PayPay Corporation
First Quarter ended June 30, 2026 Earnings Call

Kotaro Emae, Head of Investor Relations

Good morning and good evening everyone, and welcome to PayPay's earnings call for the first quarter of fiscal 2026. 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 a replay will be available on our website at a later date.

Before we begin, please note that today's discussion includes forward-looking statements, non-IFRS financial measures, and unaudited financial data. Actual results may differ materially from our expectations. For more details, including risk factors and non-IFRS reconciliations of non-IFRS measures to the most directly comparable IFRS measures, please carefully review the Disclaimer on page 2 of our presentation. We ask for your understanding of these terms as we proceed.

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

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

Before we begin today's presentation, I would like to express my deepest sympathies to everyone affected by the recent earthquake in Kumamoto. We sincerely pray for your safety and a swift recovery and reconstruction of the affected areas.

Now, let me turn to our financial results.
Following a strong finish in Q4, we delivered another strong quarter in Q1. Total Revenue increased 27% YoY, driven by continued growth in the Payment segment and even faster growth in the Financial Service segment. RLTC increased 26% YoY. The margin declined by 1% to 77%, mainly due to higher funding costs for bank deposits after policy rate increases. Adjusted EBITDA increased 59% YoY, and the margin expanded to 34% as both segments delivered operating leverage. Our Rule of X reached 61%, showing solid growth in both revenue and profitability.

Today, we announced our capital and business alliance with Seven & i Holdings Co., Ltd. I would now like to explain how these partnerships support our growth strategy. First of all, our vision remains clear: to build one of the largest digital financial platforms in Japan. We focus on two areas. The first is products and customer touchpoints. We started with payments and expanded into credit cards, banking, and securities. In June, we announced the planned acquisition of shares in T&D Financial Life Insurance. This will add life insurance to our platform and help us meet needs such as protection, wealth building, and asset succession. Our partnership with Seven & i Holdings Co., Ltd. will expand our reach further by connecting with users in their daily shopping. The second area is data. The more data we gather, the better we understand our users. The blue circles show static data, such as user profiles and financial assets. The red circles show real-time data, such as payments and shopping activity. By combining them, we can better understand who our users are and what they need at that moment. This allows us to offer the right financial service to the right user at the right time. This personalized approach is very different from the mass marketing often used by traditional financial institutions. We have consistently invested in products, customer touchpoints, and data capabilities. Our direction has not changed, and our execution remains strong.

Let me now explain the T&D Financial Life Insurance acquisition in more detail.
Life insurance sits between bank deposits and securities and will expand our financial services lineup. By combining it with PayPay's daily payment touchpoints, we plan to offer new digital life insurance products to our user base. We also aim to strengthen asset management, expand revenue opportunities, and improve profit margins. By bringing the life insurance balance sheet into our group, we will build a stronger hybrid model that combines flow-based revenue from payments with stock-based revenue from financial services. This will help us benefit from rising interest rates and build a stronger foundation for sustainable growth, even as the external environment changes. We will continue to prepare steadily for the completion of the acquisition.

Next, I would like to highlight our capital and business alliance with Seven & i Holdings Co., Ltd., we announced today.
First, let me explain the strategic purpose of this partnership. Our goal is more than a payment link. We want to connect in-store and digital customer touchpoints and improve the everyday shopping experience. SEVEN-ELEVEN JAPAN CO.,LTD. has about 22,000 stores and around 20 million customer visits each day. PayPay has about 75 million users and handles around 30 million payments each day. By bringing together two industry leaders, we can make better use of the large amount of data generated every day. This is the core value of the partnership.
SEVEN-ELEVEN JAPAN CO.,LTD. has strong capabilities in product development, logistics, store operations, membership programs, promotions, and apps. As SEVEN-ELEVEN JAPAN CO.,LTD. transforms its business model, PayPay will lead the renewal of its digital customer touchpoints. We will connect memberships, IDs, data, points, apps, and promotions on the PayPay platform, and add digital capabilities to its stores. This clear division of roles will help us build stronger and broader customer connections. In the mid-to-long term, we place the greatest value on continuous, real-time data. Everyday payments generate fresh data without asking users to enter extra information. As this data grows, AI can keep learning and offer more personalized suggestions to each user. This is a key long-term strategy to increase lifetime value in the age of AI.
Looking ahead, PayPay will explore opportunities to expand its payment services outside Japan, including in the United States. We have no specific plans at this stage. However, we believe that the success we achieve with this partnership in Japan would support PayPay's future global growth. At the same time, we will create near-term growth from the partnership. By combining services such as 7NOW and mobile ordering with PayPay's customer base and data, we can reach potential customers more effectively. By improving the customer experience, we will drive near-term growth and put this model into practice.

These initiatives will help us build a one-stop digital financial platform that supports users at every stage of life.Financial needs change at each stage of life. Younger users mainly need payments and credit cards. As they get older, their needs become broader and more diversified. By combining payment, shopping, and behavioral data, we can better understand these changes and offer services that fit each user’s needs. This helps us increase lifetime value while keeping customer acquisition costs low. We hope our investors will share our vision and excitement as we increase the cross-use of our services and grow revenue per user.

One key measure of this progress is ARPU. Cross-use between payments and finance creates growth on both sides. It increases revenue in the Financial Service segment, while greater use of financial services also increases payment engagement, GMV, and ARPU in the Payment segment. Our growth strategy has not changed. We expand customer touchpoints, gather more data, and use that data to offer the right financial service to each user. We will continue to invest for growth, increase cross-use, and build greater corporate value over the medium to long term.

This concludes my presentation. I will now hand over to our CFO, Kagechika-san. Thank you.

Wataru Kagechika, Managing Corporate Officer, Chief Financial Officer

Thank you, Nakayama-san. I will now walk you through our earnings highlights.
Let me first highlight our operational and financial performance for the first quarter. Fiscal 2026 is off to an excellent start. Building on this strong momentum, we are raising our full-year financial guidance for fiscal 2026 which I will touch upon later. While the top-line growth is quite healthy, I want to specifically highlight the quality of growth we are seeing across both our Payment and Financial Service segments. Looking at the Payment segment, the usage of PayPay Card is further accelerating and continued to be a key growth driver. Through the expanded use of the 'PayPay Card,' we will increase the monthly GMV per MTU and strengthen PayPay’s position as our users’ main wallet. Further, our unit economics consistently improved supported by the GMV growth of our higher margin Online GMV. In the Financial Service segment, we are working on establishing a foundation for future growth alongside the steady expansion of our user base. In the first quarter, Tanida-san, the former President of PayPay Card until last fiscal year, assumed the role of new President at PayPay Bank. Under his leadership, we are refining our growth strategy and accelerating its execution. At the same time, we are redesigning our technology architecture to fully leverage the opportunities created by AI. The number of PayPay Bank accounts has now exceeded 10 million, demonstrating steady growth in our customer base.

Now, I’d like to highlight some of our key business developments for the first quarter and our recent progress. As announced in February, we implemented a comprehensive revision to our rewards program in June. Of the various changes we introduced, the most significant financial impact came from restricting reward point eligibility only to eKYC-verified users. To build a secure and reliable financial infrastructure, we have been actively promoting eKYC. Through these efforts, the number of eKYC-verified users has exceeded 42.5 million. As an added benefit, from a financial perspective, this initiative led to JPY1 billion in cost savings in June alone.

This slide shows our consolidated Total Revenue. Since Nakayama-san already covered this at the beginning, I will skip the details. This shows our Adjusted EBITDA. Similarly, I will skip the details here as well.

As mentioned earlier, PayPay Credit and PayPay Card—the primary engines of our GMV growth—continue to perform strongly. Furthermore, our Take Rate continued to expand, primarily driven by a favorable shift in our GMV mix. MTUs increased 10% YoY to approximately 42 million, driven by the growth in our registered user base and a higher active user rate. GMV per MTU, which represents the monthly spending per active user, continued to increase, primarily driven by an increase in monthly transaction frequency.

For PayPay Card, we continue to see strong new customer acquisition. In addition, new Gold Card acquisitions increased significantly, driven by the launch of a new “Pay-Toku 2” pricing plan for SoftBank mobile users. Furthermore, revolving and installment loan balances—including the "Pay in Installment Later" feature launched in the second half of the previous fiscal year—grew 25% YoY. Cash advance usage also continued to expand strongly, increasing 57% YoY.

Moving on to the credit metrics for PayPay Card. Starting this quarter, we are replacing the net charge-off rate disclosed in previous earnings presentation with a new metric: the Delinquency Transition Rate. This metric measures the annualized ratio of receivables that migrated to Stage 3 during the quarter relative to the opening receivables balance. The annualized rate is calculated based on the cumulative transitions over the most recent four quarters. For this quarter, the rate was 2.6%. It has continued to trend downward, indicating that the credit quality of our portfolio remains sound.

Next, let me turn to the Financial Service segment. Customer acquisition through the PayPay app continues to be highly effective for both our banking and securities businesses, supporting double-digit growth in the number of accounts. The number of PayPay Bank accounts has exceeded 10 million. Furthermore, PayPay Securities, leveraging zero customer acquisition cost, achieved a 29% YoY increase in accounts, moving its ranking up from sixth to fifth among Japan’s online brokerages.Despite intense competition for deposits across the banking sector, our deposits balance grew 17% YoY to reach JPY2.3 trillion. Our loan balance reached JPY1.3 trillion, up 37% YoY, bringing our loan-to-deposit ratio to 57%. The interest rate margin—the spread between the loan yield and the deposit costs—narrowed slightly, reflecting an increase in corporate loans driven by the diversification of our borrower base to include large enterprises.

This slide shows our balance sheet and the key metrics. Our ROE was 22.5% and continued to improve the number.

Lastly, let’s turn to our financial guidance. There are three main reasons why we comfortably beat our Q1 guidance.

First, GMV in our payment business performed better than expected. Second, our Merchant business saw strong performance. And last, we benefited from favorable external environments, including a strong equity market. Regarding our full-year guidance, reflecting the strong business momentum confirmed in Q1, we are raising our forecast. We expect Total Revenue to be between JPY 465 billion and 473 billion, representing a 22% to 24% YoY, and Adjusted EBITDA to be between JPY 149 billion and 155 billion. The Adjusted EBITDA margin is expected to be around 32% at the midpoint.

For our Q2 guidance, we project Total Revenue to be between JPY 114 billion and 116 billion, up approximately 24% YoY growth. We forecast Adjusted EBITDA to be between JPY 37.5 billion and 39.5 billion, with an Adjusted EBITDA margin of around 34%. You may notice a modest YoY growth in the Total Revenue compared to Q1. We consider this to be driven primarily by two factors: the absence of the one-time benefits related to favorable external environments in Q1, and a tough comp from the prior year period, which saw a last-minute demand ahead of rule changes to "Hometown Tax Donation"—Japan’s municipal donation program. But let me be clear: our underlying business momentum is as strong as ever, and we are fully confident in our ability to continue delivering robust growth.

This concludes our presentation. We will now open the line for your questions. Thank you.