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3Q FY12/2026 Business Results Briefing
Q&A [Summary]

Q1. What types of revenue did SALES GO expect from the deal it lost, and how much annual revenue did it expect after deployment?

For the current fiscal year, SALES GO expected to recognize initial deployment fees and license revenue from the rollout in Japan and overseas. The deployment fees were expected to generate one-time revenue, while the licenses were expected to generate recurring revenue in the hundreds of millions of yen annually from the following fiscal year onward.

Q2. Why did Broadleaf invest in SALES GO, and why did the loss of this deal have such a significant impact on Broadleaf's earnings outlook?

SALES GO provides sales force automation (SFA) software. We saw growth potential in its ease of use and AI-powered analytics. We initially invested in SALES GO as part of our expansion into a new business area and have made additional investments since then.

SALES GO pursued this major deal for several years, and we began factoring the expected revenue into our business plans about two years ago. As a result, losing the deal had a significant impact on our earnings outlook. SALES GO continues to develop proposals for several customers, including large enterprises and small and midsize businesses.

Q3. How much did the loss of the SALES GO deal affect Broadleaf's operating profit forecast? Did lower hardware procurement costs affect that figure?

The loss of a major deal by SALES GO, our consolidated subsidiary, accounted for approximately ¥600 million of the downward revision to each of Broadleaf's full-year forecasts for consolidated revenue and operating profit. SALES GO had expected to recognize initial deployment fees for its own cloud software. The deployment did not involve procurement costs, so the impact on operating profit was nearly the same as the impact on revenue.

Lower hardware procurement costs in Broadleaf's own operations were a separate factor and increased forecast operating profit by approximately 300 million yen.

Q4. Why did Broadleaf revise the number of cloud software deployments planned for the full fiscal year?

Large and upper mid-sized customers have been reviewing their own security practices, which has led to additional checks and testing when connecting our software to their systems. We helped these customers review how they operate and manage their systems and prioritized verifying that the connections could be made securely.

These additional steps, together with difficulties procuring servers and other hardware, led us to adjust deployment schedules for individual customers and revise the number of deployments planned for the fiscal year.

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Q5. Why did Broadleaf lower its year-end license count forecast from 29,300 to 26,640?

Our previous forecast included deployments scheduled for the second half of the fiscal year at large and upper mid-sized customers. These customers typically require more licenses per deployment, so delays can significantly reduce the number of licenses added during the year. We revised our year-end forecast to 26,640 licenses to reflect these delays.

Q6. How does Broadleaf plan to complete the cloud migration by the end of 2028?

We plan to migrate our existing customers to the cloud by the end of 2028, when support for the legacy system ends. For large customers with complex configurations, such as those involving product master data, we will develop a deployment plan for each customer. Smaller customers will be able to switch to the new system on their own using an automated migration tool, reducing the time our teams spend on site visits.

Q7. Why is Broadleaf reorganizing its development and sales functions?

We have been using AI in software development. As AI technology advances rapidly, we want to accelerate its integration into our day-to-day development and sales workflows. By reorganizing these functions, we aim to improve productivity in both areas and operate more cost-effectively across the company.

Q8. How much revenue did SALES GO generate in the previous fiscal year, and how did the loss of this deal affect Broadleaf's operating profit forecast for the current fiscal year?

SALES GO generated relatively little revenue in the previous fiscal year. Our previous full-year consolidated forecast included the revenue and profit we expected from this major deal. The loss of the deal accounted for approximately 600 million yen of the downward revision to each of our forecasts for revenue and operating profit.

Q9. Why did Broadleaf lower its year-end ARPL forecast from 26,400 yen to 25,600 yen?

Deployments for large customers with higher per-license prices were pushed back. Some customers requested integration with their core systems or additional features, which expanded the scope of deployment beyond what we had initially anticipated. Addressing these requests and completing the security checks took additional time, so we revised our year-end ARPL forecast.

Q10. Could winning new large customers lift ARR above Broadleaf's previous expectations once the cloud migration is complete?

We are receiving more inquiries from large companies, including some we had not previously approached. We have many smaller customers, and we expect revenue per customer in that segment to remain broadly stable. For large customers, it can take a year to a year and a half from initial discussions to system integration and deployment. We see room for ARR to grow over the medium to long term and are still assessing how revenue after the cloud migration will compare with our previous expectations.

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Q11. Approximately how many large customers had their deployment schedules adjusted? Were the changes concentrated among a few customers?

We cannot comment on the number of customers affected or the status of individual deployments. The scale of deployment, the features required, and the level of internal readiness vary by customer. Some customers have requested additional features beyond those in our initial proposals. We confirm the scope of each deployment, including any additional requirements, before adjusting the schedule.

Q12. Beyond this fiscal year's middleware updates, does Broadleaf expect security-related costs to continue rising?

We plan to implement the measures currently needed within this fiscal year. As new risks emerge, we expect to budget for additional security measures. We are also working with Google to assess what level of security is needed and what it would cost.

Q13. Why is Broadleaf revising its medium-term business plan while maintaining its goal of completing the cloud migration by the end of 2028?

Our previous medium-term business plan assumed revenue growth from cloud software sales, marketplace transactions, upselling, and new businesses. When cloud software deployments are pushed back, we also recognize the initial deployment fees and subsequent monthly revenue later. We are reviewing these assumptions and intend to show how our deployment plans translate into revenue and profit. We expect to announce the new medium-term business plan alongside our full-year results, scheduled for February 2027.

Q14. Is security assistance covered under existing customer agreements, or does it carry an additional charge?

We currently provide this assistance through our existing premium support offering. We are also considering offering security assistance as a separate service in the future.

Q15. Why is Broadleaf reviewing its pricing structure? Has the way customers value its products changed?

The review reflects factors such as rising procurement costs. Where our costs have risen, we are considering pricing changes, including potential increases, considering what customers would consider reasonable.

Q16. Would prioritizing migration for smaller customers next fiscal year allow Broadleaf to recognize revenue sooner?

Deploying our cloud software at large customers and getting them to start transacting are important steps in growing marketplace activity. We also believe that moving ongoing discussions with large customers toward signed contracts and deployment will support future revenue growth. We will continue to prioritize deployments for large customers while using an automated migration tool to help smaller customers switch to the cloud.

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Q17. How do changes to deployment schedules for large customers affect software services revenue and marketplace revenue?

When deployments are pushed back, we recognize initial deployment fees and monthly software services revenue later. Some large customers are already conducting trial transactions on the marketplace. Suppliers also need to be ready before trading can begin at scale, so delays in cloud deployments for large customers may push back marketplace revenue as well. In our latest full-year forecast, we kept our marketplace revenue forecast for this fiscal year unchanged.

Q18. With support for the legacy system coming to an end, why did deployments for large customers fall behind the original schedule?

Large customers are assessing how far to use digital tools to change their operations in response to factors such as regulatory and logistics changes. As discussions progress, some ask us to integrate the software with their core systems or make it available company-wide where previously only some employees used it. A broader rollout can require more time for internal coordination and employee training, even after the customer has decided to proceed.

Q19. When did Broadleaf realize that the deployments originally planned for this year might be difficult to complete by year-end?

We had allocated staff to complete the deployments by year-end. When deployments for large customers are pushed back, it becomes harder to meet that schedule. Around September or early October, we recognized that completing the planned deployments by year-end was becoming difficult.

Q20. Which one-time expenses incurred this fiscal year are not expected to recur next fiscal year?

The main items were approximately 30 million yen for a tree-planting event in Hiroshima marking the 20th anniversary of our founding and approximately 100 million yen for the disposal of a subsidiary’s software assets and related items.

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