

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.



TSUBAKI NAKASHIMA co., LTD.

Carlyle supported Tsubaki Nakashima, a manufacturer of precision balls, precision rollers and other precision components founded in 1934, to implement numerous initiatives, including two strategic acquisitions, as part of its transformation into a global company, helping it successfully relist on the First Section of the Tokyo Stock Exchange (TSE) as well as execute subsequent capital strategies.

About Tsubaki Nakashima and the Transaction

In March 2011, Carlyle acquired 96.8% of the shares in Tsubaki Nakashima from its previous shareholders, which included Nomura Principal Finance. With Carlyle's support, Tsubaki Nakashima relisted on the First Section of the TSE in December 2015.

Following Tsubaki Nakashima's IPO, Carlyle continued to hold an approximately 46% stake in the company. In October 2017, Carlyle sold all of its remaining stake through a public offering. Both the IPO and the subsequent public offering took the form of global offerings, which garnered strong support from many foreign and domestic institutional investors.

Tsubaki Nakashima made a large-scale acquisition of NN, Inc.'s Precision Bearing Components (PBC) business, a competitor, in August 2017 for approximately JPY 42.5 billion, which significantly expanded its business footprint. As an industry leader, Tsubaki Nakashima generated consolidated revenues and adjusted EBITDA of JPY 53.2 billion and JPY 10.9 billion, respectively, in the fiscal year ending December 2017, and pro-forma consolidated revenues and adjusted EBITDA of JPY 72.1 billion and JPY 13.7 billion, respectively, during the same period.

AT A GLANCE

Tsubaki Nakashima Co., Ltd.

Industry: Industrial

Region/Country: Nara, Japan

Fund: Carlyle Japan Partners II

Acquired: March 2011

Status: Exited

104% increase in stock value

Since the IPO of Tsubaki Nakashima, the company's share price has increased from an initial offering price of JPY 1,550 to JPY 3,165 as of January 29, 2018.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global investment firm with deep industry expertise that deploys private capital across four business segments: Corporate Private Equity, Real Assets, Global Credit and Investment Solutions. With \$216 billion of assets under management, Carlyle's purpose is to invest wisely and create value on behalf of our investors, portfolio companies and the communities in which we live and invest. Carlyle employs 1,625 people in 31 offices across six continents.

Set forth herein is a selected case study that Carlyle believes illustrate its ability to create value at, and improve the performance of, its portfolio companies. The performance of these portfolio companies is not necessarily indicative of the performance of all of Carlyle's portfolio companies. The information provided herein is for informational purposes only and is not and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests (the "Interests") in any fund or other product sponsored or managed by T.C. Group, L.L.C. or any of its affiliates (together, "Carlyle"). Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum (as amended and/or restated from time to time) and the applicable fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering.

Key Value Creation Metrics

- Accelerated global expansion strategies and strengthened its local-production-for-local-consumption business model
- Established a global management structure
- Acquired Spheric Trafalgar and NN, Inc.'s Precision Bearing Components (PBC) business resulting in transformational growth
- Almost doubled the company's revenues (pro-forma for the acquisition of the PBC business), maintained adjusted EBITDA margins of approximately 20%, and drastically increased the revenues from international markets
- Since the company's IPO, the share price has increased from the IPO offering price of JPY 1,550 to JPY 3,165 as of January 29, 2018

Major Value Creation Initiatives

Accelerating its Global Expansion Strategy While Strengthening Local Production

Tsubaki Nakashima drew upon Carlyle's support to expedite its expansion strategy on top of the global business it had at the time of Carlyle's acquisition in 2011. Among numerous initiatives, Tsubaki Nakashima expanded its production facilities in China, established new facilities in India and acquired plants in South East Asia through the acquisition of Spheric Trafalgar, a precision ball manufacturer. Moreover, while Tsubaki Nakashima historically relied on the sale of precision balls made of metals for bearings, it succeeded in strategically expanding its product portfolio to include ceramic precision balls, and broadening its end markets beyond bearings. As a result, Tsubaki Nakashima strengthened its local-production-for-local-consumption business model, which helped it tap global demand while staying resilient amid macroeconomic cyclicalities.

Establishing a Global Management Structure

At the time of Carlyle's investment, Tsubaki Nakashima had a vertical management structure, with each function of its global operations largely managed independently. After Carlyle's investment, Tsubaki Nakashima implemented a new global management structure that enabled it to share best practices among its global offices. The company hired a CEO, CFO and CAO with global management capabilities, enhanced the overall transparency of its global business practices, and established new positions to ensure cross-regional collaboration across various functions including sales, technology, quality control and purchases.

Transformational Growth Following the Acquisition of NN, Inc.'s PBC Business

Having established its global management capabilities and with a solid local-production-for-local-consumption business model in place, Tsubaki Nakashima strengthened its focus on identifying M&A opportunities to drive further profitable growth. In August 2017, it completed the acquisition of NN, Inc.'s PBC business for approximately JPY 42.5 billion in cash. The strategic acquisition increased Tsubaki Nakashima's global office count from 12 to 19, and is expected to generate synergy through best practice sharing. With the acquired business now contributing to the company's full-year financial performance and with the elimination of one-time acquisition-related costs, Tsubaki Nakashima is well positioned to achieve strong growth in the fiscal year of 2018 and beyond.