



2Q 2020

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 June 30, 2020, NetEase had over 22,000 employees.

MARKET SNAPSHOT

In USD

\$62.3
billion

Market Cap¹
(08/12/20)

131
million

ADS Outstanding,²
Diluted
(2Q20)

\$4.95

Basic net income per³
ADS (GAAP) (2Q20)

\$2.6
billion

Net Revenue
(2Q20)

\$642
million

Net income attributable to
the Company's shareholders
(GAAP) (2Q20)

\$14.6
billion

Cash, time deposits
and short-term investment
(06/30/20)

Note:

1 Market Cap is calculated using the closing price on NASDAQ. Our market cap is HK\$ 468.9 billion (\$ 60.5 billion) based on the closing price on the Hong Kong Stock Exchange.

2 Total weighted average number of ordinary shares outstanding (diluted) is 3,281 million as of June 30, 2020. Our ADSs each represents 25 ordinary shares.

3 Basic net income per ordinary share equals to US\$0.198, or HK\$1.53 (FX: 1 US\$= 7.7501 HKD).

20Q2 OPERATIONAL HIGHLIGHTS



Launched exciting new titles including *Fantasy Westward Journey H5*, *King of Hunters*, *PES Club Manager* and *MARVEL Duel*



Introduced PC game *Justice's* two-year anniversary expansion pack in June, propelling high popularity and driving increased new and returning players



Reinforced international games presence with strong performances from *Knives Out* and *Life-After* in Japan



Continued popularity of Blizzard Entertainment's *World of Warcraft*® in China, achieving a record number of peak concurrent users in the first half of this year



Advanced near-term titles for release including *EVE Echoes* and *Onmyoji: Yokai Koya*, as well as other upcoming titles in the pipeline such as: *The Lord of the Rings: Rise to War*, *Harry Potter: Magic Awakened*, *For All Time*, *Revelation mobile game*, *Ghost World Chronicle*, *Nightmare Breaker*, *Infinite Lagrange*, *Diablo® Immortal™* and *Pokémon Quest*.



Grew Youdao's intelligent learning business steadily with net revenues from learning services and products by 190% year-over-year, and achieved positive net operating cash flow again during the quarter



Maintained strong momentum for NetEase Cloud Music, with robust growth in net revenues from both membership and live streaming, and secured a multi-year licensing agreement with Universal Music Group recently.



Completed listing on the main board of the Hong Kong Stock Exchange in June 2020



Issued first Environmental, Social and Governance report in June 2020

BUSINESS SEGMENTS



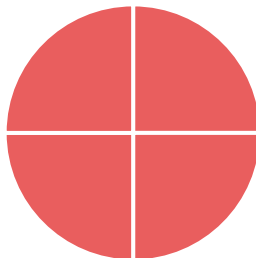
Online Games

- 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.



Online Education

- A leading intelligent learning service 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.



Online Music

- Leading interactive music streaming service providers in China with more than 800 million registered users;
- Platform of choice for exploring new and independent music among music enthusiasts in China, and the most popular entertainment app among China's vibrant Generation Z community



E-commerce and Others

- Leading service provider of private label e-commerce through Yanxuan, a platform offers access to a comprehensive selection of affordable and high-quality products in China;
- Others include one of the largest providers of free e-mail services in China, one of the most popular internet media service providers in China, as well as our CC live-streaming platform.

ONLINE GAMES

Online Games Net Revenue and Gross Margin

RMB million

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

64.3% 65.1% 62.8% 63.7% 63.1% 63.8% 63.1% 64.1% 63.8%

10,061 10,348 11,020 11,850 11,433 11,535 11,604 13,518 13,828

75%

68%

70%

72%

72%

71%

70%

70%

72%

2Q18

3Q18

4Q18

1Q19

2Q19

3Q19

4Q19

1Q20

2Q20

Mobile Games as a
Percentage of
Online Games Net
Revenue

ONLINE GAMES - PC GAMES

Flagship Self-Developed PC titles



Flagship Licensed PC titles



ONLINE GAMES - MOBILE GAMES

- Over 100 mobile games offered in China

Self-Developed Mobile Games

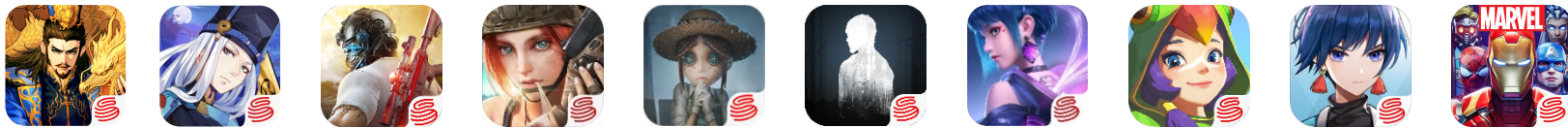


Licensed Mobile Games From Overseas Developers



ONLINE GAMES - MOBILE GAMES

Launching Mobile Games in Overseas Markets

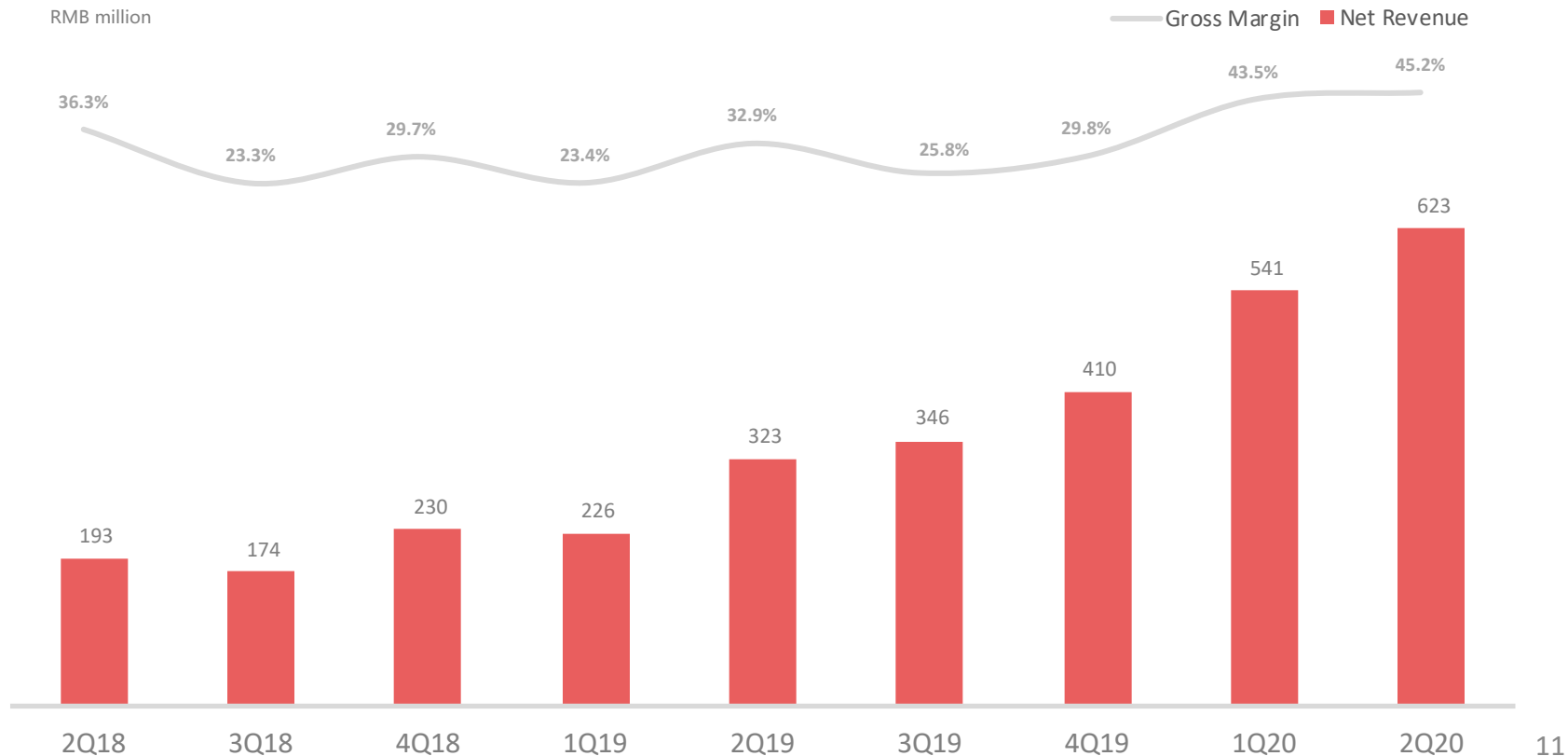


Overseas games net revenue accounts for above 10% of total online games net revenue.

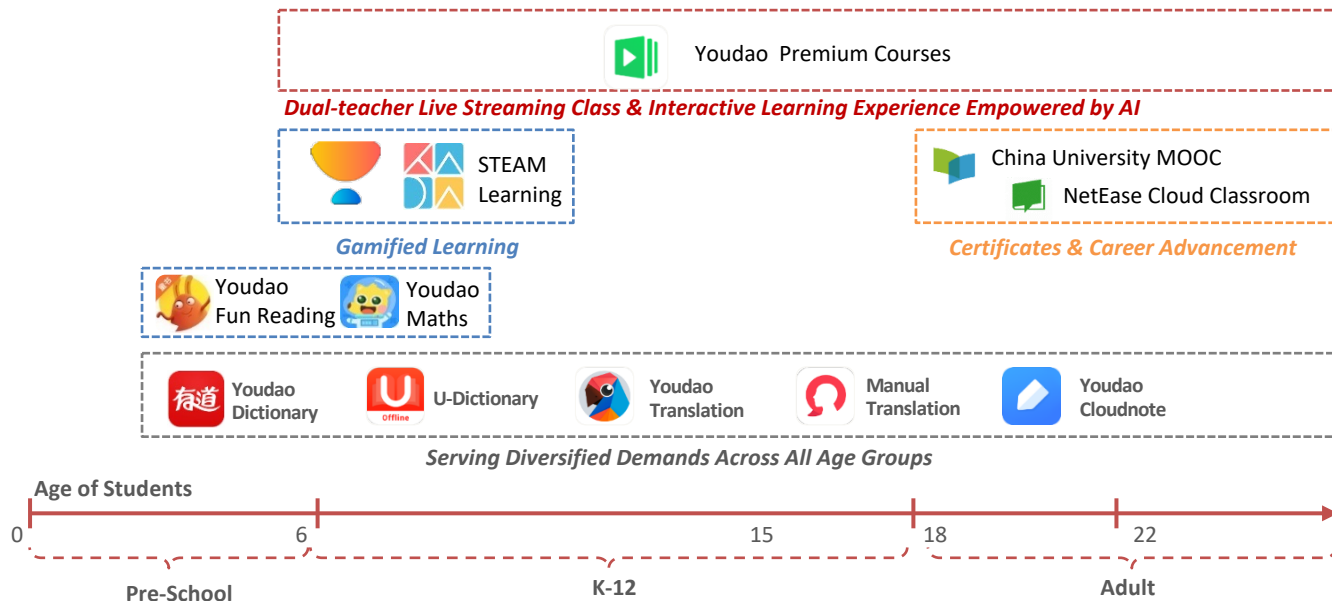
- *Overseas games net revenue reaches a new record driven by robust growths from Knives Out and Life-After in Japan*
- *Knives Out successfully collaborated with Tokyo Ghoul anime, and topped Japan's iOS grossing chart for nearly a week*

ONLINE EDUCATION

Youdao Net Revenue and Gross Margin



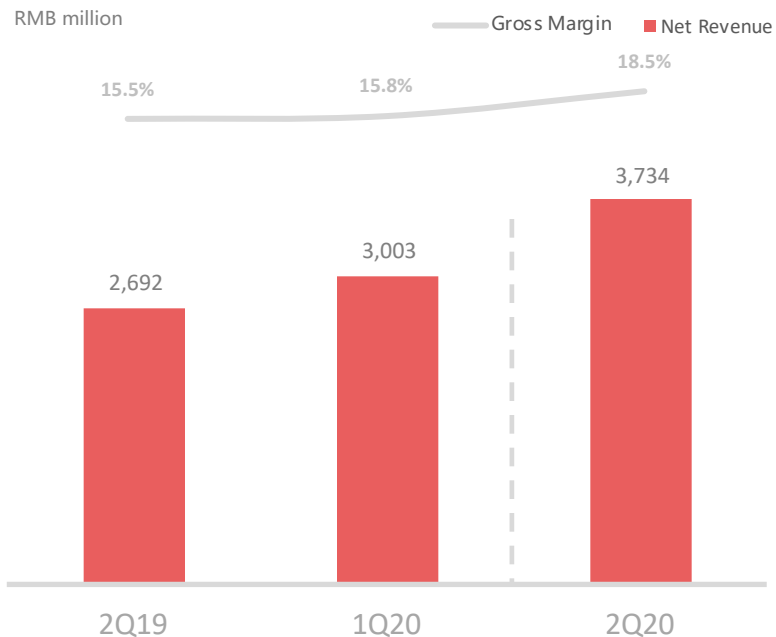
ONLINE EDUCATION



- Youdao continues to scale at a rapid pace, achieving a positive operating cash flow again during the quarter.
- Gross billings generated by online courses increased 223% year-over-year in the second quarter.
- Net revenues of learning devices performed well, and Youdao released Dictionary Pen 2.0 Pro in June.

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

網易 **NETEASE**
www.163.com

INNOVATIVE BUSINESSES AND OTHERS



NetEase Cloud Music

- Launched in April 2013, NetEase Cloud Music is one of the largest online music streaming platforms in China with more than 800 million registered users
- Secured a multi-year licensing agreement with Universal Music Group, marking a great step forward for China's music industry as a whole
- Launched our Karaoke App, which allows one-click remix capabilities for limitless creative possibilities when singing on the App



NetEase Yanxuan

- Our innovative private label e-commerce business, targeting middle-class consumers in China with a strong emphasis on quality of life
- Initiated two successful live streaming broadcasts featuring both NetEase and Yanxuan executives, with the associated gross billings exceeding our expectations
- Continued to optimize our operating efficiency by introducing a number of popular products, and significantly reducing inventory turnover days

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

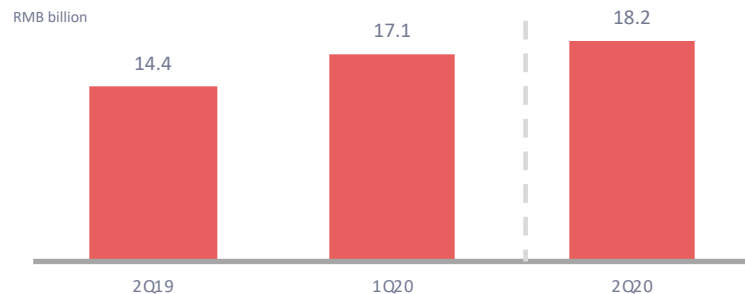
E-mail Services



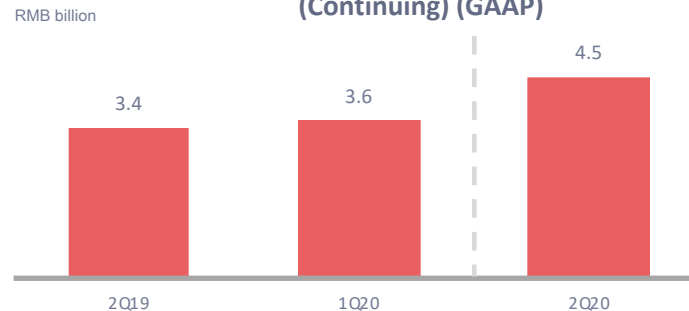
- China's leading e-mail service provider since 1997
- Around 630 million annual active users as of June 30, 2020

FINANCIAL HIGHLIGHTS

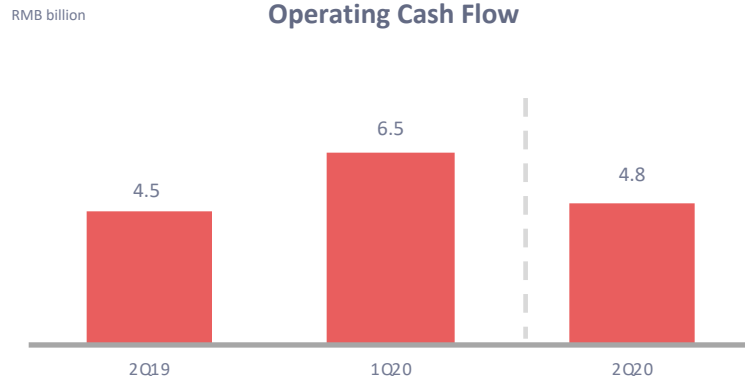
Net Revenue



Net Income attributable to shareholders (Continuing) (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	2019FY	2Q19	3Q19	4Q19	1Q20	2Q20
Dividend per ADS	\$10.34	\$1.04	\$7.59	\$1.02	\$1.16	\$1.485
Dividend paid (during the period)	\$1,270 m	\$89 m	\$129 m	\$990 m	\$131 m	\$158 m
Share Buyback (during the period)	\$0.2 m	\$0	\$0.2m	\$0	\$341.9m	\$413.8m

BALANCE SHEET SUMMARY

in millions	2019	2020	
	Dec 31, RMB	Jun 30, RMB (Unaudited)	Jun 30, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	3,246	10,623	1,504
Time deposits	53,487	66,348	9,391
Other current assets	28,372	34,142	4,832
Total current assets	85,105	111,113	15,727
Property, equipment and software	4,622	4,416	625
Other non-current assets	22,397	28,641	4,054
Total assets	112,124	144,170	20,406
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	8,602	9,376	1,327
Other current liabilities	29,641	35,819	5,070
Total current liabilities	38,243	45,195	6,397
Total liabilities	39,083	46,653	6,603
Redeemable Noncontrolling Interests	10,448	10,539	1,492
Total shareholders' equity	62,593	86,978	12,311
Total liabilities and shareholders' equity	112,124	144,170	20,406

INCOME STATEMENT SUMMARY

	2Q19	1Q20	2Q20	2Q20	QoQ	YoY
in millions except per ADS data	RMB	RMB	RMB	USD	Change	Change
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenues:	14,448	17,062	18,185	2,574	6.6%	25.9%
<i>Online game services</i>	11,433	13,518	13,828	1,957	2.3%	20.9%
<i>Youdao</i>	323	541	623	88	15.2%	92.9%
<i>Innovative businesses and others</i>	2,692	3,003	3,734	529	24.3%	38.7%
Gross profit	7,737	9,378	9,792	1,386	4.4%	26.6%
Gross profit margin	53.5%	55.0%	53.8%	53.8%		
Operating profit	3,724	4,486	4,170	590	-7.0%	12.0%
Operating profit margin	25.8%	26.3%	22.9%	22.9%		
Net income attributable to the Company's shareholders	3,071	3,551	4,538	642	27.8%	47.8%
Diluted earnings per ADS	¥23.64	¥27.12	¥34.58	\$4.89	27.5%	46.3%
Diluted earnings per ADS (Continuing operations)	¥25.82	¥27.12	¥34.58	\$4.89	27.5%	33.9%

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

CONTACT US

Margaret Shi

NetEase, Inc.

E-mail: ir@service.netease.com

Tel: (+86) 571-8985-3378

Brandi Piacente

The Piacente Group, Inc.

E-mail: netease@thepiacentegroup.com

Tel: (+1) 212-481-2050

THANK YOU