

COMPANY RESEARCH AND ANALYSIS REPORT

CRI Middleware Co., Ltd.

3698

Tokyo Stock Exchange Growth Market

6-Jan.-2026

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<https://www.fisco.co.jp>

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Summary

Formulated medium-term management plan. Aims for operating profit of ¥2.0bn by FY9/30

1. Supplies middleware and other products and services under the gaming and mobility-focused CRIWARE brand

CRI Middleware Co., Ltd. <3698> (hereafter, also “the Company”) licenses software products, mainly under the CRIWARE and OPTPIX brands, and provides contract development and sound production services related to the sale of its product licenses. The Company has two business segments—the Gaming Business and the Enterprise Business. In the Gaming Business, it provides audio and video middleware and image optimization solutions for the smooth and efficient development of video games, as well as audio production services using voice actors. The Enterprise Business is focused on areas other than gaming, particularly the mobility (e.g., in-vehicle devices), embedded (e.g., home appliances), and cloud solutions fields. It leverages audio and video technologies cultivated in the Gaming Business to provide audio and video middleware and solutions and conducts related contract development.

2. Achieved sales growth and significant profit growth in FY9/25. In FY9/26, also expects higher sales and profits, mainly in the middleware/tools and mobility fields

The results for FY9/25 were net sales of ¥3,448mn (up 8.9% year on year [YoY]) and operating profit of ¥554mn (up 50.5%). The significant increase in profit was due to the following: sales increased significantly in the mobility field due to the rapid growth of a new product, CRI Glassco, underpinned by the favorable performance of the motorcycle market; the middleware/tools field grew substantially as well, especially overseas; and profitability also improved as licensing revenues increased. For the FY9/26 forecast, the Company expects that sales and profit will increase, with net sales of ¥3,910mn (up 13.4%) and operating profit of ¥600mn (up 8.2%). Net sales are expected to continue growing, especially in the middleware/tools and mobility fields. On the other hand, while operating profit will grow, the growth rate will be less than that of net sales due to more R&D investment than in the previous fiscal year and the loss of revenues from bulk licenses recorded in the previous fiscal year.

3. Shifting to a structure with mobility, gaming, and online communication as the core businesses

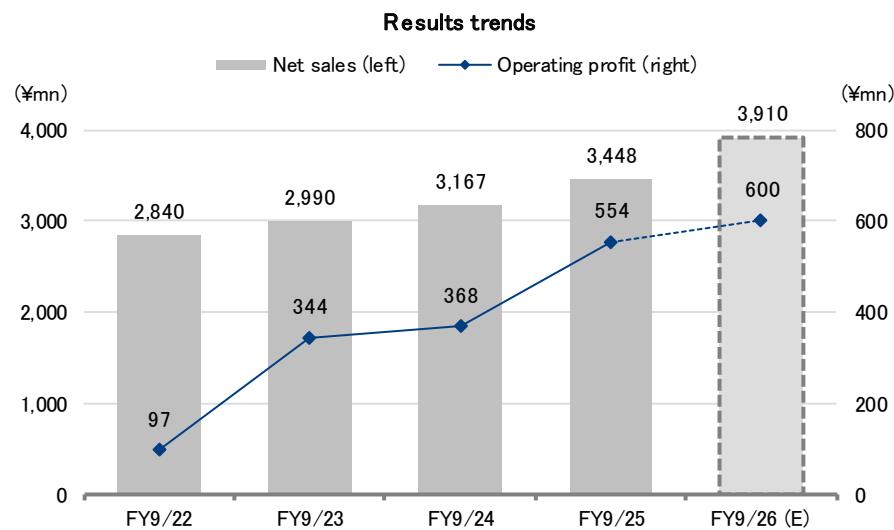
The Company has created the CRI Group Medium-Term Management Plan (2026–2030), which adds non-business-specific strategies, policies, etc. to the growth strategies for each existing business in its basic policies. In the medium term, it will shift to a business structure in which the three pillars of mobility, gaming, and online communication will be its core businesses. In the Mobility Business, it aims to grow its CRI ADXAT audio products and CRI Glassco graphic products. In the Gaming Business, it plans to pursue market penetration of the CRIWARE brand in Japan, enhance its sales structure in China, and resume growth in Europe and the US. In the Online Communication Business, it intends to pursue market development based on two pillars: CRI TeleXus online communication middleware and cloud solutions. Based on this, its targets for FY9/30 include net sales of ¥10.0bn and operating profit of ¥2.0bn (20% operating profit margin).

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Summary

Key Points

- Developing licensing business under the CRIWARE brand; strengths in digital signal processing technology
- In FY9/26, expects performance of middleware and mobility to remain strong, even though upfront expenses will occur
- Created medium-term management plan. Aims to develop three pillars and achieve net sales of ¥10.0bn and operating profit of ¥2.0bn by FY9/30



Source: Prepared by FISCO from the Company's financial results

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Company profile

Provision of CRIWARE brand middleware

1. Company profile

The Company is engaged in the licensing of specialist audio and video middleware*, primarily under the CRIWARE and OPTPiX brands, and the provision of related technical support. The Company's strength lies in digital signal processing technology for audio and video that it has developed in house. It operates a Gaming Business and an Enterprise Business. In the Gaming Business, it provides middleware and image optimization solutions. It has a large share of the domestic gaming market, particularly in audio middleware. Furthermore, its subsidiary is engaged in audio production. In the Enterprise Business, it leverages technology cultivated in the Gaming Business, and offers products focusing on mobility fields, embedded for home appliances and IoT devices, and cloud solutions utilizing web video and image. In the medium to long term, it plans to transform its business structure, which is currently dependent on the domestic Gaming Business, and pursue growth with the three pillars as its core businesses: mobility, gaming, and online communication. It aims to achieve net sales of ¥10.0bn by FY9/30.

* Middleware: The software layer that lies between (middle) the hardware or operating system (OS) and the application software. Middleware supports the smooth operation and development of applications by controlling hardware and OS characteristics. Middleware helps to improve software quality, reduce development man-hours, shorten development time, and lower development complexity while also making it possible to easily deploy applications on a range of different platforms.

Established as a gaming-focused company and expanded business to include mobility, etc.

2. History

The Company's predecessor company is CSK Research Institute Corporation, a subsidiary of CSK Corporation (now SCSK Corporation <9719>) founded in 1983 as a software technology laboratory. In its early days, the Company conducted research into AI and other technologies, but its research in the audio and video field led to a deepening relationship with SEGA Enterprises, Ltd. (now SEGA Corporation), a CSK Group company at the time. As a result, it began developing basic software (middleware) and application software (games) for SEGA's home video game consoles. The Company later became a SEGA subsidiary, but SEGA decided in January 2001 to withdraw from the home video game hardware business. CSK Research Institute's middleware business therefore needed to start developing software for other home video game consoles (multiplatform strategy). This prompted CSK Research Institute to spin off its middleware business in August 2001, leading to the establishment of CRI Middleware. The Company's middleware is still used in many titles from SEGA, which retains 12.25% of the Company shares, but the Company has a high degree of management independence and a growing customer base in the gaming industry, including Square Enix Holdings Co., LTD. <9684> and Bandai Namco Entertainment Inc. Starting in 2011 with the launch of a sales presentation system for smart devices, the Company further expanded in 2017 by entering the mobility field with audio middleware for embedded in-vehicle systems. The Company entered the US in 2006, but decided to exit the market as next-generation game consoles were launched and overseas game titles became larger in scale. However, in 2019, the Company decided to resume overseas expansion, starting with China, where the use of middleware was still a blue ocean. This is supporting the Company's steady growth overseas and, at present, it has begun re-entering the US and European markets.

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Company profile

History

Year	Event
1983	CSK Corporation (now SCSK Corporation) establishes CSK Research Institute Corporation (CRI) in October to conduct R&D into AI, audio/video technology, CD-ROM media
1996	Releases first middleware (CRI ADX, CRI Sofdec, CRI Clipper, etc.) for Sega Saturn™ home video game console
2001	CRI Middleware Co., Ltd. incorporated as wholly owned subsidiary of CRI to develop and sell middleware Created as entity independent from CSK/Sega group to support middleware multiplatform strategy (market diversification) Released middleware for PlayStation®2, Nintendo GameCube® and Xbox® home video game consoles
2002	Opened office (R&D and sales base) in Minami-Aoyama, Minato-ku, Tokyo Launched middleware for game consoles (commercial use) and PCs (Windows)
2004	Becomes independent from parent company through buyout by directors and employees
2005	Head office relocated to Minami-Aoyama, Minato-ku, Tokyo; Japanese company name changed
2006	Established wholly owned consolidated subsidiary CRI Middleware, Inc. in California, US (currently consolidated subsidiary)
2009	Head office relocated to Shibuya, Shibuya-ku, Tokyo Released "i kyuseisyu" audio middleware for iPhone/iPod touch; moved into smartphone software business
2010	Launched CRI ADX7 audio middleware for embedded devices
2011	Released pharmaceutical sales presentation system for smart devices, developed with CSK, marking first move into non-game field Launched D-Amp Driver, "Karu-i-i-ne," and "Karu-e-e-zo" audio/video middleware for embedded microcomputers
2012	Added CRIWARE support for Unity game engine
2013	Added CRIWARE support for Cocos2d-x and Unreal Engine 4
2014	Listed on Tokyo Stock Exchange (TSE) Mothers Market
2017	Launched CRI ADX Automotive, audio middleware for embedded in-vehicle systems
2018	Acquired all shares in Web Technology Corporation, making it a wholly owned subsidiary
2019	Established consolidated subsidiary CRI Middleware China Co., Ltd. with 70% stake, in Shanghai, China (currently consolidated subsidiary) Acquired all shares in TWOFINE Co., Ltd., making it a subsidiary (currently consolidated subsidiary)
2020	Acquired all shares in R-FORCE ENTERTAINMENT INC., making it subsidiary (currently excluded from scope of consolidation)
2021	Absorbed wholly owned subsidiary Web Technology Corporation through a merger Head office relocated to Sakuragaoka-cho, Shibuya-ku, Tokyo
2022	Listing transferred to TSE Growth Market Official release of CRI TeleXus, new communication system for virtual spaces such as the metaverse and online games
2023	R-FORCE ENTERTAINMENT INC. excluded from scope of consolidation following sale of all shares Launched CRI SOLIDAS full digital audio solution
2024	Launched CRI Clovis network video playback middleware Launched CRI Glassco graphic development solution, which enables development of human-machine interface (HMI) products
2025	Started developing motorcycle market in India in collaboration with HAGIWARA ELECTRONICS CO., LTD.

Source: Prepared by FISCO from the Company's securities reports and other materials

Focusing on middleware shift in the mobility field

3. Industry environment

In the gaming industry, the smartphone gaming boom has tailed off and demand is moving back to game consoles and PCs. Also, amid the slump in the popularity of major game titles in recent years due to a range of factors, small-scale indie titles have seen a resurgence. With its strengths in addressing multiple platforms, the Company targets major domestic game titles, but as the number of titles using its middleware is more important to the Company than the scale of the games, it also provides free products* with a view to cultivating links with indie developers. In areas other than gaming, it is seeing growth in the mobility field in particular. Since audio functions are needed for multiple places in each vehicle, automakers are shifting from voice ICs to middleware. In this context, the Company's middleware is superior in terms of balancing price and quality and of mitigating procurement risk by using a general-purpose microcontroller. Furthermore, since the importance of graphic solutions is growing due to the increasing sophistication of in-vehicle display instruments, the Company's graphic products are also attracting more interest.

* Support system for indie game developers; fees are charged only when sales or other performance indicators exceed a certain level.

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[Company profile](#)

The Company's competitor in middleware is Canada's Audiokinetic, Inc., which specializes in audio with its Wwise application. RAD Game Tools, which is focused on video, was also a competitor. However, since it was acquired by Epic Games, it has focused on development for Epic Games, so it is now difficult to describe it as a competitor. Unity supplied by the US company Unity Technologies (Unity Software Inc.) and Unreal Engine developed by the US company Epic Games are game engines that make it easier to create entire video games, so they are competitors, but developers often employ the Company's middleware to improve functionality, so it could be described as a co-existent relationship instead. CRI Middleware is currently reported to have the leading market share in Japan, but during its temporary exit from overseas markets, Wwise seems to have gained ground in Europe and the US. For this reason, the Company has a strategic goal of capturing share in the overseas game market.

■ **Business overview**

Operator of middleware licensing, related contract development, and audio production

1. Business description

The CRI Middleware Group consists of the Company and two subsidiaries: audio production company TWOFIVE Co., Ltd. and CRI Middleware China which manages operations in China. It is primarily engaged in the licensing of software products under the CRIWARE and other brands, related contract development, and audio production. The Group's operations can be viewed from several angles, as described below.

(1) Business segments

Operations are divided into two business segments—the Gaming Business and the Enterprise Business. In the Gaming Business, the Company and its two subsidiaries serve the gaming industry, providing audio and video middleware for smooth and efficient game development and image optimization solutions, while in the audio production business, its activities include voice recording for video game characters and music production. The Company's middleware is very well known among gamers, with the CRIWARE logo appearing on the packaging of many games and on the startup screens of smartphone games. The Enterprise Business leverages audio and video-related technologies cultivated in the Gaming Business to provide audio and video middleware and solutions for areas other than gaming. It also conducts related contract development. Specifically, the business is currently targeting three fields: mobility (in- vehicle devices, etc.), embedded for home appliances and IoT devices, and cloud solutions that utilize web video and image technologies.

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Business overview

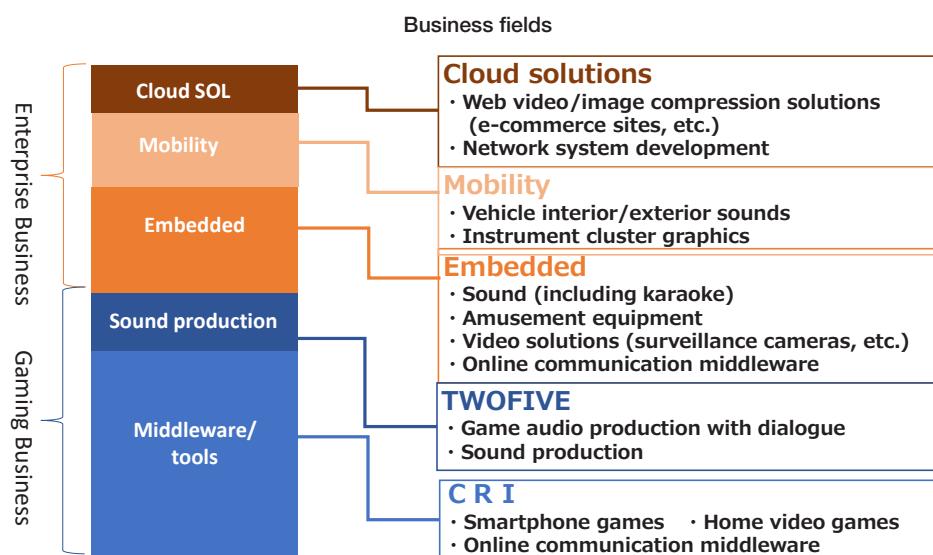
(2) Basic technologies developed for the gaming field

Over the years, the Company has independently conducted research and development into many types of digital signal processing technology, including audio and video, and repeatedly tested them with customers. This experience and expertise, as well as the trust built up with customers, has enhanced the Company's technical reputation and its corporate value, and consequently the CRIWARE brand. In audio, the Company has audio signal processing technology that employs digital filters to apply various effects to sound in real time, as well as audio codecs* compatible with multiple platforms thanks to its audio compression technology developed in house. It also has a number of other technologies in areas such as audio analysis and sound authoring. In video and graphics, the Company has video playback technology that adjusts the timing of rendering and decoding (decompression) processes to match the characteristics of different game consoles and devices, as well as video compression technology that performs real-time processing as an encoding (compression) library, making it more than a simple compression tool. Other technologies include video analytics and video streaming. The Company also develops embedded web API development, lookahead/delayed loading, network technologies, UI/UX design and development, and embedded technologies such as microcontroller control, OS/developer development, and power outage recovery. Furthermore, in recent years, it has been actively pursuing the use of AI in various fields.

| * Codec: Technology or program for compressing and restoring digital data such as audio and video |

(3) Product services and solutions

The Company provides the advanced audio and video basic technologies it has cultivated in the gaming field to customers as product services and solutions. In product services, they are used in amusement equipment, karaoke, virtual characters, and VR/AR in the entertainment field, in home appliances, IoT, PCs, and signage in the embedded field, in in-vehicle displays, acoustic vehicle alerting systems (AVAS), and driver monitoring systems (DMS) in the mobility field, and in e-commerce sites and online exhibitions in the cloud solutions field. In solutions, its technologies support the development of animation authoring tools for VR equipment and well-known game titles, character content for karaoke companies, sound middleware for automaker instrument clusters, image quality optimization systems for automakers, apparel video blogging systems, and online exhibition systems.



Source: The Company's financial results supplementary briefing materials

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Business overview

Development of products such as CRI ADX integrated sound middleware

2. Products and services

In the Gaming Business, the Company's technology supports the development of high-quality games, including compatibility with more than 20 game consoles and various OSs. Key products in the Gaming Business include the mainstay CRI ADX integrated sound middleware, CRI Sofdec high-definition, high-performance movie middleware, CRI Clovis network video playback middleware, and CRI TeleXus online communication middleware. Subsidiary TWOFIVE also provides a full range of voice actor services, including coordination of everything from casting to direction by a sound director, recording, processing, editing, and databasing, meeting the needs of game developers that want to use well-known voice actors or create soundscapes that align with the image of their games. In the Enterprise Business, the Company supplies a one-chip microcontroller that can play back low-load, high-quality audio files, etc., which addresses needs for clear voice playback, functional switching from buzzer sounds to voice guidance, reduced component numbers, and voice rearrangement in response to situational changes. Key products in the Enterprise Business include: CRI D-Amp Driver, a reduced circuit high-output sound middleware for the embedded field; CRI SOLIDAS, a full digital audio solution; CRI DietCoder and high-compression transcoding systems; CRI ADX Automotive (CRI ADXAT), a sound development solution for the mobility field; CRI Glassco, a graphics development solution; CRI LiveAct, a web video solution for the cloud solutions field; and OPTPiX SmartJPEG, an image compression solution.

Strengths such as digital signal processing technology developed in house

3. Strengths

In addition to its technical strengths, the Company has strengths in various fields. In technology, its strength lies in digital signal processing technology that can achieve high compression ratios of 1/24 for audio (using audio codecs) and 1/1000 for video while maintaining high quality. Moreover, since it has proprietary compression technology tools and methods, it has been able to actively pursue development to make audio sound clear and synchronize it with video in real time, even when there are restrictions such as cost limitations. These efforts have given the Company an advantage in terms of price and quality, leading to its capturing a large share of the domestic gaming market. Furthermore, as a result of using these technologies based on a market-focused approach to markets and customer needs, its middleware is used in a wide range of fields beyond games. It also has strengths in each field: the number of supported devices in middleware/tools; offering a one-stop service, from voice actor casting to data conversion, in audio production; low-load, high-quality playback using one-chip microcontrollers in the embedded field; support capabilities and consistent quality in the mobility field; and video generation in smartphone browsers in cloud solutions.

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Results trends

FY9/25 results were strong, considerably exceeding the initial forecasts

1. FY9/25 results

In the FY9/25 results, profit grew considerably, with net sales of ¥3,448mn (up 8.9% YoY), operating profit of ¥554mn (up 50.5%), ordinary profit of ¥566mn (up 47.8%), and profit attributable to owners of parent of ¥420mn (up 38.2%). Performance was strong, as net sales exceeded the initial forecast by ¥88mn and operating profit exceeded it by ¥170mn.

FY9/25 operating results

	FY9/24			FY9/25	
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	3,167	100.0%	3,448	100.0%	8.9%
Gross profit	1,717	54.2%	2,073	60.1%	20.8%
SG&A expenses	1,348	42.6%	1,519	44.1%	12.6%
Operating profit	368	11.6%	554	16.1%	50.5%
Ordinary profit	383	12.1%	566	16.4%	47.8%
Profit attributable to owners of parent	304	9.6%	420	12.2%	38.2%

Source: Prepared by FISCO from the Company's financial results

The Japanese economy showed weakness in certain areas due to the impact of factors such as trade policies in various countries; however, conditions are gradually recovering, with corporate earnings remaining at a high level overall and business sentiment also maintaining a favorable level. In the business environment for the Company, the development of software-defined vehicles* (SDVs) is attracting interest in the mobility field. In the gaming field, the alignment of conditions and timing is enabling the Company to leverage the middleware technology and expertise it has cultivated. Furthermore, at Expo 2025 in Osaka, Kansai, Japan, the physical site generated a lot of excitement, while many people interacted in the online space of the virtual expo held at the same, showing that online communication is steadily advancing in a hybrid form combining the real and the virtual.

* Software-defined vehicle (SDV): vehicle whose functions and value are upgraded even after it is sold based on software updates.

Under these conditions, the Company set up an R&D system with an eye on businesses and markets that are expected to grow going forward, such as mobility and online communication, while focusing efforts on expanding the business foundation through creating new products and pursuing overseas development and generating Group synergies. As a result, net sales increased substantially in the mobility field and also grew considerably in the mainstay middleware/tools field, especially overseas. In terms of profit, while personnel costs increased, such as provision for bonuses in light of strong performance, the gross profit margin improved due to an increase in licensing revenues and it achieved substantially higher operating profit. Results exceeded the initial forecasts, which was due to performance for new products in the mobility field, the casino market in the embedded field, and the Chinese market in audio production greatly exceeding the projections. The full-year forecasts were revised upward when the 1H results were announced.

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Results trends

Significant growth in the mobility and overseas middleware fields

2. Business segment results

Looking at results by segment, both businesses performed strongly. In the Gaming Business, net sales were ¥1,807mn (up 7.8% YoY) and segment profit was ¥186mn (up 59.5%), while in the Enterprise Business, net sales were ¥1,641mn (up 10.1%) and segment profit was ¥368mn (up 46.3%). By field, sales decreased in the embedded and cloud solutions fields, but the mobility and overseas middleware/tools fields in particular drove strong overall results.

1H FY9/25 segment results

Net sales	FY9/24		FY9/25		
	Results	vs. net sales	Results	vs. net sales	YoY
Gaming Business	1,676	52.9%	1,807	52.4%	7.8%
Middleware/tools	1,268	40.0%	1,353	39.3%	6.7%
Overseas	157	5.0%	233	6.8%	47.9%
Sound production	408	12.9%	453	13.1%	11.0%
Enterprise Business	1,490	47.1%	1,641	47.6%	10.1%
Embedded	745	23.5%	724	21.0%	-2.8%
Mobility	256	8.1%	633	18.4%	147.1%
Cloud solutions	489	15.5%	283	8.2%	-42.0%
Segment profit	FY9/24		FY9/25		
	Results	vs. net sales	Results	vs. net sales	YoY
Gaming Business	116	7.0%	186	10.3%	59.5%
Enterprise Business	251	16.9%	368	22.4%	46.3%

Source: Prepared by FISCO from the Company's financial results supplementary briefing materials

(1) Gaming Business

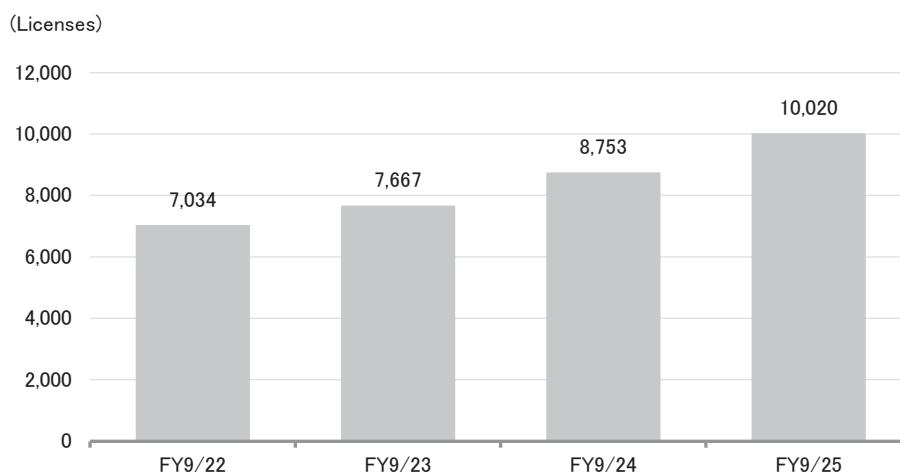
In the domestic middleware/tools field, sales grew due to acquiring multiple bulk licensing agreements, including some with new customers, as a result of enhancing proposal-based sales. Bulk licensing agreements are an efficient agreement approach that replaces the previous approach of signing a licensing agreement for each title with licensing that covers multiple titles. Through this, the Company, whose strength lies in audio middleware, is aiming to actively expand its share. With regard to overseas markets, a third OS (HarmonyOS) has been launched in China and is growing rapidly, which is generating additional agreements. New agreements typically cover three models instead of two (Android, iOS). In Europe, the Company has also signed a distribution agreement with Germany's DICO Deutschland GmbH (DICO) (the third such agreement after agreements with companies in Taiwan and South Korea) and is expanding its sales in Europe and the US, including developing existing customers in the US, a market where it previously had a full-scale presence. In the audio production field, the Company received multiple large-scale Japanese-language voice recording projects from Chinese companies whose main focus, after their home country, is the Japanese market. Repeat orders from existing customers were also strong. Reflecting these strong results, each KPI performed well: the number of licenses was 10,020 (up 14.5% YoY), the smartphone game adoption rate was 36% (up 1 percentage point [pp]), and the home console game adoption rate was 30% (up 6 pp). In terms of profit, the strong results in the overseas middleware/tools and audio production fields made a positive contribution, the premium services provided by the local subsidiary (CRI China) in China have been well-received, and overseas middleware licensing is recovering in Europe and the US. R&D investment in CRI TeleXus online communication middleware is ongoing in this segment.

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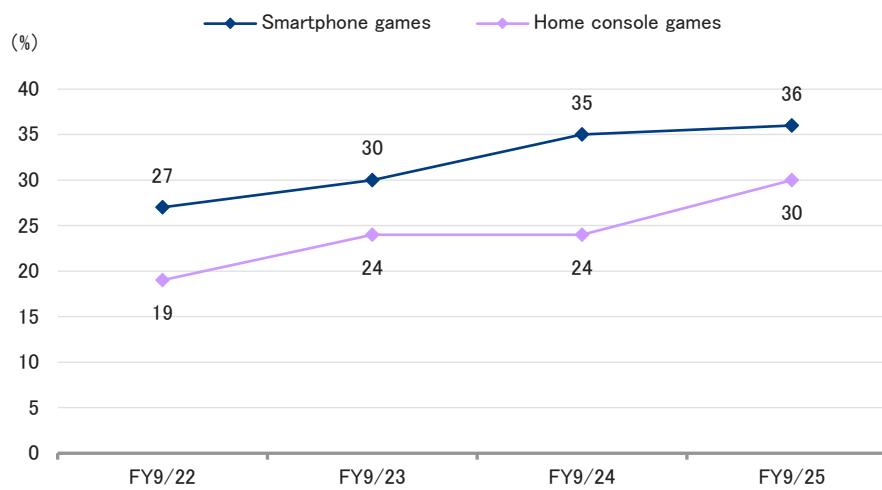
Results trends

Number of adoptions of CRIWARE in the Gaming Business



Source: The Company's financial results supplementary briefing materials

Adoption rate of CRIWARE in the Gaming Business



Source: The Company's financial results supplementary briefing materials

(2) Enterprise Business

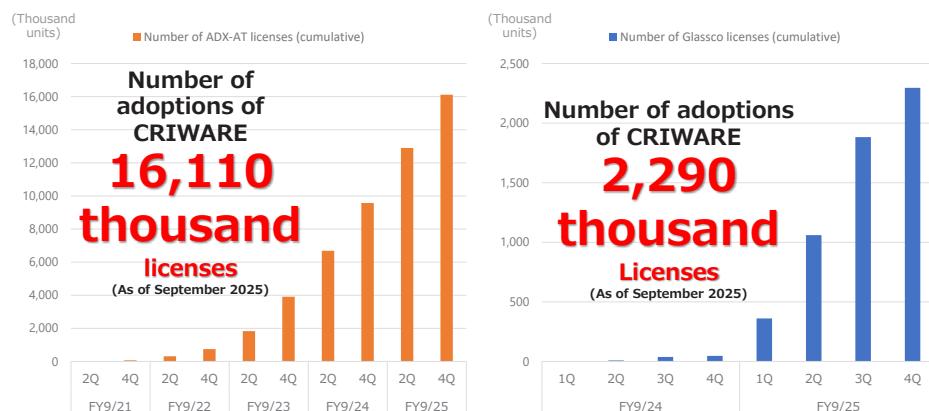
In the mobility field, sales increased significantly as the number of adoptions for CRI ADXAT increased steadily, and the number of adoptions of the new product CRI Glassco also greatly exceeded the forecast for the full year, underpinned by strong performance of the motorcycle market. In the embedded field, sales decreased due to the absence of large-scale licensing revenues recorded in the previous fiscal year, but in 1H, net sales exceeding the forecasts were recorded for bulk licenses for karaoke and annual licenses for live casinos. Net sales in the cloud solutions business decreased more or less as expected, as there was a planned reduction in the number of contracts received due to entering the R&D phase.

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Results trends

Number of adoptions of CRIWARE (mobility)



Source: The Company's financial results supplementary briefing materials

Expects accelerated development of game market in Europe and the US and new market development in India in the mobility field

3. Topics

In topics of interest for FY9/25, the Company has accelerated its development of the European and US markets and developed a next-generation version of CRI LipSync in the Gaming Business, while in the Enterprise Business, it has entered the motorcycle market in India and is involved in the development of MESH, an SDV experience simulation environment.

In the Gaming Business, the Company has been highly rated by Germany's DICO and has signed a distribution agreement with it for Europe and the US. Besides developing games, DICO offers a wide range of services for game development companies throughout the world, including development support, localization, quality assurance, and publishing support. The Company is proceeding with introducing CRIWARE by using DICO's extensive network. Going forward, it seems that it will consider entering into agreements with other sales agents. Furthermore, the Company promoted the next-generation version of CRI LipSync with demos and the like at Tokyo Game Show 2025 (September 25 and 26). This new lip-synching technology has dramatically improved analysis accuracy and consonant support, making it compatible with foreign languages. It is therefore expected that it will be used in various contexts, not just for games, in the future.

In the mobility field of the Enterprise Business, the Company is developing a support system with the local Indian subsidiary of HAGIWARA ELECTRONICS CO., LTD., a subsidiary of HAGIWARA ELECTRIC HOLDINGS CO., LTD. <7467>, with the aim of developing CRI Glassco in India as a new market. CRI Glassco is expected to spread and expand in India since it enables reduction of development costs with no-code development. Moreover, the Company is involved in the development of MESH, an SDV experience simulation environment proposed by the Open SDV Initiative, which is an industry-academic co-creation project started by Nagoya University. MESH is an environment that simulates the future mobility experience that will be created by SDVs. The Company plans to be in charge of tasks such as developing scenarios that allow developers to experience a variety of ideas and functions to control overall scenarios, controlling display devices for explanations and steps, and building networks for device interconnectivity.

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Results trends

Increased sales and profit expected in year one of first medium-term management plan

4. FY9/26 forecasts

In the FY9/26 forecasts, the Company expects increased sales and profit, with net sales of ¥3,910mn (up 13.4% YoY), operating profit of ¥600mn (up 8.2%), ordinary income of ¥616mn (up 8.7%), and profit attributable to owners of parent of ¥462mn (up 9.8%). This is year one of its first medium-term management plan (see below), during which it will specifically devote efforts to the following as key measures: R&D investment in the mobility field with a view to global expansion, strengthening of global support, and investment in new products and new technologies such as CRI TeleXus aimed at creating new revenue sources.

Results forecast for FY9/26

	FY9/25			FY9/26	
	Results	vs. net sales	Forecast	vs. net sales	YoY
Net sales	3,448	100.0%	3,910	100.0%	13.4%
Operating profit	554	16.1%	600	15.3%	8.2%
Ordinary profit	566	16.4%	616	15.8%	8.7%
Profit attributable to owners of parent	420	12.2%	462	11.8%	9.8%

Source: Prepared by FISCO from the Company's financial results

While the Japanese economy is supported by factors such as accommodative financial conditions, overseas economies are slowing down due to the impact of factors such as trade policy in various countries. This is putting downward pressure on Japanese companies' revenues, which are nevertheless at a high level, and the pace of growth is likely to slow. Furthermore, with accommodative financial conditions supporting capital investment, there is expected to be ongoing investment related to addressing the labor shortage, digital technologies, R&D on growth fields and decarbonization, and increasing the resilience of the supply chain. However, due to the impact of decelerating overseas economies, the growth rate is expected to be sluggish. Under these conditions, the Company will continue establishing an R&D system with an eye on businesses and markets expected to grow going forward, as well as focusing efforts on expanding the business foundation and generating Group synergies.

Net sales are expected to continue growing, mainly in the middleware/tools and mobility fields. On the other hand, while operating profit will grow, the growth rate is expected to be less than that of net sales due to the absence of the large bulk licensing agreements which contributed in the previous fiscal year, a decrease in profitability associated with an increase in contract development, and higher upfront costs such as R&D investment compared to the previous fiscal year.

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Results trends

Sales forecast for FY9/26 by segment

	FY9/25			FY9/26		(¥mn)
	Results	vs. net sales	Forecast	vs. net sales	YoY	
Gaming Business	1,807	52.4%	2,050	52.4%	13.4%	
Middleware/tools	1,353	39.3%	1,600	40.9%	18.2%	
Overseas	233	6.8%	300	7.7%	28.7%	
Audio production	453	13.1%	450	11.5%	-0.7%	
Enterprise Business	1,641	47.6%	1,860	47.6%	13.3%	
Embedded	724	21.0%	720	18.4%	-0.6%	
Mobility	633	18.4%	800	20.5%	26.2%	
Cloud solutions	283	8.2%	340	8.7%	19.9%	

Source: Prepared by FISCO from the Company's financial results supplementary briefing materials

By segment, while specific fields may increase or decrease, double-digit sales growth is expected for both the Gaming Business and Enterprise Business overall.

In the Gaming Business middleware/tools field, the Company will introduce the next-generation version of CRI LipSync in the domestic market, with the intent of making it a new revenue source. Furthermore, through strengthening its sales activities and pursuing bulk agreements, it plans to create the conditions for CRIWARE to be adopted in many titles, thereby expanding its share. With regard to overseas markets, it plans to consolidate its foothold with the aim of taking a major leap forward in the future in Europe, the US, and China. In China, it will strengthen its relationships with major game makers such as Tencent and NetEase, offering bulk agreements and solutions. In Europe and the US, it will combine the sales capabilities of its agent DICO with direct sales based on business trips. Specifically, in Europe, it will focus efforts on acquiring new customers mainly through agents, while in North America, where it has existing customers, it will focus on deepening relationships with customers mainly through direct sales. In the audio production field, it will continue to steadily capture the robust demand from Chinese companies seen in FY9/25 and focus efforts on expanding its Chinese business. To achieve this, it will strengthen its collaboration with CRI China, strive to establish relationships with customers by increasing visits from Japan, and promote the high quality of its services, such as coordination of projects by sound directors.

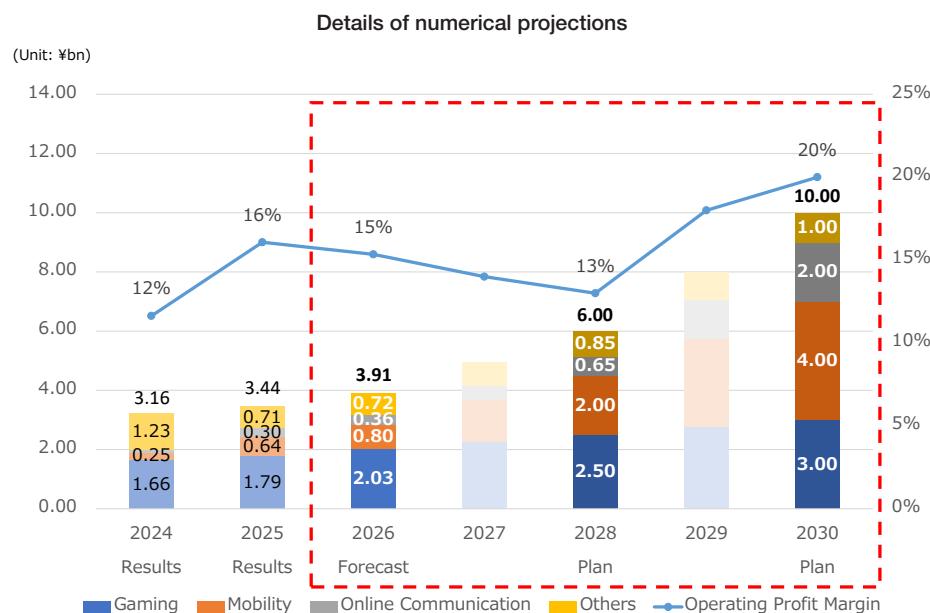
In the mobility field of the Enterprise Business, it plans to pursue the globalization of products with future worldwide expansion in mind. In particular, it will maintain growth centering on CRI ADXAT and CRI Glassco, and for this purpose, it will focus efforts on building up a track record of adoption of CRI ADXAT at manufacturers and vehicles in Japan and overseas and creating a track record for CRI Glassco with domestic manufacturers as well as in the Indian market. Furthermore, leveraging its strengths in supporting SDVs and consistent quality, it will also strive to establish relationships with automakers. In the embedded field, the Company will exhibit D-Amp Driver x GaN, whose strengths are high sound quality, energy conservation, and low heat generation, at CES in January 2026, and it plans to begin working on developing next-generation video solutions to expand its business domains. It will also continue to focus efforts on acquiring contract projects that include licensing revenues, but due to the loss of bulk licenses for karaoke, it forecasts a decrease in sales. In the cloud solutions field, it plans to launch a new next-generation product for LiveAct/SmartJPEG, which it developed in the previous fiscal year, on the market in 2H and expects to transition from the R&D phase to the contract phase. As a result, it will start to accumulate ongoing contract projects, including licensing revenues and maintenance and operation, but since this phase will begin in late FY9/26, full-scale recovery is not expected until FY9/27.

Medium-term management plan

Making mobility, gaming, and online communication the three pillars

1. Basic policy

The Company has created its first medium-term management plan, the CRI Group Medium-Term Management Plan (2026–2030) (MTP 2030), which adds mainly non-business-specific strategies and policies to the existing growth strategies for each business in its basic policies. It will take the technologies, expertise, knowledge, and funds obtained in the Gaming Business and invest them in R&D and strengthening sales in the Enterprise Business, thereby aiming to expand its business domains and achieve dramatic growth across the Group as a whole. Within this strategy, along with further refining its areas of expertise (audio and video), the Company plans to transform its gaming-dependent business structure into a business structure with three pillars as its core businesses over the medium term: gaming, mobility, and online communication. Based on this, it will move from its previous somewhat vague growth strategy to pursuing growth in a more deliberate and strategic manner focused on its core businesses. By FY9/30, it is targeting net sales of ¥10.0bn (vs. ¥3.4bn in FY9/25), an operating profit margin of 20% (vs. 16%), a proportion of sales accounted for by licensing revenues of 60% to 70% (vs. 66%, excluding portion from M&A), and ROE of 15% or more (vs. 11%).



Note: In FY2028, the profit margin is projected to decrease temporarily due to factors such as establishing overseas subsidiaries, expanding the office/studio, and M&A.

Source : The CRI Group's medium-term management plan(2026 -2030)

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Medium-term management plan

ADXAT and CRI Glassco to drive growth in mobility field

2. Growth strategies for core businesses

(1) Mobility Business

In the Mobility Business, growth is expected through M&A and service contracts, focusing mainly on the audio products ADXAT and CRI SOLIDAS and video product CRI Glassco. In terms of the growth strategy for audio products, the Company will build relationships with both Japanese-affiliated and overseas manufacturers, and by 2030, it aims to achieve adoption in over 20% of all automobiles produced worldwide (20,000,000 vehicles) (targeting an increase of over 3 times in the annual number of vehicles adopting its products). Furthermore, its products currently focus on instrument clusters, but going forward it will expand functionality to include acoustic vehicle alerting systems, ETC, and more, while promoting adopting of CRI SOLIDAS in car audio systems and integrated cockpits, with the aim of increasing revenue per vehicle (targeting a 1.5-times increase in revenue per vehicle).

In terms of the growth strategy for graphic products, it will use the relationships it has built with major manufacturers based on CRI ADXAT as an entry point for moving into the in-vehicle graphic display field with CRI Glassco. Leveraging its strength of supplying high-quality graphics even with low-spec microcontrollers, it will first pursue development focusing on the motorcycle market. By 2030, it is aiming for adoption in 10% of motorcycles and automobiles produced worldwide (15,000,000 vehicles). Specifically, in collaboration with the local Indian subsidiary of HAGIWARA ELECTRONICS, it will pursue adoption by various manufacturers in India, which is the world's largest motorcycle market. In terms of market share, it is aiming for adoption by around 50% (10,000,000 vehicles). With this in mind, it has already exhibited at electronica India 2025, a high-profile event which is one of the biggest industry trade shows in Southwest Asia.

(2) Gaming Business

The size of the global game content market is over ¥30tn, which is 12 times the size of the Japanese market, but to date, the Company cannot be said to have focused strongly on growth. Going forward, however, it will further develop its growth strategies both in Japan and overseas. Since it has made the domestic middleware business its mainstay business and main profit source, the Company aims to expand its share by developing new products and functions in house, expanding the functionality of existing middleware through collaboration with other companies' products, expanding its product lineup, and promoting bulk licensing. Furthermore, it will promote market penetration of the CRIWARE brand by continuing to introduce new products on the market, such as CRI LipSync.

In the Chinese overseas middleware business, the Company plans to elevate its relations with customers from the title level to the company level. As a result of this, it aims to strengthen its account sales structure aligned with customers' needs and grow sales by reminding them of its technological capabilities and service quality (targeting 2-times increase in net sales). Furthermore, using the growth of HarmonyOS as a springboard, it intends to expand the CRIWARE licensing business (targeting 1.5-times increase in net sales). In the European and US overseas middleware business, it intends to raise awareness of CRIWARE via global game events such as GDC (Game Developers Conference), while increasing the number of local sales agents to two or three companies to expand its influence on the market, with a view to establishing a US subsidiary by 2028. Based on its track record of introduction in major titles such as the Destiny and Hitman series, it will pursue sales expansion by using video middleware such as CRI Sofdec and CRI Clovis as door openers. Based on this, it aims for net sales of ¥0.6bn in China and ¥0.4bn in Europe and the US in FY2030.

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Medium-term management plan

In the audio production business, it intends to build its reputation within the industry, which is underpinned by its technological capabilities and service quality, and steadily capture repeat orders from existing customers while also capturing new customers. Furthermore, in close collaboration with CRI China, it will enhance its capturing of demand for voice recordings by Japanese voice actors, for which there is robust demand from companies in China. It is aiming for net sales of ¥0.6bn in FY2030.

(3) Online Communication Business

In the Online Communication Business, while the Company may also consider new products, it will develop its growth strategy based on the two pillars of CRI TeleXus and cloud solutions for the time being.

Since CRI TeleXus is online communication middleware, it got off to a slow start due to the contraction of the metaverse boom when the pandemic ended. However, advances in simultaneous conversation among a large number of people, spatial sound and spatial presentation, and AI interpreting have enabled it to generate a sense of immersion and realism, increasing its future potential. In the gaming market, backed by its track record for audio and video technology cultivated with CRIWARE, the Company aims to build up its track record of voice chat adoption, differentiate it from other voice chat products by releasing new functions, and increase the number of users, leading to higher sales. CRI TeleXus is appreciated for its low latency and low load, which do not interfere with the operation of applications, and it has already been adopted by games such as the VR battle action game Brazen Blaze (released in July 2024). Outside of gaming, the Company will also pursue development of new markets by leveraging M&A and alliances, focusing its efforts on three markets in particular: mobility, events, and education. Along with the low latency, features of CRI TeleXus such as spatial audio and voice chat for large numbers of people have been well-received, leading to its adoption by the 3D virtual office service NTT XR Lounge. The Company aims for net sales of ¥0.3bn in the gaming market and ¥0.7bn in non-gaming markets in FY2030.

In the cloud solutions business, it is predicted that communication will become more personalized as various devices incorporate AI. In response to their increasingly complex needs, the Company plans to provide customers with optimal solutions by combining online, real-time processing technology with video and image compression technology. To achieve this, it has designated the period up to FY3/26 as an R&D phase and plans to focus on developing a new product with real-time processing technology and video and still image processing technology as its core elements. It aims for net sales of ¥1.0bn in FY2030.

Planning growth investments of around ¥3.1bn over five years

3. Basic policy

In conjunction with formulating its medium-term management plan, the Company announced basic policies regarding sustainability, human resources, M&A/alliances, shareholder returns, and cash allocation. Notably, to reduce the time spent on developing new technologies and products and offset the lack of internal resources for realizing them, it plans to actively leverage M&A/alliances. Accordingly, based on the achievement status of the medium-term management plan, it plans to invest up to ¥1.5bn in M&A by FY2030. In the mobility field specifically, it intends to enhance its acquisition of audio- and video-related technologies and specialized engineers.

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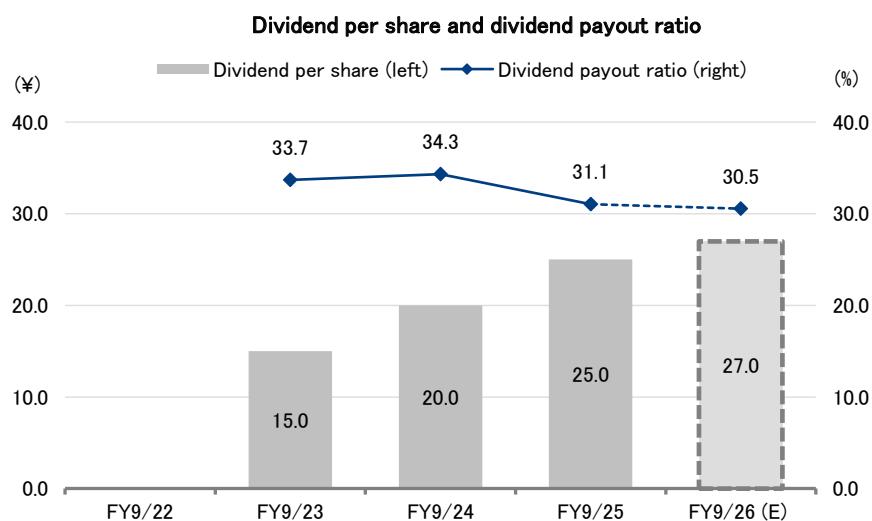
Medium-term management plan

In terms of cash allocation and financial policy, it will allocate funds to both investments in growth (R&D investment, overseas investment, M&A investment, etc.) and stable management, with the aim of achieving its FY2030 targets, while continuing to return surplus funds to shareholders. With regard to financial policy, it will target cash on hand equivalent to four months of net sales (¥3.0bn, which is the current cash on hand level) and, with financial soundness in mind, maintain the capital adequacy ratio at 65% or higher. In accordance with this, it plans for cash inflows of around ¥4.4bn by FY2030, while cash outflows will be around ¥3.1bn for growth investments, ¥1.3bn for shareholder returns, and ¥3.0bn for cash on hand. Looking at the breakdown of growth investments, it plans to invest around ¥1.0bn in R&D for new products and technologies, ¥0.6bn for pursuing overseas development and expanding its business facilities and offices, and ¥1.5bn for expansion of its business domains and M&A expected to generate synergy effects.

Shareholder return policy

Policy of issuing dividends with target consolidated dividend payout ratio of 30%

The Company considers the expansion of business and enhancement of corporate value to be the greatest return of profit to shareholders. With regard to dividends of surplus, the Company's policy is to set a consolidated dividend payout ratio of 30%, having given overall consideration to the balance of growth investments and shareholder returns. If paying dividends from surplus funds, its basic policy is to pay one year-end dividend per year. Based on the above policy and its results, it paid a dividend per share of ¥25.0 in FY9/25, an increase of ¥5.0 from the initial forecast. It is planning to pay a dividend per share of ¥27.0 in FY9/26.



Source: Prepared by FISCO from the Company's financial results

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