PayPay Corporation

Fourth Quarter and Full Year ended March 31, 2026 Earnings Call

Kotaro Emae, Head of Investor Relations

Good morning and good evening everyone, and welcome to PayPay's fiscal 2025 fourth quarter and full year earnings call. I'm Kotaro Emae, Head of Investor Relations. Joining me on today's call are Nakayama-san, our President and CEO; Kagechika-san, our CFO; and Motoda-san, Head of Finance and Corporate Strategy.
As a reminder, today's call is being broadcast live, and the replay will be available on our website after the call.

Before we begin, I would like to remind everyone that today's remarks contain forward-looking statements and financial guidance, which involve known and unknown risks and uncertainties. Actual results, performance or achievements could differ materially from those expressed or implied by these statements due to various factors. We cannot predict all risks, and we undertake no obligation to update these statements. Please refer to our earnings release and regulatory filings for a more detailed discussion of the risks and uncertainties that could impact our business.
Additionally, during this call, we will discuss financial information prepared in accordance with IFRS, as well as certain non-IFRS financial measures. These non-IFRS measures should be considered supplemental to, and not a substitute for, IFRS financial measures. Definitions and reconciliations of these non-IFRS measures to the most directly comparable IFRS measures can be found in our earnings release and the earnings presentation, both of which are available on our website. Please note that we do not provide reconciliations for our forward-looking non-IFRS guidance to the comparable IFRS measures because it is not possible without unreasonable effort to predict the necessary components.
Finally, please be advised that the financial data discussed on this call is unaudited.

With that, I will now turn the call over to Nakayama-san.

Ichiro Nakayama, Representative Director President, Corporate Officer, Chief Executive Officer

Hello everyone, this is Nakayama, CEO. During our IPO roadshow, I promised to deliver both growth and profitability as a growth company. Today’s results are the first step to fulfill that promise. We are pleased to report that we closed the year with a "Rule of X" of 56%. This reflects a year of balanced performance in both growth and profitability.

Turning to the breakdown of our financials - Total Revenue was 380.7 billion yen, up 27% YoY. This growth was driven by strong growth in both the Payment Segment and the Financial Service Segment, which has become another revenue driver. RLTC (Revenue Less Transaction Cost) grew 30% YoY to 296.4 billion yen. The RLTC margin also improved by 2 percentage points to 78%, underscoring our enhanced earnings power.
On profitability, with our disciplined cost control and operating leverage, Adjusted EBITDA margin improved to 29%.

Our challenge began with payments and now we are entering an exciting new chapter. We are redefining everyday financial behaviors — such as saving, borrowing and investing — beyond payments. In financial services, the numbers show our progress, and customers keep using us — that is the strongest proof. This trend is shown in the FY2025 results. Growth in financial related revenues outpaced transaction related revenues. Financial related revenues now account for 41% of the Total Revenue, proving our diverse revenue sources. Looking ahead, we will continue to drive growth in the two business pillars — the original payments business and our faster growing financial services.

As the first step of redefining finance, we launched a data lending service for our merchant-partners through PayPay Bank in April. This is a strategic evolution of our "PayPay Funding" service, which has gained strong traction since its launch in March 2024. Using our unique credit model based on vast transaction data, this service unlocks instant access to funds via a smartphone, anytime and anywhere. We believe this data-driven product sets us apart from traditional banks. But again, this is just one of many examples looking ahead. We are fully committed to driving this 'redefinition' across our platform, spanning all areas of our services such as payments, banking and securities.

I believe that once people experience a more convenient world, they do not go back. It is our mission to build a better future by updating old systems with technology. We also believe that only PayPay can do that, because we are the No.1 digital finance platform, leveraging data, user base and our mindset to keep taking on challenges. We invite you to look forward to the future of PayPay as we accelerate our trajectory in Japan—and ultimately, worldwide.

With that, I will now hand it over to Kagechika-san, our CFO. Thank you

Wataru Kagechika, Managing Corporate Officer, Chief Financial Officer

Thank you, Nakayama-san. I'm Wataru Kagechika, CFO. I will now walk you through our business highlights and results. As Nakayama-san mentioned, we delivered strong performance in both growth and profitability. In particular, the expansion in profitability was driven not only by revenue growth across each business segment, but also by operating leverage, supported by disciplined cost management across the group.

Let's dive into our business topics in the fourth quarter.
First, the number of our eKYC-verified users surpassed 40 million, one of the largest digital customer bases in Japan.
The expansion of this eKYC-verified user base is strategically critical for our future in three key ways. Firstly, it enhances cross-sell opportunities by improving conversion rates into our financial services beyond payments. Secondly, it increases user convenience and satisfaction by enabling features such as fund withdrawals and full compensation in the event of payment fraud, thereby driving greater user loyalty. Furthermore, we believe that advancing the development of a safe and secure financial platform that aligns with societal expectations, will lead to further customer acquisitions. In light of this, we have announced that, starting June 2026, eligibility for certain reward programs will be limited to eKYC-verified users while promoting eKYC verification with an incentive program.
Second, PayPay Card, which we acquired in late 2022, has firmly entered a growth trajectory. In CY2025, we estimate that net new card additions ranked No.1 within the domestic credit card industry. This growth has been driven by our ability to offer a seamless and integrated user experience across QR code payments and credit card payments, as well as by the

enhancement of our credit risk management through proprietary underwriting models leveraging data from the PayPay ecosystem. As a result, our cards are gaining strong traction, particularly among younger demographics.
Third, I would like to highlight our IPO-related share offering through PayPay Securities, and its achievement of full-year profitability. In March, PayPay Securities offered PayPay shares to domestic retail investors as a selling agent under a framework known as a “Public Offering Without Listing” (POWL). This approach had historically been considered difficult to conduct at scale in Japan due to regulatory constraints; however, PayPay Securities successfully completed approximately 13 billion yen in sales, marking a significant milestone. In addition, following its consolidation as a subsidiary in April 2025, PayPay Securities achieved its first-ever full-year operating profit in FY2025.
Finally, we are strengthening our initiatives targeting younger users. PayPay has a strong brand presence among younger people. As part of this, in March, we launched a new program for eKYC-verified users aged twelve to eighteen. This program offers more favorable reward conditions and enables users to earn PayPay Points more efficiently through engagement with our financial services. In addition, PayPay Bank exceeded 10 million accounts in April 2026. This growth has been primarily driven by account acquisitions among users in their teens and twenties, with the number of accounts held by these younger users increasing approximately fourfold over the past five years.

Let me now walk you through our fourth quarter performance. For Consolidated Total Revenue, we delivered strong results, reaching 102.2 billion yen, up 30% year-on-year. In our Payment segment, revenue grew 27% year-on-year, partly driven by an improvement in our take-rate on GMV. The Financial Service segment was the primary driver of revenue growth, increasing 47% year-on-year and outpacing the Payment segment. This was mainly driven by higher interest income resulting from an expansion in lending, particularly in mortgage loans, as well as growth in corporate deposits and lending. Other key factors are improved yields on our investment portfolio due to policy interest rate hikes, and the introduction of maintenance fees for accounts inactive for two years or more.

GMV reached 5 trillion yen, up 23% year-on-year, driven primarily by the growth of PayPay Credit and PayPay Card. Take rate also improved year-on-year, supported by a higher mix of high-margin online payments, as well as continued improvements in both offline and online payment margins. Additionally, the expansion of interest income, driven by growth in the credit card financing balance, was a key contributor.
GMV growth has been driven by balanced growth in both MTU—the number of unique users transacting at least once within a month—and GMV per MTU, which represents monthly spending per user. Benefiting from network effects, MTU reached 41 million, while the active rate also steadily increased to 56%. In addition, “GMV per MTU” continued to grow steadily, driven by higher payment frequency as well as an increase in average transaction value, which is supported by the growth of online payments and PayPay Credit and PayPay Card.

Let me also provide an update on the key operating metrics of PayPay Card, which continue to drive growth in this segment. Through initiatives such as our proprietary credit underwriting models and extending small-ticket credit, our approval rates have improved—particularly among younger users—driving steady growth in the number of Active Cards Issued. As the number of active cards issued has increased, the credit card financing balance—comprising revolving, installment payments and cash advances—has steadily grown, with the increase exceeding 100 billion yen for

the full year of FY2025.
Even amid strong growth in credit card financing balance, credit costs remain well under control, demonstrating the effectiveness of our proprietary credit models and disciplined underwriting. The Net Charge-offs Rate, as a percentage of average receivables, declined to 0.58% in FY2025. In addition, Stage 3 receivables (credit-impaired assets) remained stable at 4% of total receivables.

Next, let me turn to the Financial Service segment.
First, PayPay Bank's deposit accounts reached the 10 million milestone in April, supported by double-digit growth driven by customer referrals from the PayPay platform and integration between our banking and securities businesses. While the number of accounts currently ranks second among domestic digital banks, we believe there remains significant room for growth in both deposits and lending compared to peers, and we are focused on accelerating this expansion. Turning to PayPay Securities, our account base expanded significantly, driven by initiatives such as the sales of PayPay's IPO shares. Total accounts reached 1.73 million, representing a year-on-year increase of 360,000 accounts. While we currently rank sixth among domestic online brokerages in terms of account numbers, we aim to accelerate growth further by enhancing the user experience and offering differentiated products.
Deposit balances increased 23% year-on-year, driven by growth in the number of accounts as well as the success of initiatives such as our "step-up interest rate" program, which offers higher interest rates in accordance with deposit balances. Deposits from SME and corporate customers, including PayPay merchants, also contributed to this growth. Loan balances expanded steadily, primarily driven by mortgage loans. Going forward, we aim to further accelerate growth by leveraging PayPay's strengths to expand our loan product offerings.

Let me touch upon our balance sheet. Total assets increased 28% year-on-year to 5.2 trillion yen, broadly in line with our topline growth, reflecting the expansion of our business. Net assets increased by 207 billion yen. This was driven by the accumulation of retained earnings, as well as capital contributions from our major shareholders at the beginning of FY2025, and the exercise of stock options by SVF II Piranha (DE) LLC. In addition, new shares were issued in connection with the IPO at the end of the fiscal year. Please note that FY2025 included a one-off tax effect of 57.5 billion yen related to the recognition of deferred tax assets at PayPay. As of the end of the fiscal year, our equity ratio stood at 7.6%, ROE for the full year was 24%, and net debt, as defined by our company, was 106 billion yen.

Adjusted EBITDA roughly doubled year-on-year to 28.6 billion yen, with the margin expanding to 28%.

Finally, I will now turn to our guidance for FY2026. Let me explain the framework first. Going forward, we will disclose our guidance for both full year and the upcoming quarter, for Total Revenue and Adjusted EBITDA. Our guidance ranges are set at ±1% for Total Revenue and ±2% for Adjusted EBITDA relative to our base case number. For FY2026, we do not anticipate any significant changes in underlying business trends. In terms of the external environment, we assume CPI growth of approximately 2% year-on-year, a policy interest rate hike of +25bps in the mid-year and a foreign currency exchange rate of 155 yen per USD. We expect full-year consolidated Total Revenue for FY2026 to increase by approximately 20% year-on-year. We expect the Adjusted EBITDA margin to be around 30%, representing an improvement of approximately one percentage point year-on-year. In the previous fiscal year, margin expansion was driven primarily by company-wide cost structure reforms, particularly Adjusted EBITDA margin improvement in the Financial Service segment. In the current fiscal year, further EBITDA margin improvement in the Financial Service segment is expected to be relatively limited. We also incorporate a certain level of growth investments. We intend to balance profitability and growth as we explained during the IPO process.

With that, I would like to open the floor for questions. Thank you very much.