

CASE STUDY

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.



A strong relationship of trust enabled Carlyle to implement effective value creation initiatives, support a successful business transformation as well as an IPO for Solasto, and pave the way for the company's further growth.

About Solasto and the Transaction

Solasto was taken private from the Second Section of the Tokyo Stock Exchange (TSE) in February 2012 through a management buyout transaction. With Carlyle's support, Solasto became a public company again in June 2016 through an IPO on the First Section of the Tokyo Stock Exchange.¹

After the take-private transaction, Carlyle owned 100% of Solasto's outstanding shares together with the company's management. In December 2015, Carlyle sold 45.5% of its stake to three strategic partners—Daito Trust Construction, Toho Holdings, and Infocom—as part of a pre-IPO capital strategy. With Solasto's IPO in June 2016, Carlyle sold most of its remaining shares in Solasto and fully exited the investment in May 2017.

Founded in 1965 as Japan's first educational institution for medical administration, Solasto (formerly known as Nihon Iryojimu Center or N.I.C. Corporation) has more than 25,000 employees and provides a wide range of services including medical administration outsourcing (MAO), long-term care services (LTC) for the elderly and childcare services. Solasto recorded consolidated net revenues of JPY65.4 billion in the fiscal year ended March 2017.



AT A GLANCE

Solasto Corporation

Industry: Healthcare

Region/Country: Tokyo, Japan

Fund: Carlyle Japan Partners II

Acquired: November 2011

Status: Exited

1. The First and Second Sections represent the main boards of TSE where leading large and second tier Japanese and foreign companies are listed, respectively.

Company-wide EBITDA more than doubled during Carlyle's investment period thanks to significant margin improvement of Solasto's MAO business and rapid expansion of its LTC business.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$195 billion of assets under management across 317 investment vehicles as of December 31, 2017. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments—Corporate Private Equity, Real Assets, Global Credit and Investment Solutions—in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy & power, financial services, healthcare, industrial, infrastructure, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,600 people in 31 offices across six continents.

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Key Value Creation Metrics

- Strengthened Solasto's management team and brought in experienced executives to support the company's growth
- Implemented a mid-term growth strategy to improve the medical outsourcing business and expand the elderly care business
- Remodeled Solasto's former education business and established its own Career Center to enhance recruiting and training capabilities
- Completed a number of M&A transactions to accelerate the growth of its elderly care business; revenue of this business more than doubled from the fiscal year ended March 2012 to 2017
- Established strategic partnerships that contributed to enterprise value appreciation
- Company-wide EBITDA more than doubled and ROE expanded significantly from 1.3% to 26.4% from the fiscal year ended March 2012 to 2017

Strengthening Management Team to Support Growth

Carlyle strengthened Solasto's management team by recruiting strong external executives for key positions, including the Chief Financial Officer, the Head of the Medical Outsourcing Business and the Head of Elderly Care Business. Carlyle also brought in experienced executives—Former CEO of Janssen Pharmaceutical K.K. and Former Director and Senior Executive Officer of Daiichi Sankyo Company, Limited—to Solasto's board as external directors. As such, Solasto has established a formidable team that is capable of implementing various growth strategies efficiently.

Innovating Business Model by Establishing its own Career Center

With Carlyle's support, Solasto suspended a core part of its former education business—traditional classroom courses—and established a Career Center in 2014 to strengthen its recruitment and in-house training capabilities. The Career Center enabled Solasto to improve recruitment process efficiency, enhance the quality of hires, and reduce hiring-related costs as well as turnover rates.

Accelerating Growth of Elderly Care Business through Add-on Acquisitions

With the aim of accelerating the growth of its elderly care business, Carlyle assisted Solasto with the acquisition of Cocoticare, Inc. This acquisition, completed in 2014, was a pivotal experience for Solasto as it enhanced the company's deal execution capability, enabling Solasto to subsequently execute a number of successful M&A transactions on its own. Carlyle also helped this business implement its geographic strategy, which focused primarily on the Tomeihan (Tokyo-Nagoya-Osaka) areas, and enhanced business transparency by introducing facility-by-facility profitability monitoring. As a result, Solasto's elderly care business not only doubled its revenue, but also significantly increased its profitability.

Supporting Strategic Partnerships Contributing to Enterprise Value Appreciation

As part of Solasto's pre-IPO capital strategy, Carlyle sold a 45.5% stake in Solasto to three companies—Daito Trust Construction, Toho Holdings, and Infocom—in newly-formed capital alliances. Through these capital alliances, Solasto built a stable shareholder base, established strategic partnerships to further expand its elderly care business by providing integrated and community-based care services, and improved efficiency and service quality of both the medical outsourcing and elderly care businesses with effective use of IT.