

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



NetEase, Inc.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9999)

**UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED
SEPTEMBER 30 2023 AND THE THIRD QUARTER DIVIDEND ANNOUNCEMENT**

NetEase, Inc. (the “**Company**”) hereby announces its quarterly dividend and results for the third quarter of 2023, which contains unaudited financial results for the three months ended September 30, 2023. This results announcement will be available for viewing on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company’s website at <http://ir.netease.com>.

By Order of the Board
NetEase, Inc.
William Lei Ding
Director

Hangzhou, China, November 16, 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. William Lei Ding as the director, and Ms. Grace Tang, Ms. Alice Cheng, Mr. Joseph Tong and Mr. Michael Leung as the independent directors.



Contact for Media and Investors:

Margaret Shi

Email: ir@service.netease.com

Tel: (+86) 571-8985-3378

Twitter: https://twitter.com/NetEase_Global

NetEase Announces Third Quarter 2023 Unaudited Financial Results

Hangzhou, China, November 16, 2023 - NetEase, Inc. (NASDAQ: NTESS and HKEX: 9999, “NetEase” or the “Company”), a leading internet and game services provider, today announced its unaudited financial results for the third quarter ended September 30, 2023.

Third Quarter 2023 Financial Highlights

- Net revenues were RMB27.3 billion (US\$3.7 billion), an increase of 11.6% compared with the third quarter of 2022.
- Games and related value-added services net revenues were RMB21.8 billion (US\$3.0 billion), an increase of 16.5% compared with the third quarter of 2022.
- Youdao net revenues were RMB1.5 billion (US\$210.9 million), an increase of 9.7% compared with the third quarter of 2022.
- Cloud Music net revenues were RMB2.0 billion (US\$270.4 million), a decrease of 16.3% compared with the third quarter of 2022.
- Innovative businesses and others net revenues were RMB2.0 billion (US\$271.2 million), a slight increase compared with the third quarter of 2022.
- Gross profit was RMB17.0 billion (US\$2.3 billion), an increase of 23.4% compared with the third quarter of 2022.
- Total operating expenses were RMB9.4 billion (US\$1.3 billion), an increase of 4.5% compared with the third quarter of 2022.

- Net income attributable to the Company’s shareholders was RMB7.8 billion (US\$1.1 billion). Non-GAAP net income from continuing operations attributable to the Company’s shareholders was RMB8.6 billion (US\$1.2 billion).^[1]
- Basic net income per share was US\$0.33 (US\$1.67 per ADS). Non-GAAP basic net income from continuing operations per share was US\$0.37 (US\$1.84 per ADS).^[1]

Third Quarter 2023 and Recent Operational Highlights

- *Justice* mobile game gained robust revenue and user growth, accumulating over 50 million registered players.
- *Dunk City Dynasty*, NetEase Game’s first self-developed basketball game, topped China’s iOS top-grossing chart at the end of October.
- Time-honored flagship titles, including the *Fantasy Westward Journey* series, continued to invigorate players, and newer hit games, including *Eggy Party*, *Identity V* and *Naraka: Bladepoint*, maintained ongoing popularity.
- Hotly anticipated new games spanning diverse genres reached ongoing Company development milestones with multiple high-profile titles slated for launch in 2024.
- Cloud Music considerably strengthened its music-centric membership monetization and further improved profitability. Cloud Music continued to cultivate its music community and introduce premium offerings, including expansive content and innovative features.
- Youdao achieved record-high revenue, driven by growth in its learning services and online marketing services, and substantially reduced its loss from operations as an ongoing effort.

“Our robust and increasingly diversified games portfolio led our strong results in the third quarter, with total net revenues reaching RMB27.3 billion for a year-over-year increase of nearly 12%,” said Mr. William Ding, Chief Executive Officer and Director of NetEase. “Our flagship games continue to win the hearts of players with fan favorites like the *Fantasy Westward Journey* series. Our newest innovative, first-rate games in various genres, including *Racing Master*, *Justice* mobile game and *Dunk City Dynasty*, also quickly gained widespread acclaim. The popularity of our wide-ranging newest hits highlights our exceptional talent in R&D that is expanding our reach in the casual gaming market while also pushing the boundaries of traditional MMOs, where we are bringing players all-new gaming experiences like never before.

^[1] As used in this announcement, non-GAAP net income from continuing operations attributable to the Company’s shareholders and non-GAAP basic and diluted net income from continuing operations per share and per ADS are defined to exclude share-based compensation expenses. See “Unaudited Reconciliation of GAAP and Non-GAAP Results” at the end of this announcement.

“In our broader NetEase family, Cloud Music and Youdao are tracking well, delivering innovative content offerings in their respective fields. Looking forward, creating products and content with a passion that invigorates the market and shapes resonant experiences will drive value for our users and for our Company,” Mr. Ding concluded.

Third Quarter 2023 Financial Results

Net Revenues

Net revenues for the third quarter of 2023 were RMB27,270.4 million (US\$3,737.7 million), compared with RMB24,011.3 million and RMB24,426.8 million for the preceding quarter and the third quarter of 2022, respectively.

Net revenues from games and related value-added services were RMB21,779.9 million (US\$2,985.2 million) for the third quarter of 2023, compared with RMB18,798.6 million and RMB18,699.1 million for the preceding quarter and the third quarter of 2022, respectively. Net revenues from the operation of online games accounted for approximately 93.7% of the segment’s net revenues for the third quarter of 2023, compared with 91.7% and 92.9% for the preceding quarter and the third quarter of 2022, respectively. Net revenues from mobile games accounted for approximately 77.6% of net revenues from the operation of online games for the third quarter of 2023, compared with 73.6% and 68.6% for the preceding quarter and the third quarter of 2022, respectively.

Net revenues from Youdao were RMB1,538.8 million (US\$210.9 million) for the third quarter of 2023, compared with RMB1,206.6 million and RMB1,402.4 million for the preceding quarter and the third quarter of 2022, respectively.

Net revenues from Cloud Music were RMB1,973.1 million (US\$270.4 million) for the third quarter of 2023, compared with RMB1,948.5 million and RMB2,357.2 million for the preceding quarter and the third quarter of 2022, respectively.

Net revenues from innovative businesses and others were RMB1,978.7 million (US\$271.2 million) for the third quarter of 2023, compared with RMB2,057.5 million and RMB1,968.0 million for the preceding quarter and the third quarter of 2022, respectively.

Gross Profit

Gross profit for the third quarter of 2023 was RMB16,966.3 million (US\$2,325.4 million), compared with RMB14,375.4 million and RMB13,743.9 million for the preceding quarter and the third quarter of 2022, respectively.

The quarter-over-quarter increase in games and related value-added services’ gross profit was primarily due to increased net revenues from newly launched games such as *Justice* mobile game and *Racing Master*. The year-over-year increase was primarily due to increased net revenues from the operation of online games such as *Eggy Party* and those newly launched titles, as well as decreased royalty fees due to the termination of certain licensed games.

The quarter-over-quarter increase in Youdao's gross profit was primarily attributable to the increase in net revenues from its learning services. The year-over-year increase primarily resulted from increased revenue contribution from both its learning services and online marketing services.

The quarter-over-quarter and year-over-year increases in Cloud Music's gross profit primarily resulted from increased net revenues from sales of membership subscriptions and continued improvement in cost control measures.

The quarter-over-quarter decrease in innovative businesses and others' gross profit was primarily due to decreased e-commerce gross profit from Yanxuan. The year-over-year increase was primarily due to increased gross profit from Yanxuan and several other businesses included within the segment.

Gross Profit Margin

Gross profit margin for games and related value-added services for the third quarter of 2023 was 69.0%, compared with 67.4% and 65.0% for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter increase was primarily attributable to changes in the revenue mix of NetEase's self-developed, co-developed and licensed games, as well as the relative revenue contribution from different channels. The year-over-year increase was mainly attributable to a higher proportion of net revenues contributed by NetEase's self-developed games.

Gross profit margin for Youdao for the third quarter of 2023 was 55.9%, compared with 47.0% and 54.2% for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter and year-over-year increases were primarily attributable to the factors enumerated above.

Gross profit margin for Cloud Music for the third quarter of 2023 was 27.2%, compared with 27.0% and 14.2% for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter and year-over-year improvements were mainly due to the factors enumerated above.

Gross profit margin for innovative businesses and others for the third quarter of 2023 was 27.3%, compared with 29.5% and 25.5% for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter and year-over-year fluctuations were mainly due to changes in the product mix within the segment.

Operating Expenses

Total operating expenses for the third quarter of 2023 were RMB9,408.4 million (US\$1,289.5 million), compared with RMB8,312.8 million and RMB9,002.1 million for the preceding quarter and the third quarter of 2022, respectively. The quarter-over-quarter increase was mainly due to increased marketing expenditures and staff-related costs associated with games and related value-added services. The year-over-year increase was mainly due to higher research and development investments.

Other Income/ (Expenses)

Other income/ (expenses) consisted of investment income, interest income, exchange gains/ (losses) and others. The quarter-over-quarter and year-over-year decreases were mainly due to net unrealized exchange losses arising from the Company's U.S. dollar-denominated bank deposits and loan balances as the exchange rate of the U.S. dollar against the RMB fluctuated in the third quarter of 2023.

Income Tax

The Company recorded a net income tax charge of RMB1,290.4 million (US\$176.9 million) for the third quarter of 2023, compared with RMB712.1 million and RMB1,586.7 million for the preceding quarter and the third quarter of 2022, respectively. The effective tax rate for the third quarter of 2023 was 14.2%, compared with 8.0% and 19.3% for the preceding quarter and the third quarter of 2022, respectively. The lower effective tax rate for the preceding quarter was primarily due to tax benefits recognized in that quarter. The effective tax rate represents certain estimates by the Company as to the tax obligations and benefits applicable to it in each quarter.

Net Income and Non-GAAP Net Income

Net income attributable to the Company's shareholders totaled RMB7,836.9 million (US\$1,074.1 million) for the third quarter of 2023, compared with RMB8,242.8 million and RMB6,699.4 million for the preceding quarter and the third quarter of 2022, respectively.

NetEase reported basic net income of US\$0.33 per share (US\$1.67 per ADS) for the third quarter of 2023, compared with US\$0.35 per share (US\$1.75 per ADS) and US\$0.28 per share (US\$1.41 per ADS) for the preceding quarter and the third quarter of 2022, respectively.

Non-GAAP net income from continuing operations attributable to the Company's shareholders totaled RMB8,645.2 million (US\$1,184.9 million) for the third quarter of 2023, compared with RMB9,017.5 million and RMB7,469.6 million for the preceding quarter and the third quarter of 2022, respectively.

NetEase reported non-GAAP basic net income from continuing operations of US\$0.37 per share (US\$1.84 per ADS) for the third quarter of 2023, compared with US\$0.38 per share (US\$1.92 per ADS) and US\$0.31 per share (US\$1.57 per ADS) for the preceding quarter and the third quarter of 2022, respectively.

Other Financial Information

As of September 30, 2023, the Company's 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, totaled RMB104.4 billion (US\$14.3 billion), compared with RMB95.6 billion as of December 31, 2022. Net cash provided by operating activities was RMB9.8 billion (US\$1.3 billion) for the third quarter of 2023, compared with RMB7.7 billion and RMB7.5 billion for the preceding quarter and the third quarter of 2022, respectively.

Quarterly Dividend

The board of directors has approved a dividend of US\$0.0990 per share (US\$0.4950 per ADS) for the third quarter of 2023 to holders of ordinary shares and holders of ADSs as of the close of business on December 1, 2023, Beijing/Hong Kong Time and New York Time, respectively, payable in U.S. dollars. For holders of ordinary shares, in order to qualify for the dividend, all valid documents for the transfer of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on December 1, 2023 (Beijing/ Hong Kong Time). The payment date is expected to be December 12, 2023 for holders of ordinary shares, and on or around December 15, 2023 for holders of ADSs.

NetEase paid a dividend of US\$0.1050 per share (US\$0.5250 per ADS) for the second quarter of 2023 in September 2023.

Under the Company's current dividend policy, the determination to make dividend distributions and the amount of such distribution in any particular quarter will be made at the discretion of its board of directors and will be based upon the Company's operations and earnings, cash flow, financial condition and other relevant factors.

Share Repurchase Program

On November 17, 2022, the Company announced that its board of directors had approved a new share repurchase program of up to US\$5.0 billion of the Company's ADSs and ordinary shares in open market transactions. This share repurchase program commenced on January 10, 2023 following the completion of the prior program on January 9, 2023, and will be in effect for a period not to exceed 36 months from such date. As of September 30, 2023, approximately 6.6 million ADSs had been repurchased under this program for a total cost of US\$587.9 million.

The extent to which NetEase repurchases its ADSs and its ordinary shares depends upon a variety of factors, including market conditions. These programs may be suspended or discontinued at any time.

** The United States dollar (US\$) amounts disclosed in this announcement are presented solely for the convenience of the reader. The percentages stated are calculated based on RMB.

Announcement on Change of Management

The Company also announced today that Mr. Charles Zhaoxuan Yang has resigned from his position as Chief Financial Officer effective November 30, 2023 for personal reasons and to subsequently pursue other career interests. Mr. Yang will remain with the Company as a consultant until June 30, 2024 to ensure a smooth transition as the Company undertakes a search to find a successor.

“We are grateful to Charles for his contributions to NetEase over the past six years, and he has been instrumental in leading some of our largest capital market transactions, which were key milestones in the Company’s history. On behalf of the Board and management team, I wish him well in his future endeavors,” said Mr. Ding.

Mr. Yang said, “It has been a pleasure to have been able to work together with William, the Board and the management team to help NetEase progress to where it is now. I am committed to ensuring a smooth transition and have full confidence in NetEase’s prospects for sustainable growth and value creation.”

Conference Call

NetEase’s management team will host a teleconference call with a simultaneous webcast at 7:00 a.m. New York Time on Thursday, November 16, 2023 (Beijing/ Hong Kong Time: 8:00 p.m., Thursday, November 16, 2023). NetEase’s management will be on the call to discuss the quarterly results and answer questions.

Interested parties may participate in the conference call by dialing 1-914-202-3258 and providing conference ID: 10034483, 15 minutes prior to the initiation of the call. A replay of the call will be available by dialing 1-855-883-1031 and entering PIN: 10034483. The replay will be available through November 23, 2023.

This call will be webcast live and the replay will be available for 12 months. Both will be available on NetEase’s Investor Relations website at <http://ir.netease.com/>.

About 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 the 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/>.

Forward Looking Statements

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; 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; the risk associated with cybersecurity threats or incidents; 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.

Non-GAAP Financial Measures

NetEase considers and uses non-GAAP financial measures, such as non-GAAP net income from continuing operations attributable to the Company's shareholders and non-GAAP basic and diluted net income from continuing operations per ADS and per share, as supplemental metrics in reviewing and assessing its operating performance and formulating its business plan. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

NetEase defines non-GAAP net income from continuing operations attributable to the Company's shareholders as net income from continuing operations attributable to the Company's shareholders excluding share-based compensation expenses. Non-GAAP net income from continuing operations attributable to the Company's shareholders enables NetEase's management to assess its operating results without considering the impact of share-based compensation expenses. NetEase believes that these non-GAAP financial measures provide useful information to investors in understanding and evaluating the Company's current operating performance and prospects in the same manner as management does, if they so choose. NetEase also believes that the use of this non-GAAP financial measure facilitates investors' assessment of its operating performance.

Non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. Non-GAAP financial measures have limitations as analytical tools. One of the key limitations of using non-GAAP net income from continuing operations attributable to the Company's shareholders is that it does not reflect all items of expense/ income that affect our operations. Share-based compensation expenses have been and may continue to be incurred in NetEase's business and are not reflected in the presentation of non-GAAP net income from continuing operations attributable to the Company's shareholders. In addition, the non-GAAP financial measures NetEase uses may differ from the non-GAAP measures used by other companies, including peer companies, and therefore their comparability may be limited.

NetEase compensates for these limitations by reconciling non-GAAP net income from continuing operations attributable to the Company's shareholders to the nearest U.S. GAAP performance measure, all of which should be considered when evaluating the Company's performance. See "Unaudited Reconciliation of GAAP and Non-GAAP Results" at the end of this announcement. NetEase encourages you to review its financial information in its entirety and not rely on a single financial measure.

NETEASE, INC.**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands)

| | December 31, 2022 | September 30, 2023 | September 30, 2023 |
|--|------------------------------|-------------------------------|-------------------------------|
| | RMB | RMB | USD (Note 1) |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 24,889,000 | 15,116,464 | 2,071,884 |
| Time deposits | 84,947,679 | 87,174,226 | 11,948,222 |
| Restricted cash | 2,699,055 | 3,041,312 | 416,846 |
| Accounts receivable, net | 5,002,872 | 6,492,193 | 889,829 |
| Inventories | 993,636 | 721,958 | 98,953 |
| Prepayments and other current assets, net | 5,448,284 | 6,483,086 | 888,581 |
| Short-term investments | 7,622,673 | 8,536,188 | 1,169,982 |
| Total current assets | <u>131,603,199</u> | <u>127,565,427</u> | <u>17,484,297</u> |
| Non-current assets: | | | |
| Property, equipment and software, net | 6,342,330 | 7,582,320 | 1,039,243 |
| Land use rights, net | 4,121,767 | 4,109,744 | 563,287 |
| Deferred tax assets | 1,480,789 | 1,422,599 | 194,983 |
| Time deposits | 2,973,840 | 2,220,840 | 304,391 |
| Restricted cash | 270 | 290 | 40 |
| Other long-term assets | 26,238,790 | 28,673,785 | 3,930,069 |
| Total non-current assets | <u>41,157,786</u> | <u>44,009,578</u> | <u>6,032,013</u> |
| Total assets | <u><u>172,760,985</u></u> | <u><u>171,575,005</u></u> | <u><u>23,516,310</u></u> |
| Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | 1,507,141 | 863,331 | 118,329 |
| Salary and welfare payables | 4,732,941 | 2,833,841 | 388,410 |
| Taxes payable | 2,813,096 | 3,072,590 | 421,133 |
| Short-term loans | 23,875,704 | 11,221,194 | 1,537,993 |
| Contract liabilities | 12,518,890 | 14,188,592 | 1,944,708 |
| Accrued liabilities and other payables | 11,381,075 | 11,689,169 | 1,602,134 |
| Total current liabilities | <u>56,828,847</u> | <u>43,868,717</u> | <u>6,012,707</u> |
| Non-current liabilities: | | | |
| Deferred tax liabilities | 2,126,120 | 2,005,689 | 274,903 |
| Long-term loans | 3,654,964 | 427,997 | 58,662 |
| Other long-term liabilities | 1,277,574 | 1,327,427 | 181,938 |
| Total non-current liabilities | <u>7,058,658</u> | <u>3,761,113</u> | <u>515,503</u> |
| Total liabilities | <u>63,887,505</u> | <u>47,629,830</u> | <u>6,528,210</u> |
| Redeemable noncontrolling interests | 136,440 | 144,382 | 19,789 |
| NetEase, Inc.'s shareholders' equity | 104,731,317 | 119,978,728 | 16,444,453 |
| Noncontrolling interests | 4,005,723 | 3,822,065 | 523,858 |
| Total equity | <u>108,737,040</u> | <u>123,800,793</u> | <u>16,968,311</u> |
| Total liabilities, redeemable noncontrolling interests and shareholders' equity | <u><u>172,760,985</u></u> | <u><u>171,575,005</u></u> | <u><u>23,516,310</u></u> |

The accompanying notes are an integral part of this announcement.

NETEASE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data or per ADS data)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | June 30, 2023 | September 30, 2023 | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2023 |
| | RMB | RMB | RMB | USD (Note 1) | RMB | RMB | USD (Note 1) |
| Net revenues | 24,426,760 | 24,011,301 | 27,270,406 | 3,737,720 | 71,141,680 | 76,327,994 | 10,461,622 |
| Cost of revenues | (10,682,868) | (9,635,888) | (10,304,106) | (1,412,295) | (31,619,918) | (30,089,735) | (4,124,141) |
| Gross profit | 13,743,892 | 14,375,413 | 16,966,300 | 2,325,425 | 39,521,762 | 46,238,259 | 6,337,481 |
| Operating expenses: | | | | | | | |
| Selling and marketing expenses | (3,768,618) | (3,271,705) | (3,567,153) | (488,919) | (9,984,812) | (9,743,904) | (1,335,513) |
| General and administrative expenses | (1,264,342) | (1,132,147) | (1,494,186) | (204,795) | (3,392,866) | (3,648,011) | (500,002) |
| Research and development expenses | (3,969,156) | (3,908,907) | (4,347,052) | (595,813) | (10,948,938) | (12,005,691) | (1,645,517) |
| Total operating expenses | (9,002,116) | (8,312,759) | (9,408,391) | (1,289,527) | (24,326,616) | (25,397,606) | (3,481,032) |
| Operating profit | 4,741,776 | 6,062,654 | 7,557,909 | 1,035,898 | 15,195,146 | 20,840,653 | 2,856,449 |
| Other income/ (expenses): | | | | | | | |
| Investment income, net | 1,347,269 | 287,691 | 556,603 | 76,289 | 91,078 | 1,315,662 | 180,326 |
| Interest income, net | 556,148 | 935,578 | 1,147,227 | 157,241 | 1,520,383 | 2,858,835 | 391,836 |
| Exchange gains/ (losses), net | 1,398,045 | 1,464,956 | (400,483) | (54,891) | 2,165,448 | 677,905 | 92,915 |
| Other, net | 164,435 | 120,826 | 240,024 | 32,898 | 501,940 | 618,883 | 84,825 |
| Income before tax | 8,207,673 | 8,871,705 | 9,101,280 | 1,247,435 | 19,473,995 | 26,311,938 | 3,606,351 |
| Income tax | (1,586,673) | (712,090) | (1,290,398) | (176,864) | (4,065,264) | (3,631,047) | (497,676) |
| Net income from continuing operations | 6,621,000 | 8,159,615 | 7,810,882 | 1,070,571 | 15,408,731 | 22,680,891 | 3,108,675 |
| Net income from discontinued operations | - | - | - | - | 624,864 | - | - |
| Net income | 6,621,000 | 8,159,615 | 7,810,882 | 1,070,571 | 16,033,595 | 22,680,891 | 3,108,675 |
| Accretion of redeemable noncontrolling interests | (781) | (868) | (895) | (123) | (2,268) | (2,623) | (360) |
| Net loss attributable to noncontrolling interests | 79,145 | 84,020 | 26,901 | 3,687 | 353,536 | 156,021 | 21,384 |
| Net income attributable to the Company's shareholders | 6,699,364 | 8,242,767 | 7,836,888 | 1,074,135 | 16,384,863 | 22,834,289 | 3,129,699 |
| Including: | | | | | | | |
| -Net income from continuing operations attributable to the Company's shareholders | 6,699,364 | 8,242,767 | 7,836,888 | 1,074,135 | 15,759,999 | 22,834,289 | 3,129,699 |
| -Net income from discontinued operations attributable to the Company's shareholders | - | - | - | - | 624,864 | - | - |
| Basic net income per share * | 2.05 | 2.56 | 2.44 | 0.33 | 5.01 | 7.10 | 0.97 |
| -Continuing operations | 2.05 | 2.56 | 2.44 | 0.33 | 4.82 | 7.10 | 0.97 |
| -Discontinued operations | - | - | - | - | 0.19 | - | - |
| Basic net income per ADS * | 10.27 | 12.80 | 12.19 | 1.67 | 25.04 | 35.48 | 4.86 |
| -Continuing operations | 10.27 | 12.80 | 12.19 | 1.67 | 24.09 | 35.48 | 4.86 |
| -Discontinued operations | - | - | - | - | 0.95 | - | - |
| Diluted net income per share * | 2.03 | 2.54 | 2.41 | 0.33 | 4.96 | 7.02 | 0.96 |
| -Continuing operations | 2.03 | 2.54 | 2.41 | 0.33 | 4.77 | 7.02 | 0.96 |
| -Discontinued operations | - | - | - | - | 0.19 | - | - |
| Diluted net income per ADS * | 10.17 | 12.69 | 12.06 | 1.65 | 24.79 | 35.11 | 4.81 |
| -Continuing operations | 10.17 | 12.69 | 12.06 | 1.65 | 23.84 | 35.11 | 4.81 |
| -Discontinued operations | - | - | - | - | 0.95 | - | - |
| Weighted average number of ordinary shares used in calculating net income per share * | | | | | | | |
| Basic | 3,262,989 | 3,218,783 | 3,213,834 | 3,213,834 | 3,271,602 | 3,217,873 | 3,217,873 |
| Diluted | 3,293,766 | 3,248,916 | 3,249,649 | 3,249,649 | 3,305,081 | 3,251,666 | 3,251,666 |

* Each ADS represents five ordinary shares.

The accompanying notes are an integral part of this announcement.

NETEASE, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | June 30, 2023 | September 30, 2023 | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2023 |
| | RMB | RMB | RMB | USD (Note 1) | RMB | RMB | USD (Note 1) |
| Cash flows from operating activities: | | | | | | | |
| Net income | 6,621,000 | 8,159,615 | 7,810,882 | 1,070,571 | 16,033,595 | 22,680,891 | 3,108,675 |
| Net income from discontinued operations | - | - | - | - | (624,864) | - | - |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | 713,852 | 661,363 | 651,856 | 89,344 | 2,089,068 | 2,395,488 | 328,329 |
| Fair value changes of equity security investments | 680,019 | (78,035) | (382,132) | (52,376) | 2,956,180 | (686,887) | (94,146) |
| Impairment losses on investments and other long-term assets | 6,763 | 47,870 | 280,641 | 38,465 | 254,848 | 328,511 | 45,026 |
| Fair value changes of short-term investments | (119,620) | (96,884) | (72,875) | (9,988) | (319,278) | (307,675) | (42,170) |
| Share-based compensation cost | 786,999 | 787,862 | 819,548 | 112,328 | 2,297,600 | 2,429,823 | 333,035 |
| Allowance for expected credit losses | 44,126 | 8,540 | 22,386 | 3,068 | 54,778 | 51,646 | 7,079 |
| Losses on disposal of property, equipment and software | 528 | 252 | 2,649 | 363 | 2,454 | 2,291 | 314 |
| Unrealized exchange (gains)/ losses | (1,401,893) | (1,466,295) | 362,213 | 49,645 | (2,193,925) | (718,121) | (98,427) |
| Gains on disposal of long-term investments | (1,724,433) | (16,382) | (3,197) | (438) | (1,728,433) | (25,347) | (3,474) |
| Deferred income taxes | (234,336) | (334,380) | (305,703) | (41,900) | (88,647) | (62,417) | (8,555) |
| Share of results on equity method investees | (159,128) | (129,292) | (160,042) | (21,936) | (1,205,195) | (385,142) | (52,788) |
| Changes in operating assets and liabilities: | | | | | | | |
| Accounts receivable | 35,786 | 770,551 | (1,177,732) | (161,422) | 330,143 | (1,523,463) | (208,808) |
| Inventories | (88,300) | 69,410 | 84,970 | 11,646 | 33,082 | 271,710 | 37,241 |
| Prepayments and other assets | 368,673 | (7,233) | (573,631) | (78,623) | (364,782) | (455,037) | (62,368) |
| Accounts payable | (84,434) | (115,791) | 150,868 | 20,678 | (128,355) | (577,862) | (79,203) |
| Salary and welfare payables | (567,676) | 758,106 | (588,217) | (80,622) | (1,541,111) | (2,055,848) | (281,777) |
| Taxes payable | 475,245 | (992,892) | 515,087 | 70,599 | 10,457 | 255,911 | 35,076 |
| Contract liabilities | 1,580,450 | (41,196) | 1,560,628 | 213,903 | 1,781,919 | 2,009,423 | 275,414 |
| Accrued liabilities and other payables | 552,688 | (306,784) | 845,721 | 115,917 | 1,050,486 | (104,899) | (14,378) |
| Net cash provided by operating activities | 7,486,309 | 7,678,405 | 9,843,920 | 1,349,222 | 18,700,020 | 23,522,996 | 3,224,095 |
| Cash flows from investing activities: | | | | | | | |
| Purchase of property, equipment and software | (557,028) | (520,544) | (643,144) | (88,150) | (1,751,443) | (1,816,627) | (248,989) |
| Proceeds from sale of property, equipment and software | 3,307 | 4,292 | 3,101 | 425 | 39,210 | 9,897 | 1,356 |
| Purchase of intangible assets, content and licensed copyrights | (152,276) | (283,321) | (742,523) | (101,771) | (381,233) | (1,852,526) | (253,910) |
| Net change in short-term investments with terms of three months or less | 156,475 | 1,630,013 | (1,993,921) | (273,290) | 1,708,147 | (1,087,059) | (148,994) |
| Purchase of short-term investments with terms over three months | - | - | - | - | (1,250,000) | - | - |
| Proceeds from maturities of short-term investments with terms over three months | 1,195,475 | - | 376,950 | 51,665 | 3,208,478 | 481,219 | 65,957 |
| Investment in long-term investments and acquisition of subsidiaries | (844,513) | (270,228) | (417,448) | (57,216) | (3,434,752) | (1,916,724) | (262,709) |
| Proceeds from disposal of long-term investments | 2,277,625 | 16,531 | 20,898 | 2,864 | 2,318,275 | 78,709 | 10,788 |
| Placement/ rollover of matured time deposits | (18,830,844) | (10,874,831) | (30,831,994) | (4,225,876) | (75,998,870) | (78,026,928) | (10,694,480) |
| Proceeds from maturities of time deposits | 17,770,581 | 21,918,791 | 33,893,436 | 4,645,482 | 64,570,517 | 78,144,576 | 10,710,605 |
| Change in other long-term assets | (31,782) | (31,189) | (181,263) | (24,844) | (262,227) | (333,293) | (45,682) |
| Net cash provided by/ (used in) investing activities | 987,020 | 11,589,514 | (515,908) | (70,711) | (11,233,898) | (6,318,756) | (866,058) |
| Cash flows from financing activities: | | | | | | | |
| Net changes from loans with terms of three months or less | (3,645,232) | (14,970,935) | (7,501,788) | (1,028,206) | 2,479,450 | (19,834,683) | (2,718,569) |
| Proceed of loans with terms over three months | 70,691 | 2,171,541 | 7,607,060 | 1,042,634 | 3,627,609 | 11,058,160 | 1,515,647 |
| Payment of loans with terms over three months | (50,208) | (3,233,500) | (4,250,550) | (582,586) | (82,481) | (7,524,472) | (1,031,315) |
| Net amounts received/ (paid) related to capital contribution from or repurchase of noncontrolling interests shareholders | 14,305 | 22,228 | 11,573 | 1,586 | (54,537) | 58,150 | 7,970 |
| Cash paid for repurchase of NetEase's ADSs/ purchase of subsidiaries' ADSs and shares | (1,956,829) | (2,195,210) | (296,495) | (40,638) | (5,320,359) | (4,608,462) | (631,642) |
| Dividends paid to NetEase's shareholders | (1,617,574) | (2,119,316) | (2,423,355) | (332,148) | (4,704,683) | (5,755,011) | (788,790) |
| Net cash used in financing activities | (7,184,847) | (20,325,192) | (6,853,555) | (939,358) | (4,055,001) | (26,606,318) | (3,646,699) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash held in foreign currencies | 3,470 | (47,876) | 4,197 | 575 | 57,166 | (28,181) | (3,863) |
| Net increase/ (decrease) in cash, cash equivalents and restricted cash | 1,291,952 | (1,105,149) | 2,478,654 | 339,728 | 3,468,287 | (9,430,259) | (1,292,525) |
| Cash, cash equivalents and restricted cash, at the beginning of the period | 19,552,450 | 16,784,561 | 15,679,412 | 2,149,042 | 17,376,115 | 27,588,325 | 3,781,295 |
| Cash, cash equivalents and restricted cash, at end of the period | 20,844,402 | 15,679,412 | 18,158,066 | 2,488,770 | 20,844,402 | 18,158,066 | 2,488,770 |
| Supplemental disclosures of cash flow information: | | | | | | | |
| Cash paid for income tax, net | 1,550,748 | 1,625,045 | 1,165,196 | 159,703 | 4,121,174 | 3,864,820 | 529,718 |
| Cash paid for interest expenses | 193,329 | 326,646 | 105,665 | 14,483 | 324,149 | 708,025 | 97,043 |

The accompanying notes are an integral part of this announcement.

NETEASE, INC.
UNAUDITED SEGMENT INFORMATION
(in thousands, except percentages)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|--------------------|-------------|---------------|---------------|-------------------|---------------|---------------|
| | September 30, | June 30, | September 30, | September 30, | September 30, | September 30, | September 30, |
| | 2022 | 2023 | 2023 | 2023 | 2022 | 2023 | 2023 |
| | RMB | RMB | RMB | USD (Note 1) | RMB | RMB | USD (Note 1) |
| Net revenues: | | | | | | | |
| Games and related value-added services | 18,699,106 | 18,798,646 | 21,779,851 | 2,985,177 | 55,480,763 | 60,644,094 | 8,311,965 |
| Youdao | 1,402,434 | 1,206,634 | 1,538,783 | 210,908 | 3,559,200 | 3,908,687 | 535,730 |
| Cloud Music | 2,357,248 | 1,948,539 | 1,973,064 | 270,431 | 6,615,964 | 5,881,444 | 806,119 |
| Innovative businesses and others | 1,967,972 | 2,057,482 | 1,978,708 | 271,204 | 5,485,753 | 5,893,769 | 807,808 |
| Total net revenues | 24,426,760 | 24,011,301 | 27,270,406 | 3,737,720 | 71,141,680 | 76,327,994 | 10,461,622 |
| Cost of revenues: | | | | | | | |
| Games and related value-added services | (6,551,193) | (6,122,836) | (6,749,507) | (925,096) | (19,978,841) | (19,555,391) | (2,680,290) |
| Youdao | (642,254) | (639,459) | (679,147) | (93,085) | (1,751,443) | (1,880,026) | (257,679) |
| Cloud Music | (2,023,600) | (1,422,855) | (1,436,552) | (196,896) | (5,745,203) | (4,379,785) | (600,299) |
| Innovative businesses and others | (1,465,821) | (1,450,738) | (1,438,900) | (197,218) | (4,144,431) | (4,274,533) | (585,873) |
| Total cost of revenues | (10,682,868) | (9,635,888) | (10,304,106) | (1,412,295) | (31,619,918) | (30,089,735) | (4,124,141) |
| Gross profit: | | | | | | | |
| Games and related value-added services | 12,147,913 | 12,675,810 | 15,030,344 | 2,060,081 | 35,501,922 | 41,088,703 | 5,631,675 |
| Youdao | 760,180 | 567,175 | 859,636 | 117,823 | 1,807,757 | 2,028,661 | 278,051 |
| Cloud Music | 333,648 | 525,684 | 536,512 | 73,535 | 870,761 | 1,501,659 | 205,820 |
| Innovative businesses and others | 502,151 | 606,744 | 539,808 | 73,986 | 1,341,322 | 1,619,236 | 221,935 |
| Total gross profit | 13,743,892 | 14,375,413 | 16,966,300 | 2,325,425 | 39,521,762 | 46,238,259 | 6,337,481 |
| Gross profit margin: | | | | | | | |
| Games and related value-added services | 65.0% | 67.4% | 69.0% | 69.0% | 64.0% | 67.8% | 67.8% |
| Youdao | 54.2% | 47.0% | 55.9% | 55.9% | 50.8% | 51.9% | 51.9% |
| Cloud Music | 14.2% | 27.0% | 27.2% | 27.2% | 13.2% | 25.5% | 25.5% |
| Innovative businesses and others | 25.5% | 29.5% | 27.3% | 27.3% | 24.5% | 27.5% | 27.5% |

The accompanying notes are an integral part of this announcement.

NETEASE, INC.

NOTES TO UNAUDITED FINANCIAL INFORMATION

Note 1: The conversion of Renminbi (RMB) into United States dollars (USD) is based on the noon buying rate of USD1.00 = RMB7.2960 on the last trading day of September 2023 (September 29, 2023) as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at that rate on September 29, 2023, or at any other certain date.

Note 2: Share-based compensation cost reported in the Company's unaudited condensed consolidated statements of comprehensive income is set out as follows in RMB and USD (in thousands):

| | Three Months Ended | | | | Nine Months Ended | | |
|--|-----------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | June 30, 2023 | September 30, 2023 | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2023 |
| | RMB | RMB | RMB | USD (Note 1) | RMB | RMB | USD (Note 1) |
| Share-based compensation cost included in: | | | | | | | |
| Cost of revenues | 190,645 | 193,001 | 210,533 | 28,856 | 562,620 | 607,048 | 83,203 |
| Operating expenses | | | | | | | |
| Selling and marketing expenses | 24,980 | 31,069 | 33,804 | 4,633 | 87,170 | 97,226 | 13,326 |
| General and administrative expenses | 288,598 | 281,326 | 280,581 | 38,457 | 865,551 | 856,188 | 117,350 |
| Research and development expenses | 282,776 | 282,466 | 294,630 | 40,382 | 782,259 | 869,361 | 119,156 |

The accompanying notes are an integral part of this announcement.

Note 3: The financial information prepared and presented in this announcement might be different from those published and to be published by NetEase's listed subsidiaries to meet the disclosure requirements under U.S. GAAP or different accounting standards requirements.

Note 4: The unaudited reconciliation of GAAP and non-GAAP results is set out as follows in RMB and USD (in thousands, except per share data or per ADS data):

| | Three Months Ended | | | | Nine Months Ended | | |
|---|-----------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | June 30, 2023 | September 30, 2023 | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2023 |
| | RMB | RMB | RMB | USD (Note 1) | RMB | RMB | USD (Note 1) |
| Net income from continuing operations attributable to the Company's shareholders | 6,699,364 | 8,242,767 | 7,836,888 | 1,074,135 | 15,759,999 | 22,834,289 | 3,129,699 |
| Add: Share-based compensation | 770,255 | 774,683 | 808,276 | 110,783 | 2,237,056 | 2,394,559 | 328,202 |
| Non-GAAP net income from continuing operations attributable to the Company's shareholders | 7,469,619 | 9,017,450 | 8,645,164 | 1,184,918 | 17,997,055 | 25,228,848 | 3,457,901 |
| Non-GAAP basic net income from continuing operations per share * | 2.29 | 2.80 | 2.69 | 0.37 | 5.50 | 7.84 | 1.07 |
| Non-GAAP basic net income from continuing operations per ADS * | 11.45 | 14.01 | 13.45 | 1.84 | 27.50 | 39.20 | 5.37 |
| Non-GAAP diluted net income from continuing operations per share * | 2.27 | 2.78 | 2.66 | 0.36 | 5.45 | 7.76 | 1.06 |
| Non-GAAP diluted net income from continuing operations per ADS * | 11.34 | 13.88 | 13.30 | 1.82 | 27.23 | 38.79 | 5.32 |

* Each ADS represents five ordinary shares.

The accompanying notes are an integral part of this announcement.