

NetEase, Inc Full Fiscal Year 2023 Report Overview

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Goals and Objectives of the Research

Research Objective: To study NetEase, Inc publicly available financial information, determine the company's development strategy, and compile an overview of its Annual Financial Reports.

Research Tasks:

- Find the company's comprehensive financial and corporate information;
- Analyze the gathered information;
- Draw conclusions based on the analyzed data.

Disclaimers

The information collected in this report reflects data from the company's public reports and is not questioned or verified via other sources. In other words, information from the company's public reports is taken and used as is.

If additional information from other sources is used or if the data used is reflective of the researcher's personal opinion, this will be labeled accordingly.

Document Markup

- FY - Financial Year;
- Q - Quarter;
- NE - NetEase, Inc;
- ADS - American Depositary Shares;
- This report uses the American number format: a period is used as the decimal separator, while commas separate thousands;
- Year-over-year (YoY) calculations of relative values were not performed in cases where last year's profit changed to a loss in the current year and vice versa within the scope of the current report;
- NetEase, Inc Annual Report Period is from January 1 to December 31, 2023;
 - The specified financial year coincides with the calendar year.

Conclusions

General Information

Parameter	NetEase, Inc
Website	netease.com
Country (location)	China
Country (issuer)	Cayman Islands *
Year of foundation	1997
Founder	Ding Lei in (William Ding)
Sector	Technology
Type	Public
Year of IPO	NASDAQ - 2000 HKEX - 2020 **
Stock market	NASDAQ HKEX
Ticker	NASDAQ - NTES HKEX - 9999
Previous Annual Report from Data40	NetEase, Inc Full Fiscal Year 2022 Report Overview
Previous Quarterly Report from Data40	-

*Note: The Cayman Islands is a British Overseas Territory.¹

**Note: NetEase's ADS have been listed on the NASDAQ Global Select Market since June 30, 2000, under the symbol "NTES". Its ordinary shares have been quoted on the Main Board of The Stock Exchange of Hong Kong Limited since June 11, 2020, under the stock code "9999.HK".²

¹ [GOV.UK, Cayman Islands](#)

² [NE Web, Investor FAQs](#)

Members of the Board and Managers

Board of Directors ³		
Name	Title	Since
William Ding	Director and Chief Executive Officer	1999
Alice Cheng	Independent Director	2005
Grace Hui Tang	Independent Director	2022
Joseph Tong	Independent Director	2003
Michael Leung	Independent Director	2002

Executive Team ⁴		
Name	Title	Since
William Ding	Director and Chief Executive Officer	1999
Yingfeng Ding	Executive Vice President	2016

³ [NE Web, Board of Directors](#)

⁴ [NE Web, Management Team](#)

Employees⁵

Parameter	Number of Employees
Number of Employees as of Dec 31, 2021	32,064
Number of Employees as of Dec 31, 2022	31,119
Number of Employees as of Dec 31, 2023	29,128

Shareholders

Shareholders Structure

Ownership Breakdown as of May 21, 2024 ⁶		
Owner Type	Number of Shares	Ownership Percentage, %
Individual Insiders	290,060,000	45.00
Institutions	218,000,658	33.82
General Public	136,423,579	21.17
Private Companies	9,477	0.01
Total Shares	644,493,714*	100.00

Total Shares Outstanding - 3,210,783,141 (as of December 31, 2023).⁷

*Note: Total Shares in ADS, each representing 5 ordinary shares, par value 0.0001 USD per share.

⁵ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.156](#)

⁶ [Simplywall, NE Ownership](#)

⁷ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-6](#)

Shareholders Equities

Top 10 Shareholders as of May 22, 2024 ⁸				
Name	Number of Shares	Current Value ⁹ , mill USD	Last Reported Holding Date	Ownership Percentage, %
Lei Ding	290,060,000	30,400	Mar 31, 2024	45.00
BlackRock, Inc.	17,170,270	1,800	Mar 31, 2024	2.66
Capital Research and Management Company	15,896,686	1,700	Apr 30, 2024	2.47
The Vanguard Group, Inc.	14,432,854	1,500	Mar 31, 2024	2.24
JP Morgan Asset Management	12,232,409	1,300	Apr 30, 2024	1.90
UBS Asset Management AG	8,876,604	931.8	Apr 30, 2024	1.38
Ninety One UK Limited	8,640,034	906.9	Mar 31, 2024	1.34
Invesco Ltd.	5,281,385	554.4	Mar 31, 2024	0.82
China Asset Management Co. Ltd.	4,919,908	516.4	Mar 31, 2024	0.76
Norges Bank Investment Management	4,782,022	502	Dec 31, 2023	0.74
Total Top 10	382,292,172	40,111.5	-	59.31

⁸ [SimplyWall, NE Top Shareholders](#)

⁹ As of May 22, 2024

Mergers, Acquisitions, and Subsidiaries

Mergers and Acquisitions		
Name	Date	Price, mill USD
Grasshopper Manufacture	Oct, 2021	-
Quantic Dream	Aug, 2022	-
SkyBox Labs	Jan, 2023	-

The list of subsidiary companies of NE as of March 31, 2024 is available through the link in the application [NE Consolidated Foreign Private Issuer Annual Report 2023, p.73](#).

Note: This section may not fully represent all the company's transactions, but, within the scope of this current report, presents the maximum amount of data available via open sources.

Company Strategy^{10 11 12 13}

"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."

NE's strategy includes:

- Investments in mobile games, plan to launch console games, investing in the development of technologies virtual reality, and bringing new features and functionalities to games;
- Devoting resources to maintain and raise the popularity of NE's online games through the release of new versions and expansion packs;
- Investment of resources in innovation and exploring new products, services and technologies to cater to the changing customer demands and trends in the internet industry;
- Launching online games in international markets;
- Maintaining and enhancing the "NetEase Cloud Music" brand, monetizing user base in Cloud Music's music streaming business;
- Attracting and retaining workers: engineers, game designers, product developers and creative professionals to build content, tools and functions;
- Developing and distributing brands through social networking, video and life streaming platforms, TV, movie, stage production companies, books and comics.

¹⁰ In this chapter, quotes are used from the [NE Web, Investor Relations](#)

¹¹ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.11-12](#)

¹² [NE Consolidated Foreign Private Issuer Annual Report 2023, p.24-27](#)

¹³ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.84](#)

Games

Genres of games

Main game genres:¹⁴

- Sandbox
- Real-time strategy (RTS)
- Shooter:
 - FPS
 - TPS
- Multiplayer online battle arena (MOBA)
- Role-playing:
 - RPG
 - ARPG
 - CRPG
 - MMORPG
 - TRPG
 - Roguelike
 - Roguelite
- Simulation and sports
- Puzzler and party game
- Action-adventure
- Survival and horror
- Platformer

Note: This gaming genre structure, in our view, is the most comprehensive and flexible when specifying the genre of a particular game.

Gaming Structure^{15 16}

Games and Related Value-added Services:

- Flagship Self-Developed PC & Console Titles;
- Self-Developed Mobile Games;
- Mobile Games in Overseas Markets;
- Licensed Mobile Games from Overseas Developers.

¹⁴ [HP, Video Game Genres](#)

¹⁵ [NetEase Games Web, Products](#)

¹⁶ [Wikipedia, NetEase](#)

List of NE Development Studios:

- [NetEase Games](#);
- [Ouka Studios](#);
- [Grasshopper Manufacture](#);
- [PinCool](#);
- [Studio Flare](#);
- [Jackalypsic Games](#);
- NetEase Games Tokyo;
- [Nagoshi Studio](#);
- [GPTRACK50 Studio](#);
- [Quantic Dream](#);
- [Jar of Sparks](#);
- [T-Minus Zero Entertainment](#);
- [Anchor Point Studios](#);
- [SkyBox Labs](#);
- [Bad Brain Game Studios](#);
- [Worlds Untold](#);
- [Spliced](#);
- [Fantastic Pixel Castle](#);
- NetEase Games North America;
- [NetEase Games Montreal](#);
- NetEase Games Korea.

Famous games^{17 18}

NetEase	
Name	Genre
Fantasy Westward Journey	Role-playing
Westward Journey Online II	Role-playing
Revelation Online	Role-playing
Creative Destruction	Action-adventure
Rules of Survival	Action-adventure
Identity V	Action-adventure
LifeAfter	Shooter
Cyber Hunter	Shooter

¹⁷ [Wikipedia, NetEase](#)

¹⁸ [NetEase Games Web, Game Portfolio](#)

Sky	Action-adventure
Blood Strike	Multiplayer online battle arena
Marvel Super War	Multiplayer online battle arena
Super Mecha Champions	Shooter
Marvel Duel	Puzzlers and party games
Ace Racer	Simulation and sports
Tom and Jerry: Chase	Strategy
Naraka: Bladepoint	Multiplayer online battle arena
Astracraft	Sandbox
The Lord of the Rings: Rise to War	Real-time strategy
Diablo Immortal	Role-playing
Eggy Party	Multiplayer online battle arena
Hyper Front	Shooter
Lost Light	Shooter
Infinite Lagrange	Real-time strategy
NeverAfter	Role-playing
EVE Echoes	Real-time strategy
Daisangokushi	Real-time strategy
Onmyoji	Puzzlers and party games
Onmyoji Arena	Multiplayer online battle arena
Vikingard	Real-time strategy
Badlanders	Shooter
Harry Potter: Magic Awakened	Role-playing

Fantasy Westward Journey	Role-playing
Knives Out	Multiplayer online battle arena
Dead by Daylight Mobile	Survival horror
Racing Master	Simulation and sports

Note: This section may not fully represent all the company's games, but, within the scope of this current report, presents the maximum amount of information available via open sources.

The games presented in the tables were released before 2023. The release dates of the games shown in the table correspond to the release date of the games in China.

Genres Percentage

Name	Amount	Percentage, %
Role-playing	7	20.00
Shooter	6	17.14
Multiplayer online battle arena	6	17.14
Real-time strategy	5	14.29
Action-adventure	4	11.43
Puzzlers and party games	2	5.71
Simulation and sports	2	5.71
Strategy	1	2.86
Sandbox	1	2.86
Survival and horror	1	2.86
Total	35	100.00

TBA Games¹⁹

Title	Launch date
Once Human	Q3 2024
Ashfall	Q3 2024
Where Winds Meet	TBA
Project: BloodStrike	TBA
Project: EXTREME	TBA
Project Mugen	TBA
Infinite Borders	TBA

¹⁹ [Wikipedia, NetEase](#)

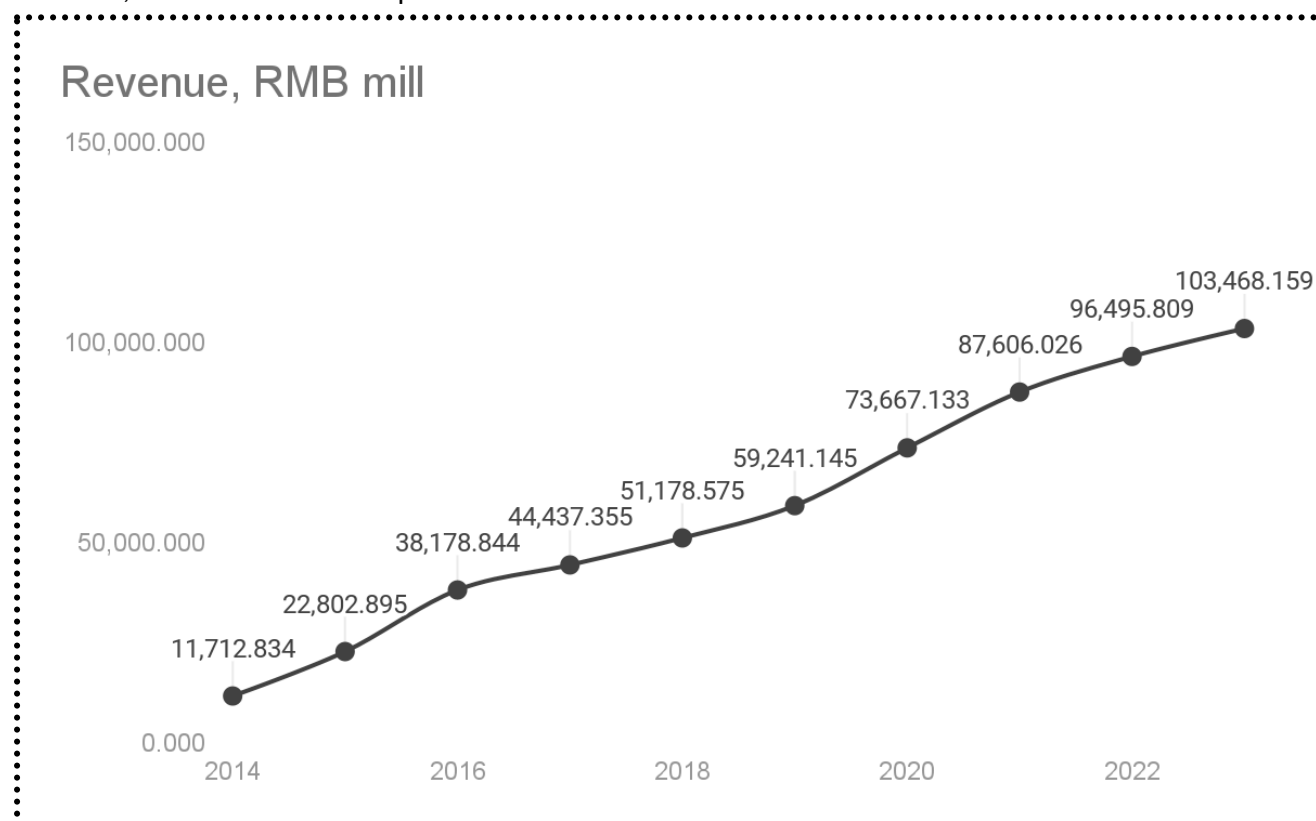
Technology	
Youdao	<ul style="list-style-type: none"> • Software <ul style="list-style-type: none"> ○ Youdao Kada ○ Youdao Dictionary ○ Youdao Translation ○ Youdao Weiqi ○ Dear Translate ○ U-dictionary ○ Youdao Chess ○ Youdao Fun Reading ○ Youdao Drosophila Science Courses ○ Cloud classroom of NetEase • Hardware <ul style="list-style-type: none"> ○ Youdao Dictionary Pen ○ Youdao Listening Pod ○ Youdao Smart Learning Pad ○ Youdao Smart Lamp ○ Youdao Pocket Translator ○ Youdao Hearing Treasure ○ Youdao Super Dictionary
NetEase Cloud Music	<ul style="list-style-type: none"> • NetEase Cloud Music • LOOK
Innovative Business and Others	<ul style="list-style-type: none"> • NetEase Yanxuan • NetEase News • NetEase Email

²⁰ [NE Web, Products](#)²¹ [NetEase Careers Web, Youdao](#)²² [NetEase Careers Web, Cloud Music](#)

Financial Statements for 2023 Fiscal Year Revenue Retrospective

Revenue Retrospective

NetEase, Inc Revenue Retrospective for 2014-2023^{23 24 25 26}



Note: In 2019, NE changed its segment disclosure to add the financial results of certain advertising services and Yanxuan into “innovative businesses and others. NE began to separately report the results to its majority-controlled subsidiary Youdao. NE started to report three segments: (1) online game services, (2) Youdao and (3) innovative businesses and others. NE retrospectively revised prior period segment information to conform to current period presentation. The revenue retrospective for 2017-2018 is adjusted for the recalculation made by the company.²⁷

²³ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-7](#)

²⁴ [NE Consolidated Foreign Private Issuer Annual Report 2020, p.F-6](#)

²⁵ [NE Consolidated Foreign Private Issuer Annual Report 2019, p.F-6](#)

²⁶ [NE Consolidated Foreign Private Issuer Annual Report 2016, p.F-4](#)

²⁷ [NE Consolidated Foreign Private Issuer Annual Report 2019, p.79](#)

Sales per Business

Net Revenue Structure²⁸

(In million, except Percentages)

Parameter	2023, RMB	YoY, %	2022, RMB	YoY, %	2021, RMB
Games and related value-added services	81,565.449	9.39	74,566.471	9.95	67,819.288
Youdao	5,389.208	7.50	5,013.182	-6.37	5,354.357
Cloud Music	7,866.992	-12.51	8,992.221	28.50	6,997.622
Innovative businesses and others	8,646.510	9.12	7,923.935	6.58	7,434.759
Total Consolidated Revenue	103,468.159	7.23	96,495.809	10.15	87,606.026

Net Revenue Structure 2023 Percentages

Parameter	Percentage, %
Games and related value-added services	78.83
Youdao	5.21
Cloud Music	7.60
Innovative businesses and others	8.36

²⁸ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.121](#)

Sales per Region

The company does not provide information about the regional business structure in the [NE Consolidated Foreign Private Issuer Annual Report 2023](#).

Dividend Information^{29 30 31 32 33 34}

(In million, except Per share data and Percentages)

Parameter	2023, USD	YoY	2022, USD	YoY, %	2021, USD
Per share	0.51297 USD	84.92	0.2774 USD	18.55	0.234 USD
Cash dividends declared	1,700	87.53	906.5	17.15	773.8

Note: Cash dividends are paid to the depositary in U.S. dollars, which will distribute them to the holders of ADSs according to the terms of the deposit agreement.

²⁹ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-44](#)

³⁰ [NE Consolidated Foreign Private Issuer Annual Report 2022, p.F-47](#)

³¹ [NE Consolidated Foreign Private Issuer Annual Report 2021, p.F-47](#)

³² [NE Consolidated Foreign Private Issuer Annual Report 2023, p.168](#)

³³ [NE Consolidated Foreign Private Issuer Annual Report 2022, p.170](#)

³⁴ [NE Consolidated Foreign Private Issuer Annual Report 2021, p.157](#)

Balance Sheet^{35 36}

(In million, except Percentages)

Parameter	at Dec 31, 2023,RMB	YoY, %	at Dec 31, 2022,RMB	YoY, %	at Dec 31, 2021,RMB
Assets					
Total Current Assets	142,692.585	8.43	131,603.199	16.34	113,120.254
Total Non-Current Assets	43,232.393	5.04	41,157.786	1.56	40,523.670
Total Assets	185,924.978	7.62	172,760.985	12.44	153,643.924
Liabilities					
Total Current Liabilities	53,842.484	-5.26	56,828.847	12.53	50,501.326
Total Non-Current Liabilities	3,998.413	-43.35	7,058.658	89.81	3,718.722
Total Liabilities	57,840.897	-9.46	63,887.505	17.83	54,220.048
Total Equity	127,968.322	17.69	108,737.040	9.53	99,278.638

³⁵ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-6](#)

³⁶ [NE Consolidated Foreign Private Issuer Annual Report 2021, p.F-6](#)

Income Statement³⁷

(In million, except EPS data and Percentages)

Parameter	2023, RMB	YoY, %	2022, RMB	YoY, %	2021, RMB
Revenue	103,468.159	7.23	96,495.809	10.15	87,606.026
Gross Profit	63,063.394	19.51	52,766.126	12.34	46,970.801
Total Operating Expense	(35,354.250)	6.69	(33,137.533)	8.46	(30,553.731)
Operating Income	27,709.144	41.17	19,628.593	19.56	16,417.070
Net Income	29,357.223	47.95	19,843.290	16.89	16,976.190
EPS Basic	9.15 RMB	46.87	6.23 RMB	22.88	5.07 RMB
EPS Diluted	9.05 RMB	46.68	6.17 RMB	23.15	5.01 RMB

Cashflow Statement³⁸

(In million, except Percentages)

Parameter	2023, RMB	YoY, %	2022, RMB	YoY, %	2021, RMB
Cash flows from operating activities	35,331.275	27.51	27,709.233	11.16	24,926.727
Cash flows from investing activities	(17,043.431)	131.26	(7,369.727)	4.12	(7,078.294)
Cash flows from financing activities	(21,467.054)	109.69	(10,237.699)	-18.66	(12,585.569)

³⁷ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-7](#)

³⁸ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.F-9](#)

Criticism

In August 2022 NE issued an apology after users criticized an Identity V promotional video raising awareness about panda conservation. The issue was related to a specific cut in the video (now removed) about how red pandas have become endangered due to poaching. The cut featured artwork of a man with a red panda's head raising his arms with the words "Don't shot" [sic] underneath. Users online noticed that the cut was edited from a poster by artist Micah Bazant. The poster was created for Forward Together in relation to 2018's March for Our Lives campaign. The reference was made without permission. NE removed the video and issued the apology. NE apologized to players, and said that the "inappropriate texture stickers" were not detected due to a "less rigorous" review.³⁹

In December 2022 Riot Games sued publisher NE over the Chinese company's Hyper Front, a five-on-five mobile shooter that Riot alleges is a Valorant clone. It's also bringing the case to courts in the United Kingdom, Germany, Brazil, and Singapore.⁴⁰

NE has rejected a proposal from World of Warcraft creator Activision Blizzard to temporarily extend its partnership while the U.S. company seeks a new partner, calling the proposed terms "unequal and unfair" in an escalating public spat. Blizzard said in November that its 14-year partnership with NE was set to end, spelling the imminent withdrawal of games such as World of Warcraft, the Starcraft series, and Overwatch from the world's biggest games market as of Jan. 23, 2023. In a statement, NE said Wednesday that Blizzard proposed to extend the partnership for six months under existing terms while it continued seeking for a new partner in China.⁴¹

In 2023 NE faced backlash over AI-generated assets with fans complaining about improperly rendered faces, missing limbs, and odd expressions. Current AI generative art platforms can struggle with accurately rendering certain human features, particularly fingers and hands.⁴²

³⁹ [Siliconera, NetEase Apologizes For "Insensitive" Identity V Panda Video](#)

⁴⁰ [Polygon, Riot Games suing NetEase over Valorant 'copy'](#)

⁴¹ [Usnews, China's NetEase Criticizes Blizzard Offer as Unequal, Unfair](#)

⁴² [Artisana.ai, China's Video Game AI Art Crisis: 40x Productivity Spike, 70% Job Loss](#)

Analyst's Opinion

Summary⁴³

NetEase, Inc is a Chinese internet and game services provider, founded in 1997. The company develops and operates mobile and PC games available in China and globally. NE service offerings include its majority-controlled subsidiaries Youdao (NYSE: DAO), a learning company, Cloud Music (HKEX: 9899), an online music platform, and Yanxuan, NE's private label consumer lifestyle brand.

NE's ADS trade on the NASDAQ under the ticker symbol NTES. NE's ordinary shares trade on HKEX under the ticker symbol 9999. As of December 31, 2023, the total shares outstanding were 3,210,783,141. NE started a dividend program in 2012. In FY23, NE declared a dividend of 0.51297 USD per common share at the amount of 1,700 million USD.

In January 2023 NE acquired SkyBox Labs, a game studio founded in 2011 based in Burnaby and Victoria, Canada.

In 2023 NE launched two game studios in Canada: Bad Brain Game Studios, led by Sean Crooks, and Worlds Untold, led by Mac Walters. NE established two game studios in the U.S.: Fantastic Pixel Castle, led by Greg Street and T-Minus Zero Entertainment, led by Rich Vogel. NE established a game studio PinCool, Inc. based in Tokyo which focuses on developing titles for game consoles.

Net revenue of 103,468.159 million RMB for FY23. An increase of 7.23% compared to 96,496.809 million RMB for FY22. An increase of 18.11% compared to 87,606.026 million RMB for FY21.

Net Revenue Structure in 2022: 78.83% from Games and related value-added services segment at 81,565.449 million RMB, 8.36% from Innovative businesses and others segment at 8,646.510 million RMB, 7.60% from Cloud music segment at 8,866.992 million RMB, and 5.21% from Youdao at 5,389.208 million RMB.

At December 31, 2023, Total Equity amounted to 127,968.322 million RMB, an increase of 17.69% compared to December 31, 2022 - 108,737.040 million RMB and an increase of 28.90% compared to December 31, 2021 - 99,278.638 million RMB. Total Current Assets at December 31, 2023 amount to 142,692.585 million RMB, which is more than Total Current Liabilities in 53,842.484 million RMB by 88,850.101 million RMB.

⁴³ [NE Consolidated Foreign Private Issuer Annual Report 2023, p.76](#)

Sources List

- [NE Web](#)
- [Nasdaq](#)
- [HKEX](#)
- [NE Consolidated Foreign Private Issuer Annual Report 2023](#)
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- [NE Consolidated Foreign Private Issuer Annual Report 2021](#)
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- [GOV.UK](#)
- [NetEase Careers Web](#)
- [NetEase Games Web](#)
- [Data40.com](#)

META



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[Website: Data40.com](https://data40.com)

E-mail: danila@data40.com

Phone: +44 7466371493

Address: 010000, Republic of Kazakhstan, Astana city, Yesil district, Dostyk street 20, office 1501

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