

## NEC Acquires Software Company for Telecom/Broadband Operators—No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on NEC Corporation (security code: 6701)'s "Notice regarding Acquisition of Shares in CSG Systems International, Inc., a U.S. Software Company for Telecom/Broadband Operators."

- (1) On October 29, NEC Corporation (the Company) announced it would acquire U.S.-based CSG Systems International, Inc. (CSG), a software company serving telecom/broadband (BB) operators. The acquisition price for CSG is approximately 441.7 billion yen, making it the Company's largest acquisition to date. The required funds will be covered by cash on hand and borrowed funds. Closing is scheduled for 2026, contingent upon obtaining approval at CSG's shareholders' meeting and securing various regulatory approvals.
- (2) CSG has multiple major U.S. telecom/BB operators as customers and provides software and services to a wide range of industries, including finance and healthcare, generating relatively stable profits and cash flow. Through this acquisition, the Company aims to strengthen the business foundation for software services for telecom/BB operators, in conjunction with its subsidiary Netcracker, which primarily serves telecom operators. The Company is enhancing SaaS-based business model utilizing software, demonstrating consistency in its management strategy, including previous large-scale overseas M&A.
- (3) The acquisition price is not small, and considering CSG's net assets, the goodwill will be substantial. However, the Company's cash flow generation capacity has recently improved, with free cash flow of 290 billion planned for the fiscal year ending March 2026 (FY2025) (excluding this transaction). Furthermore, the equity attributable to owners of the parent approached 2 trillion at the end of the second quarter of FY2025, and net debt is low, indicating a strong financial foundation. Furthermore, CSG is expected to contribute to its profits and cash flow. Considering these factors, JCR does not believe that this transaction will immediately impact the Company's rating. JCR will pay attention to the extent of its contribution to profits and cash flow, including synergies with Netcracker.
- (4) JCR announced on June 20, 2025 that it had upgraded the Company's long-term issuer rating from "A+" to "AA-." This upgrade decision indicates the assessment that, while the Company positions M&A execution as a core element of its growth strategy, its financial flexibility has further increased, including enhanced cash flow generation capacity.

Akihisa Motonishi, Hiroaki Sekiguchi

### <Reference>

Issuer: NEC Corporation

Long-term Issuer Rating: AA-      Outlook: Stable

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