NetEase Cloud Music Inc. First Half 2025 Earnings Conference Call

7:00 PM Hong Kong Time, August 14, 2025

Hello everyone, and welcome to our first half 2025 earnings conference call.

Throughout the first half of the year, we drove high-quality growth across our core music ecosystem. We engaged more music lovers through a continuously evolving and unparalleled music experience, while enriching our distinctive content offerings and advancing the development of original Chinese music. Our commitment to offering a premium user experience, backed by our diverse content ecosystem, optimised personalised distribution, innovative features and reinforced community, has increased user appeal and community engagement. These efforts, paired with enhanced membership benefits, not only strengthened our growing music community but also boosted monetisation in subscription-based memberships, leading to steady improvement in profitability.

We continued to expand and deepen our music-centric community during the reporting period. The enhanced overall user experience we provide, paired with increased brand recognition, has fuelled healthy growth in monthly active users and further elevated user engagement. In the first half of the year, our DAU/MAU ratio consistently remained above 30%, showing steady year-over-year and quarter-over-quarter improvement. Users also spent more time listening to music on our mobile app. What's especially encouraging is how our efforts to deliver standout content and user experiences are successfully turning more music fans into loyal platform users.

When it comes to our products, we always start with our users. We continue to raise the bar on the premium music experience by refining personalised recommendations and innovating music-listening features, staying attuned to listener needs. In the first half of 2025, we introduced upgrades that made our main product, NetEase Cloud Music app, more visually engaging, intuitive and user-friendly. We also made music discovery and listening more enjoyable through smarter recommendations and standout features, such as our Magic Light Player (神光播放器). On the community side, we expanded interactive scenarios and fostered a more vibrant and diverse atmosphere to encourage deeper user engagement.

In terms of our content ecosystem, through our rich library of licensed music, independent artist incubation and elevated in-house music production capabilities, we have built a comprehensive and distinctive music catalogue. As we entered 2025, we continued to advance our content strategy, with a disciplined approach to investment efficiency. During the reporting

period, we added more works from Korean labels, expanded our Mandarin content library, and further strengthened our signature genres. The evolving ecosystem of independent artists and our in-house production capabilities are integral to our unique content strategy. We continued to promote the development of original Chinese music, with in-house releases like “Liang Nan” 《两难》 gaining strong traction both on and off our platform in recent months.

Our focus on enhancing our music-centric monetisation strategies is paying off with remarkable results. In the first half of 2025, we sustained healthy year-over-year growth with subscription revenue increasing by 15%, driven by our rapidly growing subscriber base. Notably, key user metrics such as subscribers’ overall retention rates and activity levels both improved. Our enhanced membership benefits with expanded content, new premium features and dress-up privileges all supported our ability to convert more listeners into loyal, paying users.

In the first half of 2025, our profitability continued to improve. Thanks to our growth, stronger monetisation of our core music segment, disciplined cost management, and improved operating leverage, operating profit continued to rise compared with the same period last year.

Looking ahead, NetEase Cloud Music will remain committed to long-term, sustainable growth, with a steadfast focus on user experience. We firmly believe that fostering a high-quality, engaged user base is fundamental to our continued success. We will continue to cultivate a unique and vibrant content ecosystem, providing our users with uniquely curated original music. At the same time, we will stay at the forefront of innovation, leveraging cutting-edge technologies and enhancing product capabilities, to deliver a truly exceptional and immersive music experience. We believe these forward-looking efforts will generate lasting momentum for the long-term success of NetEase Cloud Music.

With that overview, I'll now walk you through our content ecosystem, product innovation, brand building and commercialisation efforts in more detail.

First up is our comprehensive and differentiated content ecosystem.

As ever, we continue to expand and diversify our unique music library, adding both licensed tracks and original works to keep our catalogue fresh, while strengthening our offerings in signature genres.

1. **Looking first at our relationships with copyright holders**, we maintained our disciplined, collaborative approach, expanding access to quality content.

1) In the first half of the year, we further expanded our licensed music library by incorporating content from additional K-pop labels such as RBW and StarShip Entertainment. We also added popular works by Mandarin artists, including Li Jian (李健), Lay Zhang (张艺兴) and Chen Chusheng (陈楚生). Additionally, we advanced our collaboration with Jackson Wang (王嘉尔), debuting his new hits in the first quarter and launching his new album MAGICMAN 2 in July.

2) At the same time, we enriched our collections in signature genres, such as hip-hop, by adding new tracks from popular rappers, like KeyNG (杨和苏) and Ma SiWei (马思唯). Additionally, our partnership with J-Pop label Kadokawa (角川) brought exciting new Japanese ACG music to our platform. We are also pursuing copyright collaborations with Western artists across diverse genres, including hip-hop and electronic music.

3) Additionally, we worked closely with copyright holders and artists to enhance content distribution and commercialisation, effectively driving sales of high-quality albums. Through these expanded collaborations, we saw remarkable sales on our platforms for Hua Chenyu's latest digital album "TIPPING POINT," David Tao's new album "STUPID POP SONGS," and Allen Ren's new album "36 · 启." We also facilitated the sales of physical album releases from artists such as Ele Yan and BLACKPINK's Jennie and Lisa. Many of our high-profile campaigns resonated strongly with fans and drove exceptional engagement. Examples include themed campaigns for Hua Chenyu and Jaskson Wang's birthdays and new albums featuring exclusive benefits, special planning for Lay Zhang's new copyright collaboration, and a band anniversary celebration for Sodagreen.

2. Beyond licensed content, we **continued to strengthen our unique ecosystem of independent artists**, offering comprehensive support that spans content creation, promotion and monetisation. By the end of June, 819,000 independent artists had contributed more than 4.8 million tracks to our platform, highlighting the creativity and vitality of our community. Additionally, we continued to upgrade our musician achievement system, exemplified by the third "Honorary Milestones" (荣誉里程碑) program, which strengthened musicians' sense of belonging and recognition on our platform. This initiative also enhanced the connections between artists and listeners, while injecting new momentum into Chinese original music that continues to flourish on our platform.

1） **In terms of music creation,** we remain committed to supporting diverse creative talent and unlocking their full potential.

- To further support independent artists, we introduced new creator roles on the NetEase Musician platform this year: AI Musician and Trainee Musician. These pathways provide fresh opportunities for budding music creators to grow and contribute to the diversity of our content creation ecosystem. The AI Musician role is designed for creators eager to explore AI technology to generate or synthesise music content. The Trainee Musician role supports newcomers launching their music careers through original works, covers or remixes. Both roles offer access to most of the features on the NetEase Musician Platform. Our platform also provides ongoing guidance to nurture budding talent and their growth, helping them evolve into skilled, creative musicians.

- Since its launch in 2021, we have successfully organised nine seasons of the "Starlight Collection Songwriting Camp 星辰集词曲创作营," an original music curation initiative. It has produced over 120 songs to date, with more than 6 billion cumulative plays. The latest edition brought domestic and international musicians together, culminating in the Life BGM (《人生BGM》) compilation album released this June.

2） We've **also expanded efforts to discover emerging artists and raise the visibility of their works** by spotlighting signature genres and conducting regional promotions.

- In hip-hop, for example, we deeply participated in China's first hip-hop-themed exhibition, "Chengdu Hip-Hop Exhibition." Through offline displays and online content, like the Chengdu Rap Map, we traced the evolution of local rap culture, showcased featured works by rap artists, and reinforced our platform's influence in this genre.

- NetEase Cloud Music recently released the 2025 Mid-Year Chinese Hip-Hop Chart, recognising the most impactful works across categories such as "Best Song," "Best Album," "Audience Selected Song," and "Audience Selected Album." As a pioneer of the genre's development, we are strengthening our influence through a multi-tiered ecosystem of initiatives. These include the "Mandarin Hip-Hop Music Award," the

mid-year chart, monthly hits and weekly hip-hop rankings. Together, this matrix is designed to break genre silos, accelerate artist discovery and broaden the reach of high-quality Chinese hip-hop content.

3） We also partnered with high-profile brands to create music and background scores for prominent ads through collaborations with musicians on our platform, **bringing more visibility and commercial resources to our artists**. Songs like Happy New Year with ONVO (《乐道过大年》) by Anzi & Jiumei (安子与九妹乐队) were played widely during the Chinese New Year. Works by YUGO (羽果乐队), Zaliva-D, and COM'Z (康姆士乐队) added vibrant music elements to the ad campaigns and promo videos for Salomon, Miu Miu and Luckin Coffee.

3. **Our in-house production capabilities are also driving the growth of original music**. Our multiple in-house studios focus on producing distinctive, high-quality music content to enrich our content matrix. Since the beginning of 2025, our in-house studios have successfully produced and popularised multiple hit songs across our community and external platforms. We emphasised our signature genres, such as hip-hop, and popularised multiple in-house hip-hop tracks, including “Liang Nan” (《两难》) and “Mo Chou Xiang” (《莫愁乡》). Additionally, we remain dedicated to cultivating high-quality, carefully crafted music content. Older in-house tracks, such as "Shi Hao" (《嗜好》) and "You" (《你》), are gradually reaching a wider audience and gaining recognition, showcasing the enduring appeal and value of exceptional music.

4. In addition to music, **we expanded our long-form audio offerings**. Our goal is to enrich our content offerings and create a comprehensive listening experience for users that caters to their diverse interests and preferences, increasing user stickiness. In the first half of 2025, our growing library of long-form audio content effectively boosted user consumption, with a steady increase in average listening time per user.

1) With a focus on music-inspired content, our podcasts offer music fans a unique and enjoyable way to discover high-quality songs, ultimately increasing engagement and music consumption across our platform. Our music interpretation podcast, Dear Music -- Hidden Gems of New Voices (《亲爱的音乐·宝藏新声季》), co-created with a radio DJ, discovers the stories behind Mandarin hit songs and has already surpassed 100 million plays. Our newly launched Music Neighbour Program (《音乐友邻计划

》) also gained traction, featuring KOLs like Lo Ta-yu (罗大佑) and Terry Lin (林志炫), who shared curated music picks and playlists with users.

2) Moreover, we have been expanding our library of long-form audio content cost-effectively. Our self-produced audiobooks, like 大师兄明明是酒鬼怎么会这么强 and 黑相术, have emerged as platform favourites since the beginning of this year. We also introduced high-quality audio content, such as our in-depth collaboration with Pu Yixing (蒲熠星) on his new audiobook "Someone Fell from the Forest" (《有人自林中坠落》), further enriching listeners' choices.

Now, let us move to production innovation and community development.

In the first half of 2025, we advanced our product innovation and feature upgrades that deepen user engagement and keep our community vibrant.

1. Our efforts included advanced personalised recommendations and innovative features that made **music listening and discovery** more enjoyable, creating refreshing and intuitive music experiences.

   1) We focused on enhancing the personalised recommendation experience and efficiency to support a more accurate and tailored journey of musical exploration, which increased user stickiness. We streamlined homepage modules and optimised display timing to increase content distribution efficiency. We also enhanced the experience around liking and collecting songs, helping us fine-tune genre preference accuracy and respond to user feedback in real time to improve recommendation precision. We also enhanced access to vertical genre zones, improving the user experience in specific categories and contributing to increased growth in the number of listeners, as well as higher retention.

   2) On the listening side, we continued to enhance the music listening experience and expand diverse audio-visual scenarios. We merged the "Recommendation" and "Discovery" tabs and simplified navigation to make the app more intuitive. Innovations like the "Magic Light Player" (神光播放器), which immersively displays lyrics and uses special visual effects to highlight choruses and simulate the feel of a live performance experience, received widespread acclaim from users. The new mode now supports landscape orientation, expanding its usability and significantly increasing user

screen-on time. We also launched a customisable “Music Cards” (音乐小卡片) feature that lets users showcase their music tastes on their homepages. Meanwhile, we rolled out the “Interpret Your Music Taste” feature, powered by DeepSeek, which transforms music listening into a more engaging and interactive experience, driving additional music consumption and collection.

2. Our distinctive and continuously evolving music-inspired community deepens the resonance and connection among music content, audiences and musicians. In the first half of 2025, we continued to optimise music community features, explored interactive scenarios and integrated new formats, including music-inspired graphic and text content. These efforts encourage greater user participation in both creating and engaging with diverse community content across our platform.

3. We are also **expanding the ways users enjoy music by introducing more and better consumption scenarios, making music a part of everyday life**. In the first half of 2025, we advanced our multi-terminal ecosystem to better address user needs across diverse touchpoints. Our IoT coverage has consistently improved with continued enhancements to the multi-terminal experience. We extended in-car coverage to new brands and models through strategic partnerships with Jetour and LYNK & CO. Additionally, we improved the IoT device experience to increase user engagement. For in-vehicle scenarios, we added features like “Heartbeat Mode” (心动模式) and AudioVivid, while enhancing seamless playback. For TV devices, we expanded the reach of innovative features like "Ambient Roaming" (氛围漫游) and emphasised audio-visual entertainment on TV terminals through features such as "Sing at Will" (随心唱), "Lyric Animation" (歌词动效) and "Magic Light Player" (神光播放器). We also rolled out comprehensive upgrades on desktop platforms. For instance, the iPad version now supports enhanced audio quality, Listen Together and player interfaces, while the PC version is now fully compatible with “Magic Light Player” for large screens. These innovations are helping us build richer, more versatile music experiences across everyday scenarios.

Turning to our brand-building efforts.

We focused on promoting both content and platform experiences by leveraging NetEase Cloud Music’s unique music ecosystem. Using a wide range of channels and strategies, we continued

to expand our reach and strengthen user awareness, steadily converting users into loyal platform advocates.

1. **Content promotion:** We plan events around distinctive categories, such as ACG, to deliver differentiated content experiences. We also launched a new playlist IP, *NetEase Cloud · Playlist Universe*, to encourage content consumption and deepen user recognition of our content offerings.

2. **Experience promotion:** We created unique experiences that drove word-of-mouth growth. These included rich game collaborations, creative activities based on psychological models and social connections—such as the *Friend Impression in Four Panels*—and a series of distinctive feature promotions that keep our brand top-of-mind for users. Since the start of the year, our frequent collaborations with NetEase's game titles have earned strong engagement from both listeners and players. These collaborations included the *Identity V* Lunar New Year card collection, the *Where Winds Meet* launch event, limited-edition skins for the *Overwatch* relaunch, creative gameplay *with Minecraft*, and the *Naraka: Bladepoint* campus benefits program. We also rolled out summer game collaborations with *Lost Light* and others.

Finally, let's look at our progress in commercialisation.

In the first half of 2025, we continued to strengthen our music-focused monetisation capabilities, with online music revenue growing 16% year-over-year. In particular, the healthy growth momentum of subscription-based memberships reflects the intrinsic value of our platform and user base, further validating the sustainability and long-term potential of our business model. We have continued to build a highly engaged community of young users who are willing to pay, further solidifying the foundation for our commercialisation.

Specifically, our subscription-based membership revenue increased 15% year-over-year in the first half of 2025, driven by our expanded subscriber base. We continued to expand the premium content library and optimise music distribution, introduced innovative product features and enhanced membership privileges, and expanded membership partnerships, successfully converting more listeners into loyal paying users.

1. Membership privileges

We rolled out a range of highly popular, member-exclusive privileges, covering music-related functional rights, interactive features and a series of dress-up rights.

1) *In innovative functional rights,* we upgraded the AI Singing Assistant to version 2.0, which now enables users to create music videos with a single click. This feature has been popular, especially among students and white-collar users. We also launched the AI Magic Player (AI魔法播放器), which utilises AI to transform user-uploaded photos into custom music player backgrounds, again, with just one click. Additionally, we continued to upgrade member-exclusive audio quality and sound effects, delivering an even better listening experience.

2) *For interactive features,* we added new features like Duo Pet (双人宠物) and Duo Music Five Elements Analysis (双人音乐五行分析) to boost user interactions and drive membership conversion. Duo Music Five Elements Analysis (双人音乐五行分析) is powered by DeepSeek's model and lets users compare music tastes with friends, encouraging more social sharing across the platform and deepening user connections.

3) During the reporting period, we released a series of member-exclusive dress-up rights, including themed music players and skins. These exclusive designs feature game IP like *Identity V (第五人格游戏*), film IP like *Ne Zha (哪吒)*, cultural IP like Sanxingdui *(三星堆),* as well as our original IP *Ruanmiaomiao (软喵喵)*, offering members more customisation options. We also released member-exclusive community items such as avatar frames and unique membership badges, allowing users to showcase their personalities within the community and further encourage payment.

2. We also expanded our **joint membership programme** offerings. Starting in early 2025, we initiated successful collaborations with platforms like iQiyi (爱奇艺), Eleme (饿了么), Xunlei (迅雷) and Qingju Bike (青桔单车), extending our presence across both digital and offline scenarios.

For subscription-based memberships, we aim to continue driving solid revenue growth by enhancing content, expanding functionality and broadening membership privileges. Our current focus is on the number of users enjoying premium benefits. By cultivating their music consumption habits and deepening their loyalty through premium content and experiences, we

believe we can steadily unlock long-term monetisation potential through subscription revenue while exploring additional commercial opportunities.

Overall, our **commercialisation strategy** remains firmly user-centric, with high-quality product experiences as the core driver, so as to further explore and pursue healthy and sustainable growth. We believe this will continue to lay a solid foundation for achieving long-term commercial value and gradually unlocking greater commercial potential in the future.

Q&A

Q1: The Company continually upgrades its products to enhance user experience. Based on current user feedback, has there been an improvement in user activity and retention? What potential areas for improvement exist in product upgrades, personalised recommendations and user experiences moving forward?

William Ding: We are consistently upgrading and refining the NetEase Cloud Music product with new iterations. We listen closely to user feedback and take a careful, deliberate approach. Before widely rolling out any new feature, we first run grey-scale testing to confirm it will produce positive outcomes. Rather than simply adding more features, we are looking to enhance the overall music community experience. Our product upgrades are guided by thoughtful innovation while keeping the existing features users already value in place. NetEase Cloud Music has dedicated significant effort to meticulous refinement. You can see the strength of this strategy in features like our Magic Light mode, launched earlier this year, and, more recently, our horizontal screen mode. Both have received great feedback from users.

NetEase Cloud Music’s product optimisation goes beyond mobile devices. We're also improving cross-platform experiences, such as for in-car scenarios, PCs and iPads. Every day, we closely monitor user feedback on social media and respond promptly to enhance the music listening experience across all devices.

Q2: What are the Company's overall strategies across the music industry chain? What are the general considerations for upstream content production (self-produced music content)? What are the strategic plans for cooperating with copyright holders conducting business such as concerts and the fan economy?

William Ding: As a music streaming platform, our top goal is to bring users delightful and unexpected music experiences. Content is always at the heart of what we do. In terms of original content, NetEase Cloud Music not only fosters Chinese independent musicians but also utilises AI and innovative tools to amplify their creativity. In the first half of the year, we also enriched our library through partnerships with leading copyright holders, like Japan's Kadokawa Music, as well as with celebrated artists like Li Jian, broadening the diversity of our platform's offerings.

Additionally, we've noticed that users aren't solely streaming music. They are also actively engaging in concerts, music festivals and other events. To tap into this trend, we've been building out our offline fan economy through strategic partnerships, including areas like concerts. For instance, in the first half of the year, we collaborated with Ctrip to introduce the "Singing Journey" event, where people from cities all over China submitted their music. It was a resounding success.

I'm confident that the NetEase Cloud Music platform will continue to deliver even greater value to both music lovers and music-creating fans in the future.

Q3: In a relatively stable online music market, how can the Company encourage users to develop stronger paid habits to support its long-term commercial growth? Beyond subscriptions, what product innovations and diversified revenue strategies are being considered to expand future income potential?

William Ding: In China, there's already an established consensus around paying for music. Many users are willing to pay directly for listening or through ad-supported models. Compared to other emerging markets, Chinese music listeners are more proactive in making payments.

Another notable trend is the eagerness of users to support their favourite artists by buying albums and concert tickets. NetEase Cloud Music has developed relatively mature operations around these models.

Q4: What specific operation strategies is the Company using to attract more young users, increase their engagement and drive growth in membership revenue? Is there any room for price increases in the relatively low-priced student memberships on the platform in the future?

William Ding: First off, the price of NetEase Cloud Music student memberships is not significantly low. Apple Music charges RMB 6, while NetEase Cloud Music charges RMB 5—just one-yuan difference.

NetEase Cloud Music has always focused on developing younger-generation users. Through proactive marketing and content development strategies, we aim to spark their passion for music and foster long-term engagement on our platform—both in terms of listening and in interactions. And we're seeing that many young users are very satisfied with their experience on NetEase Cloud Music.

Q5: What are the current trends in music consumption? How has the share of plays for top artists evolved? Are independent and self-produced musicians gaining more influence among younger audiences? Will NetEase Cloud Music's in-house music production continue to grow in popularity, potentially replacing some copyrighted tracks?

William Ding: The term "replace" here doesn't really fit. High-quality content is what genuinely wins consumer favour. Over the past five years, we've tirelessly collaborated with various music creators to produce and bring premium content to the market. A standout example from the last six months is the rap song "Liang Nan," which gained widespread popularity. Moreover, our in-house studio has amassed a wealth of high-quality works, many of which have steadily gained traction over time.

Overall, with the success of our commercial model, musicians can see their high-quality works being recognised, while listeners enjoy access to more outstanding music. This is how we help foster a thriving Chinese music market, encouraging diverse creativity and raising the overall standard of Chinese music creation.

Q6: What is NetEase Cloud Music's perspective and strategy for long-form audio? How does management view its long-term monetisation potential in China?

William Ding: There are distinct differences between long-form audio and music. Long-form audio is consumable content, more like a storybook—it draws people in with a narrative, similar to watching a TV drama, and provides users with a story-listening experience. Music, on the other hand, is more of a companion. People often listen to it for relaxation and leisure.

Because of that, users have different preferences and demands between the two formats. As some users mature and find more time for calm, they may choose to listen to stories, of course they'll also enjoy turning on a familiar song.

Therefore, we have a "two-hands strategy," one for music, one for long-form audio. We offer both a diverse range of long-form audio content and also actively encourage numerous podcast creators to join our platform, sharing content on various topics, like technology and finance.

Q7: How does the Company view the balance between growth and profitability? What are the key strategies for future growth?

William Ding: I believe that growth and profitability are not contradictory for us. As long as we provide users with high-quality audio-visual and interactive experiences, NetEase Cloud Music will naturally grow by gaining their favour. Moreover, we have amassed a wealth of exceptional original songs, and it is clear that users consistently have a strong demand for such premium content.

Q8: How can we assess the impact of content-oriented marketing on user acquisition and engagement?

William Ding: The results have been truly remarkable, and we're going to keep pushing forward.

Q9: What is the current status of NetEase Cloud Music's key copyright renewals and partnerships? Where will the Company focus its content investments? Beyond the core audience of young users in first- and second-tier cities, what strategies does management have for engaging other consumer segments in the future?

William Ding: We've consistently dedicated our efforts to addressing copyright shortages, and the situation has been steadily improving. We deeply value the recognition and support our platform has received from copyright holders. At the same time, NetEase Cloud Music helps artists actively promote their works. Our copyright collaborations have produced mutually beneficial outcomes for both parties. Additionally, NetEase Cloud Music strongly supports Chinese independent musicians by encouraging the publication, promotion, and distribution of their creations.

Our user coverage strategy also goes far beyond first- and second-tier cities. We aim to bring high-quality content to third-, fourth-, and even fifth-tier cities. This way, more users can reconnect with nostalgic songs from their childhood while also discovering today's best new music, making both a natural part of their daily lives.

To grow our user base, we take a proactive approach. This not only drives the platform's growth but also creates positive momentum for copyright holders and musicians. By doing this, we ensure that exceptional music reaches every corner of China, giving talented musicians the chance to gain the widespread recognition and appreciation they deserve.

Q10: How can we assess the ARPPU ceiling in the online music industry? How should we think about the timing for potential price increases and operational measures for raising prices?

William Ding: As a commercial company, there are two main ways to increase revenue: one is to expand the user base, and the other is to raise the price per user. From a user's perspective, once people get used to a certain service, especially for something you use daily, like water, electricity or gas, abrupt price increases can feel very frustrating.

At NetEase Cloud Music, we recognise the importance of striking a balance between scale and pricing. On one hand, we're focused on expanding our user base while delivering high-quality services. On the other hand, we take a highly cautious approach when it comes to raising prices.