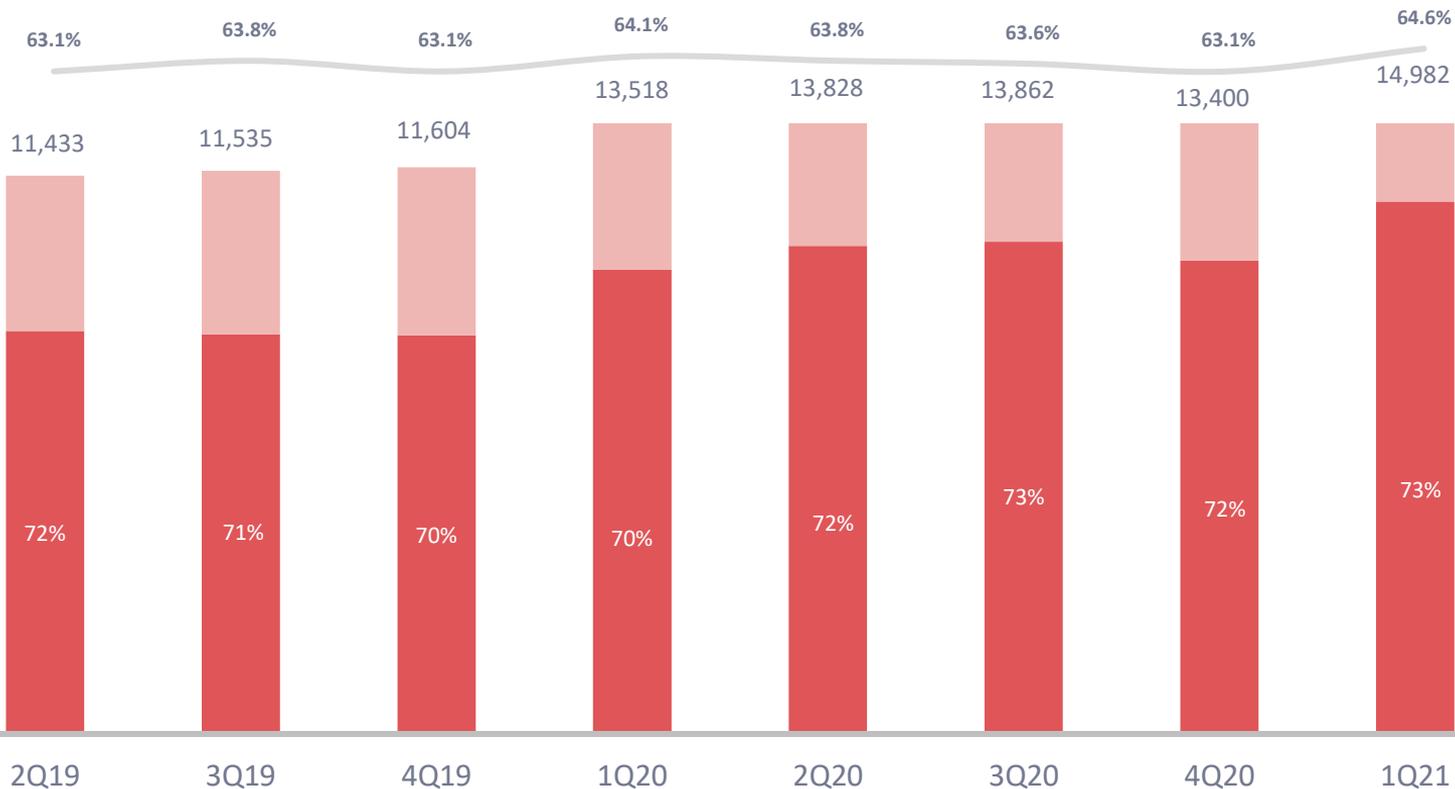
- **NetEase Cloud Music** celebrated its 8th anniversary, and pioneered a lot of trend-setting product innovations
- Held the third Indie Music Artists Ceremony in April, encouraging independent musicians to continue their remarkable music creations
- Further strengthened **Yanxuan**'s brand appeal among the new middle class, and celebrated its 5-year anniversary with the new value proposition "live the way you like"

ONLINE GAME SERVICES

Online Game Services Net Revenues and Gross Margin

RMB million

— Gross Margin ■ PC Game Net Revenue ■ Mobile Game Net Revenue



Mobile Games as a Percentage of Online Games Net Revenues

ONLINE GAMES SERVICES

PC GAMES

Flagship Self-Developed PC titles

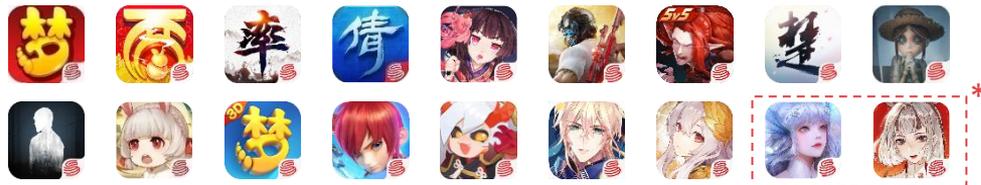


Flagship Licensed PC titles

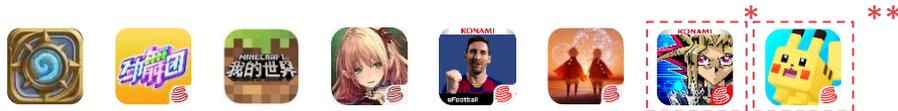


MOBILE GAMES

Self-Developed Mobile Games



Licensed Mobile Games From Overseas Developers



Launching Mobile Games in Overseas Markets

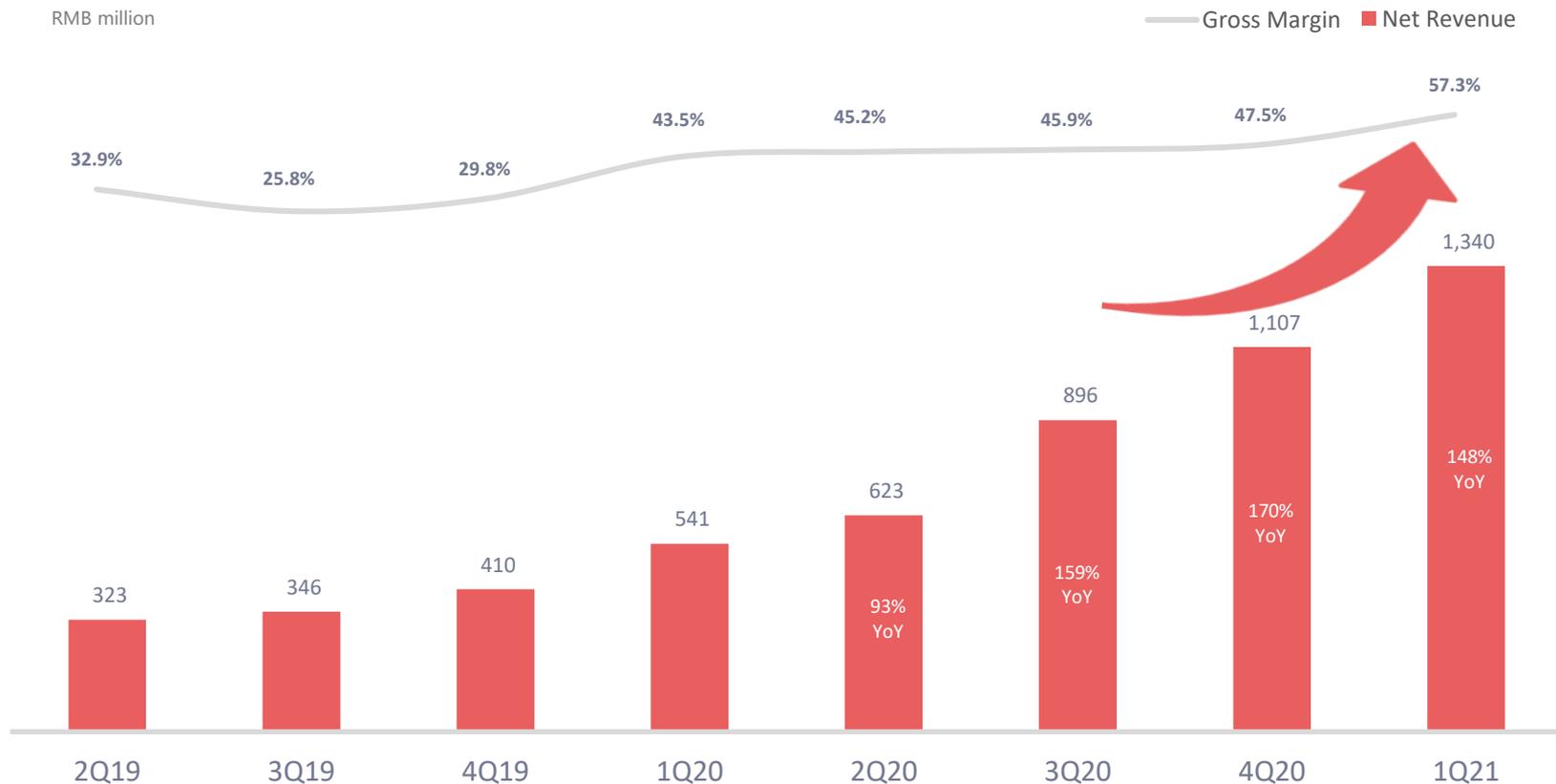


* Revelation mobile game, Elysium of Legends and Yu-Gi-Oh! Duel Links were launched in 1Q21

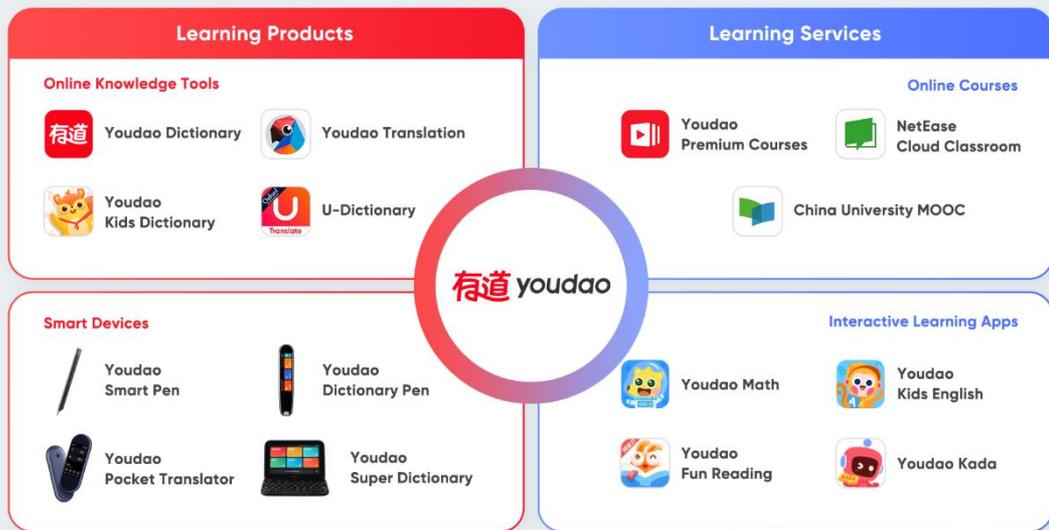
** Pokémon Quest was launched in 2Q21

ONLINE EDUCATION

Youdao Net Revenue and Gross Margin



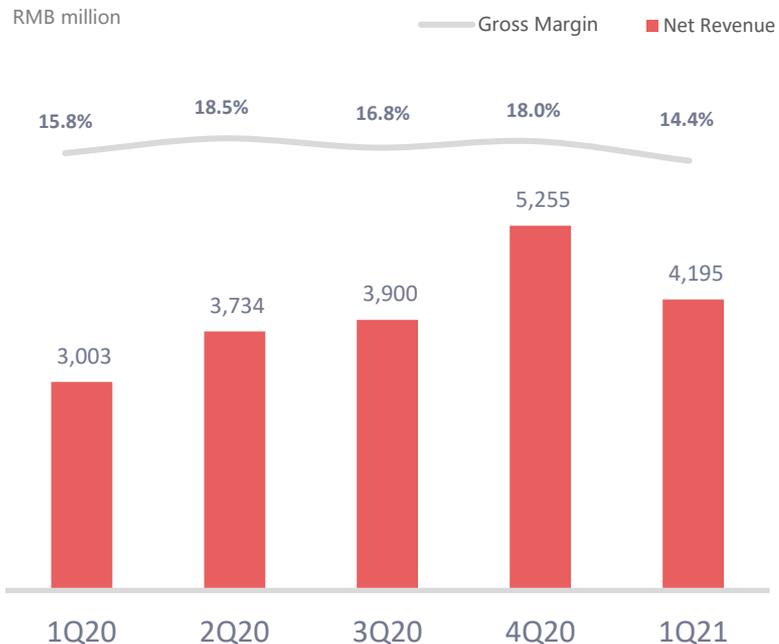
ONLINE EDUCATION HIGHLIGHTS



- Gross billings from Youdao’s K-12 segment was up 130% year-over-year despite the high base due to the outbreak of COVID-19 last year
- Paid student enrollments from K-12 climbed to 306,000, up 100% year-over-year
- Continued to strengthen Youdao’s servicing team, which comprises 197 instructors and over 4,000 well-trained tutors by the end of the first quarter
- Released Youdao Dictionary Pen 3.0 Pro version in March 2021, further supporting bilingual translation of Japanese and Korean to meet the demand of a wider range of language learners

INNOVATIVE BUSINESSES AND OTHERS

Innovative Businesses and Others Net Revenue and Gross Margin



NetEase
Cloud Music



NetEase Yanxuan



NetEase E-mail



NetEase Media



NetEase CC



INNOVATIVE BUSINESSES AND OTHERS



NetEase Cloud Music

- Maintained strong growth while creating a more immersive, liberating music experience for music enthusiasts
- Held the third Indie Music Artists Ceremony in April, encouraging independent musicians to continue their remarkable music creations
- Enriched music-inspired interactions and content creation through a number of trend-setting innovations
- Announced a direct digital distribution partnership with Sony Music Entertainment (“SME”) in May



NetEase Yanxuan

- Our innovative private label consumer brand, targeting young professionals in China with a strong emphasis on quality of life
- Launched a number of highly popular products which have sold well since their introduction, and aim to introduce more signature products in 2021
- Continued to optimize the operating efficiency, significantly reducing both our inventory turnover days and the fulfillment expense per order



INNOVATIVE BUSINESSES AND OTHERS

Internet Media



- www.163.com is one of China's most visited internet portals, with strong user diversity, reach and stickiness
- Mobile News App is one of the most popular news apps in China

Live Streaming



- CC live streaming platform offers various live streaming content with a primary focus on games

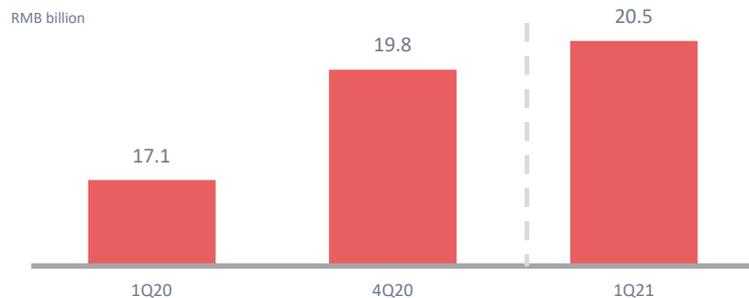
E-mail Services



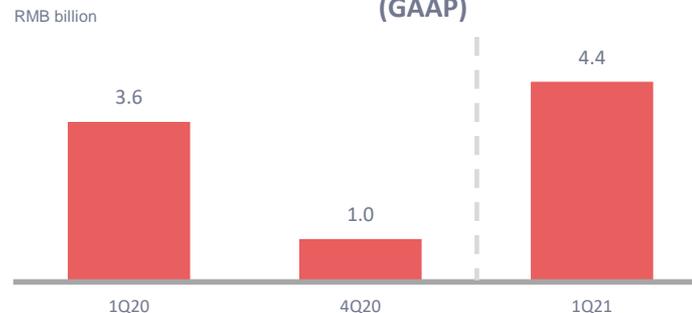
- China's leading e-mail service provider since 1997
- Around 590 million annual active users as of March 31, 2021

FINANCIAL HIGHLIGHTS

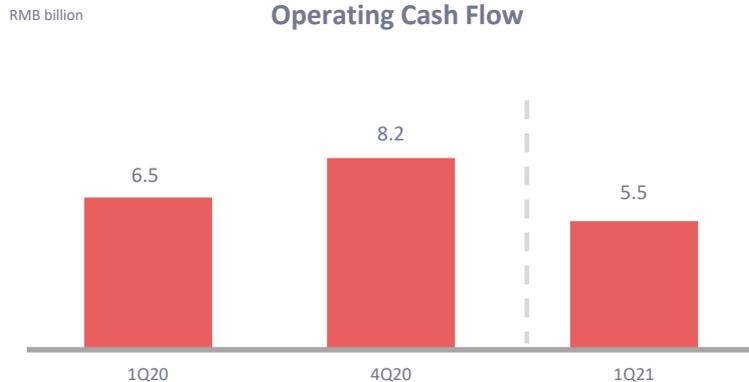
Net Revenue



Net Income attributable to shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	2020FY	1Q20	2Q20	3Q20	4Q20	1Q21
Dividend per ADS	\$0.784	\$0.232	\$0.297	\$0.195	\$0.060	\$0.300
Dividend paid (during the period)	\$624 m	\$131 m	\$158 m	\$203 m	\$132 m	\$40 m
Share Buyback (during the period)	\$1,625 m	\$342 m	\$414 m	\$355 m	\$514 m	\$330 m

BALANCE SHEET SUMMARY

in millions	2020	2021	
	Dec 31, RMB	Mar 31, RMB (Unaudited)	Mar 31, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	9,117	8,791	1,342
Time deposits	71,079	75,612	11,541
Other current assets	27,635	31,126	4,750
Total current assets	107,831	115,529	17,633
Property, equipment and software, net	4,555	4,652	710
Other non-current assets	29,489	30,323	4,628
Total assets	141,875	150,504	22,971
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	10,945	11,686	1,784
Other current liabilities	35,798	38,962	5,946
Total current liabilities	46,743	50,648	7,730
Total liabilities	48,081	52,383	7,995
Redeemable Noncontrolling Interests	10,796	10,943	1,670
Total shareholders' equity	82,998	87,178	13,306
Total liabilities, redeemable noncontrolling interests and shareholders' equity	141,875	150,504	22,971

INCOME STATEMENT SUMMARY

	1Q20	4Q20	1Q21	1Q21	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenue:	17,062	19,762	20,517	3,132	3.8%	20.2%
<i>Online game services</i>	13,518	13,400	14,982	2,287	11.8%	10.8%
<i>Youdao</i>	541	1,107	1,340	205	21.0%	147.5%
<i>Innovative businesses and others</i>	3,003	5,255	4,195	640	-20.2%	39.7%
Gross profit	9,378	9,928	11,053	1,687	11.3%	17.9%
Gross profit margin	55.0%	50.2%	53.9%	53.9%		
Operating profit	4,486	3,012	4,276	653	42.0%	-4.7%
Operating profit margin	26.3%	15.2%	20.8%	20.8%		
Net income attributable to the Company's shareholders	3,551	976	4,439	678	354.8%	25.0%
Diluted net income per ADS	¥5.42	¥1.43	¥6.53	\$1.00	356.6%	20.5%

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

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THANK YOU