PayPay Corporation

Second Quarter ended September 30, 2026 Earnings Call

Keita Oishi, Head of Investor Relations

Good morning and good evening, everyone. Welcome to PayPay's earnings call for the second quarter of fiscal 2026. I'm Keita Oishi, Head of Investor Relations. This earnings call will be led by Nakayama-san, our President and CEO. Later, we will also host a separate investor briefing with Kagechika-san, our CFO. Joining Nakayama-san on this call are Kagechika-san and Motoda-san, Head of Finance Group. Please note that 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

Good morning and good evening. I am Nakayama. Today, I will explain our FY2026 Q2 results. I will also cover the steps for our further growth. Let me start with the business highlights.

Now, let me turn to our financial results.

Since PayPay launched in 2018, we have expanded payment use, business scale, and revenue. At the same time, operating leverage and better cost control have helped adjusted EBITDA grow. As a result, first-half revenue and profit have grown for seven straight years. Adjusted EBITDA is now growing faster than revenue. This is PayPay's growth path since launch. Based on our strong first-half results, we are raising our full-year guidance again. This is our second increase in this fiscal year, after the change announced in Q1.

Both Payment and Financial Service segments continue to grow strongly. First-half consolidated revenue rose 28% year on year to 227.9 billion yen. Revenue in Q2 alone reached 118.1 billion yen, up 28% year on year, maintaining strong growth. In the Payment segment, higher GMV and transaction fee rates lifted transaction and service income and others by 25% and interest income rose 28%, as revolving, installment, and cash advance balances continued to grow. In the Financial Service Segment, revenue grew 41% to 45.4 billion yen. Higher deposit and loan balances, along with higher interest rates, drove this growth.

First-half Adjusted EBITDA rose 57% year on year to 79.5 billion yen. The margin also rose from 28% to 35%. Profitability improved as revenue grew in both payments and financial services. We also reviewed our point benefits in June and took other steps to keep costs under control.

Next, let me turn to the key measures for the Payment segment. Q2 GMV grew 20% year on year to 5.6 trillion yen. Many rainy days in September affected offline payments. Also, last year's rush in hometown tax donations made the year-on-year comparison tough. However, even with these headwinds, GMV continued to grow. Net take rate, which is Payment segment revenue divided by Payment segment GMV, rose by 0.1 percentage point, from 1.64% to 1.74%. The main drivers were growth in online payments and credit card financing balances.

Next, I will explain our guidance for fiscal 2026.

Based on our strong first-half results, we are raising our full-year guidance. We expect full-year revenue of 474 to 478 billion yen, up from 465 to 473 billion yen. As for Adjusted EBITDA, we expect 159 to 163 billion yen, up from 149 to 155 billion yen. For Q3, we expect revenue of 121 to 123 billion yen and adjusted EBITDA of 41.5 to 43.5 billion yen.

Now, let me explain our next stage of growth. I have one clear message: growth in payments creates the next stage of growth in financial services.

First, let me show where PayPay stands today. These shares are based on the Cashless Promotion Council’s Code-based Payment Usage Trends Survey. The Council was formed following a proposal from METI. The survey uses actual transaction data reported by each provider. Within code-based payment services, PayPay accounts for about 70% of both code payment value and transactions, and 98% of Peer-to-Peer money transfers. PayPay is by far the market leader in all three measures. This scale brings a huge number of payment transactions into PayPay every day. It gives PayPay Card, PayPay Bank, and PayPay Securities a strong base for growth.

This tree shows PayPay's growth model. The trunk is everyday payments. Payments give us far more frequent touchpoints with customers than banking or securities. People use PayPay to pay and send money each day, so a huge number of transactions flow into PayPay. As PayPay becomes part of more daily activities, users pay more often and spend more. This expands transaction volume and makes the payment trunk stronger. As the trunk grows, card financing balances also grow. We can also bring more users into our other financial services. This gives our card, banking, and securities businesses more customer contact and more room to grow.

PayPay Card already shows that growth in payments can lead to growth in finance. We use daily payment touchpoints to bring users into card use. The number of active cards issued rose by 3.5 million year on year to 18.7 million, while card payment value and financing balances continued to grow. Financing balances rose 26% year on year to 600 billion yen. This wider use also adds to our revenue base. We will now extend this path to PayPay Bank and PayPay Securities. Our large payment user base is the entry point. Through the PayPay app, we can help users move from account opening to

active use. This will help us grow deposits, loans, and investment balances. PayPay Bank and PayPay Securities are still at an earlier stage than PayPay Card. We will use our PayPay Card experience to bring in customers and deepen use. This will help make banking and securities our next growth engines.

Next, let me explain how our payment base has grown. Some people who knew PayPay in its early days may still see it as a service for micro payments. But in about eight years since our launch in October 2018, PayPay has become part of daily life. People now use it in more places and for larger payments. As a result, the active user rate, or MTU as a share of registered users, rose from 36% in FY2019 Q2 to 56%. Monthly spend per user grew almost four times over the same period.

Monthly spend per user has grown as both payment size and payment frequency increased. Average transaction value rose to 1,930 yen in this quarter. Monthly payments per user rose almost three times. This growth came from expansion of use cases and wider acceptance of PayPay, including online payments. Wider use of PayPay Credit and PayPay Card also supported the growth. Payments already form a large trunk. We will keep moving more users to PayPay Credit and PayPay Card. We will also grow payments at online merchants and other places where payment values are higher. This will help us keep high payment frequency while raising payment value.

The next step to raise payment frequency and value per payment is to cross-sell our financial services. We use FY 2023 Q1 as the starting point, after PayPay Card became a consolidated subsidiary. Since then, the share of users with two or more PayPay Group services has risen from 27% to 38%. The data shows a clear pattern: users spend more through PayPay as they add more services. Users who use all four services spend about five times as much as users who only use PayPay. Monthly spend also grew year on year in every group. This shows a positive cycle. Payments bring users into financial services. Financial services then lead them to use PayPay more. We will expand cross-use to increase lifetime value per user.

Average Revenue Per User shows this growth model in one number. ARPU has grown each year and reached 1,050 yen this quarter. This represents a three-year CAGR of 16%. ARPU from financial services grew at a CAGR of 33%, faster than total ARPU. Three drivers support this growth. The first is deeper use of everyday payments. More payments and higher monthly spend per user are driving ARPU today. The second is the shift to PayPay Credit. Active users, payment value, and financing balances are growing. This is already a major source of growth. The third is deeper use of PayPay Bank and PayPay Securities. These businesses are still at an early stage. We have a lot of room to grow active accounts, deposits, and assets under management. Next, I will update you on the partnerships and investments that support this growth.

This is the last slide. The partnership and investment we announced this year are both on track. The partnership with Seven & i Holdings is already under way. We launched a joint campaign on November 1st. This is the first step to increase PayPay use in stores. In the second half of FY2027 or later, we plan to integrate our IDs and start the full rollout. We will link stores with digital services. This will make shopping easier and create more chances to use PayPay in daily life.

Our investment in T&D Financial Life is also on track for closing on October 1st, in line with our original plan. To start delivering business synergies soon after closing, we have set up a PMI steering committee. The work needed for closing, including IFRS work, is also moving ahead well. We will keep putting each plan into action and turn it into results.

This concludes my presentation. Thank you.