



Global Digital Transformation Partner

FY2020/3 Interim Business Report

April 1, 2019 >>> September 30, 2019

Note: This English translation is for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

transcosmos inc.
Securities Code: 9715

Dear Stockholders,

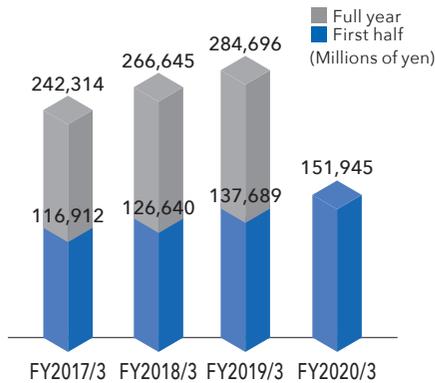
We would like to express our sincere appreciation to shareholders and investors for your continued exceptional support.

Along with greetings to our shareholders and investors, we hereby present a report on our performance in the first half of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019).

Consolidated net sales

UP
10.4%
YOY

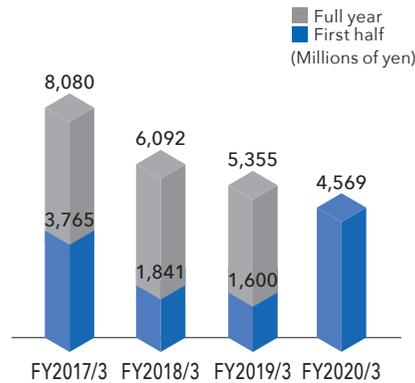
151,945 million yen



Consolidated operating income

UP
185.6%
YOY

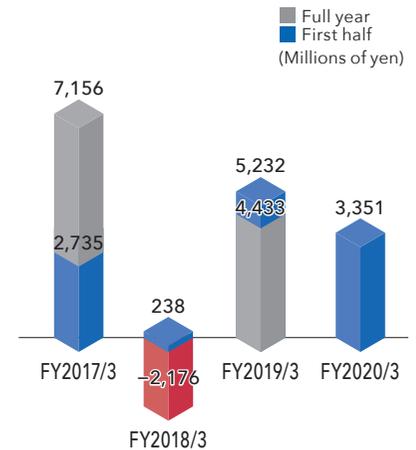
4,569 million yen



Profit attributable to owners of parent

DOWN
36.0%
YOY

3,351 million yen



Overview of the First Half of the Fiscal Year under Review

The business environment surrounding transcosmos Group is characterized by such factors as a smaller working population, greater corporate globalization, and advances in digital technology, including IoT and AI, which continue to fuel demand for outsourcing services that promote enhanced business efficiency, sharper cost competitiveness, and higher revenue. Keen to capitalize on this favorable demand scenario, transcosmos led the Group in actively promoting DEC (Digital Marketing • E-Commerce • Contact Center) and BPO (Business Process Outsourcing) services,

which underpinned increased orders in Japan and other markets of Asia, particularly in China and South Korea. The bottom line also improved, buoyed mainly by a rally in the profitability of order receiving services and the capture of high-revenue projects. Also, seeking to reinforce the competitiveness of services at home and abroad, transcosmos continued to emphasize efforts to develop services utilizing digital technology, elevate the quality of such services, and further strengthen the overall service structure.

Efforts to Reinforce Competitiveness of Services

In the DEC services segment, transcosmos first tackled development and promotion of services utilizing LINE. Specifically, we released the "LINE Official Account operations service package," a solution for clients' various needs and challenges, and also began delivering tools geared particularly to the requirements of local governments and other members of the public sector, including LINE utilization and helpdesk setup support services. In addition, we launched a service powered by DataRobot, a tool that automates the machine learning process, enabling clients to achieve

revenue maximization and produce accurate analytics-based direct mail mailing lists in-house. We also debuted "Subscription Commerce Operations Service," using "Subsc-Store," a cloud-based online shopping system designed specifically for subscription commerce that seamlessly connects all stages, from order placement to delivery.

In the BPO services segment, we worked to strengthen our service structure with M&A opportunities. Highlighting this effort was an agreement with Toshiba Corporation to acquire 81.0% of shares in a new company established to facilitate a spin-off of business from Toshiba Human Asset Service Corporation, a shared-service provider under the Toshiba Group umbrella that handles human resources and labor management, international staff support, and occupational health and safety. We also concluded a share transfer agreement on 80.5% of shares in Toshiba Products Marketing Incorporated, a consolidated subsidiary of Toshiba Digital Solutions Corporation, offering BPO services, notably, conversion of documents from text to digital data, data entry, annotation, and Robotic Process Automation (RPA)-related services for companies under the Toshiba Group umbrella as well as for non-group companies. Through these M&As, we will extend the range and quality of services presented to the Toshiba Group while taking BPO services to a higher level in terms of content and caliber.

Efforts to Accelerate Global Expansion

Overseas, our subsidiary in China obtained certification from Alibaba as a Databank Services Partner. This

makes it possible to utilize the databank—Brand Databank—to pinpoint user behavior throughout all sales and advertising channels on the Alibaba network as well as clients' own data, and apply the results to fine-tuned marketing support based on trend analysis. In addition, we opened the Global Digital Marketing Center, in Malaysia, which will underpin higher sales of digital advertising services, particularly ads targeting inbound tourists to Japan as well as ads to recruit staff from abroad to meet the needs of international travelers in Japan. The center is now offering multilingual ad operations services, creative production services, and social media operations services in the local market. Meanwhile, in Taiwan, our subsidiary formed a business partnership to utilize indaHash, the world's No. 1 platform for influencer marketing, and reinforced promotion capabilities over social networking sites, namely, Instagram and Facebook, to better meet the needs of influencer marketing campaigns.

Future Outlook

We will constantly strive to create services that best suit the needs of clients, more specifically, to expand revenues and optimize costs. At the same time, we will accelerate business development globally, especially in Asia, to achieve an improved year-on-year business performance, compared with that of the year under review.

Message to Our Shareholders

We view sharing of our profits with shareholders as one of the most important management policies and therefore adopt a dividend policy that focuses on a dividend payout ratio that is highly connected to our business performance. Our basic policy is to increase the market value of our shares through the returning of profits to shareholders.

At this point, we have yet to make a decision on the dividend for the fiscal year ending March 31, 2020. We will promptly disclose the specific amount once it is decided.

We appreciate your continued support and cooperation as we work toward improving our business and increasing value for our stakeholders.

December 2019

Sincerely,

Masataka Okuda

President & COO

Topics of the First Half of FY2020/3

- Began support for city of Kamakura's use of LINE to distribute childcare information and event information
- Launched "ANA Sky Gotcha!mall," a new service for members of ANA Mileage Club



- Began offering SaaS-based DEC CMS for functional digital marketing



- Began offering "Yext," a platform that integrates control of real store data online
- Developed Japan's first full-scale contact center app powered by blockchain



2019

April

May

June

First independent Internet ad agency in Japan to complete large-scale introduction of "Shirofune," a cloud-based auto-optimization tool for ad operations

We combined extensive in-house expertise in operating programmatic advertising with "Shirofune" cutting-edge ad technology to generate significant synergy, reduce man-hours through auto-optimization of ad operations, and accelerate the PDCA cycle. Ad performance improved about 120%.



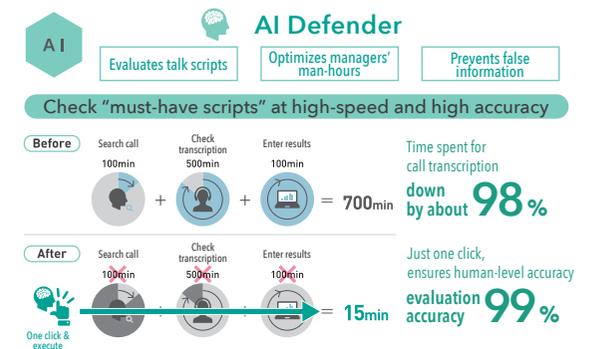
Began global multilingual ad operations in Malaysia

We reinforced sales of digital advertising and global recruiting advertising services to meet the rising needs of inbound tourists and foreign workers. We aim to expand the scope of services provided to expand our business presence in the ASEAN region.

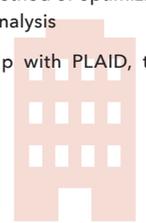


Developed "AI Defender" as add-on feature to "transpeech" speech recognition solution

We developed "AI Defender," an AI-based feature that automates whether call center agents have informed customers of guarantee clauses and other important matters. Just a simple click ensures human-level accuracy and cuts time spent on call transcription reviews by about 98%.



- Teamed up with SOOTH Inc. on development and release of "GAZE HACK," a method of optimizing video ads through eye-gaze analysis
- Formed business partnership with PLAID, the provider of "KARTE"



- Began offering LINE Official Account operations service package, a solution for clients' various needs and challenges
- Signed share transfer agreement for equity in Toshiba Products Marketing Incorporated



- Agreed on transfer of shares in new company to accompany spin-off of business from Toshiba Human Asset Service Corporation
- Formed business partnership in Taiwan to utilize indaHash, the world's No. 1 platform for influencer marketing



July

August

September

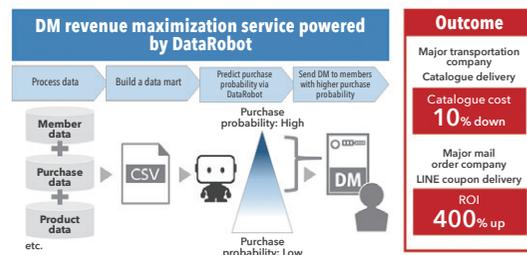
Began offering "Subscription Commerce Operations Service"

We began offering a service for the thriving subscription commerce market, focusing on health foods and cosmetics. Using order data in "Subsc-Store," the integrated e-commerce platform "eCommerce HUB" flexibly delivers various types of bundled items and facilitates marketing fine-tuned to the respective level of customer loyalty.



Began offering a direct mail revenue maximization service powered by "DataRobot," which automates machine learning

This service leverages know-how for success accumulated through our own mail-order business and services for clients as well as cutting-edge AI to support the creation of highly accurate direct mail mailing lists in-house and maximize revenue. Our machine learning tool is a key component in building highly accurate mailing lists, leading to expanded sales—up 150%—and lower costs—down 10%.



Established joint venture GV inc., with amadana corp.

We established a joint venture that will deliver end-to-end business solutions, from brand planning and product design to the sale of products on e-commerce sites. The new company will draw on amadana's proven results in brand consulting, product planning, and product design as well as transcosmos' expertise in e-commerce platform development and operation, merchandising know-how, and digital marketing capabilities to provide services.





transcosmos acquired shares in two BPO companies under the Toshiba Group umbrella, turning them into consolidated subsidiaries

Will strive to expand business with the Toshiba Group and improve service quality, thereby also enabling transcosmos to enhance the content and caliber of our BPO services

Agreed on transfer of shares in new company established to facilitate business spin-off from Toshiba Human Asset Service Corporation

transcosmos concluded an agreement with Toshiba Corporation to acquire 81.0% of shares in a new company established to facilitate a business spin-off from Toshiba Human Asset Service Corporation, a shared-service provider under the Toshiba Group umbrella that handles human resources and labor management, international staff support, and occupational health and safety for Toshiba and the wider Toshiba Group.



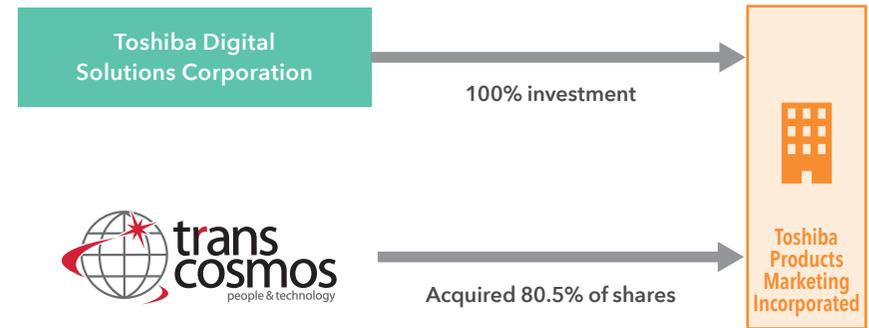
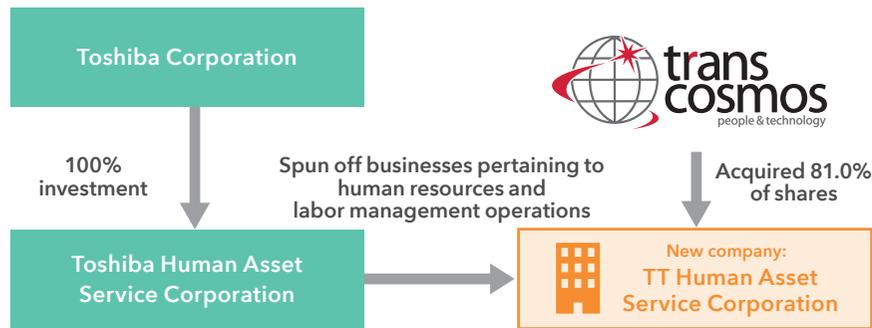
(from left)
Hirotsada Chomei, President & CEO, TT Human Asset Service Corporation
Hiroyuki Uchimura, Corporate Executive Officer, transcosmos inc.

Concluded agreement on transfer of shares in Toshiba Products Marketing Incorporated

transcosmos and Toshiba Digital Solutions Corporation concluded a share transfer agreement on 80.5% of shares in Toshiba Products Marketing Incorporated, a consolidated subsidiary of Toshiba Digital Solutions Corporation, offering BPO services, notably, conversion of documents from text to digital data, data entry, annotation, and Robotic Process Automation (RPA)-related services for companies under the Toshiba Group umbrella as well as for non-group companies.



(from left)
Hirotsada Mukai, Executive Vice President, transcosmos inc.
Tsukasa Suenaga, President & CEO, Toshiba Products Marketing Incorporated
Hiroyuki Uchimura, Corporate Executive Officer, transcosmos inc.



- Gartner U.S. BPO market report named transcosmos the **No. 14 BPO player in the world**



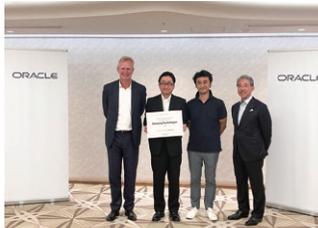
- Selected as one of **Top 3 APAC Providers** in Everest Group BPS Top 50™ ranking of business process service providers



- transcosmos certified as **Advertising Operations Partner** under Yahoo! Marketing Solutions Partner Program for executing top-caliber advertising operations



- Took honors at Oracle Excellence Awards 2019 transcosmos recognized for **commitment as partner achieving outstanding results** in leading-edge approaches in Oracle Cloud businesses



- transcosmos Korea, a member of transcosmos Group, named **Kakao Most Valuable Partner for the fourth straight year**



- Obtained certification as **Lazada Preferred Partner** in Q1 2019



- Honored as **FIVE STAR SERVICE PROVIDER** by TMALL, China's largest online marketplace, for the **fourth consecutive year since 2016**



- Magic Panda and UNQ, both transcosmos Group companies, won a **Best TMG Partner Award of FY2019**, sponsored by T-Mall Global



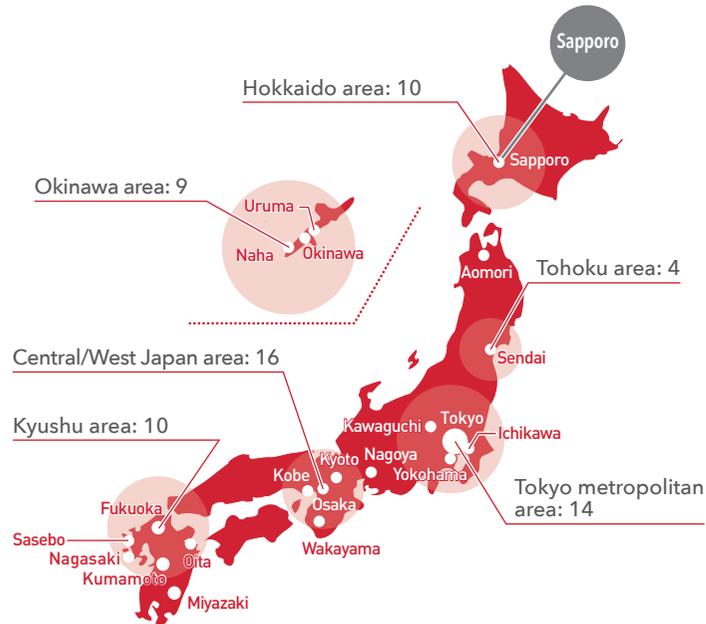
- transcosmos Group company Magic Panda received a **2019 Gold Taobao Partner Award**, sponsored by China's Alibaba Group



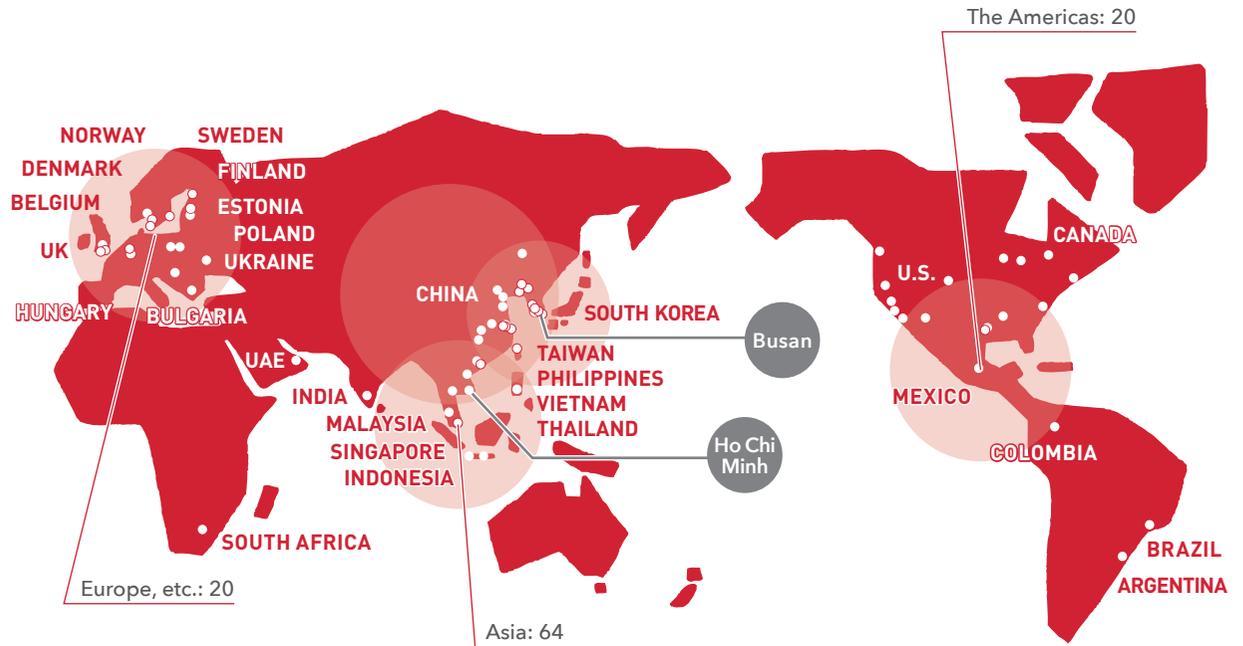
Service Network 167 bases, 38,550 workstations

(Number of operating bases includes head offices, branch offices, development centers, and associates and alliance partners' bases, as of September 30, 2019.)

Japan: 63 bases



Global: 104 bases; 29 countries/regions



New Centers

Sapporo 

MCM Center Sapporo
Sosei Square

550 workstations

Provides contact center services



Busan 

Busan Center No. 2

160 workstations

Provides contact center services



Ho Chi Minh 

Ho Chi Minh Center
No. 3

300 workstations

Provides contact center services, BPO services, and digital marketing services

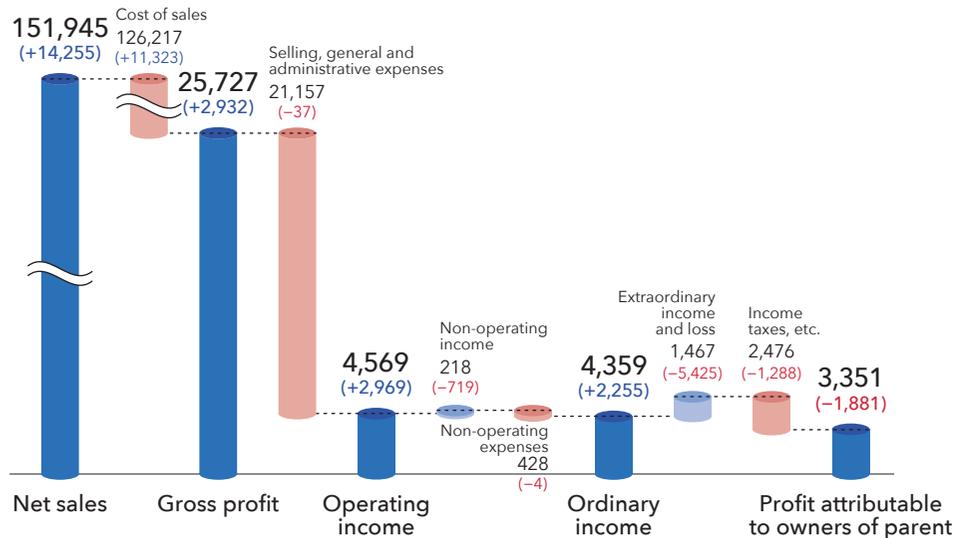


Consolidated Financial Results

Consolidated Statement of Income

(Millions of yen)

First half of FY2020/3 (April 1, 2019–September 30, 2019)



Notes: 1. Bar graphs are not proportionate to corresponding values for ease of understanding.
2. Figures in parentheses are year-on-year changes.

Net sales

Sales were up in all business segments, underpinning a 10.4% year-on-year improvement in net sales.

Operating income

All business segments achieved higher profit, which culminated in a 185.6% jump in operating income over the corresponding period a year earlier. This dramatic increase reflects the higher net sales starting point as well as improved profitability, fueled by stronger results in order receiving services and the capture of high-revenue-generating projects, and also reflects a lower ratio of selling, general and administrative expenses to net sales, thanks to successful cost control measures.

Profit attributable to owners of parent

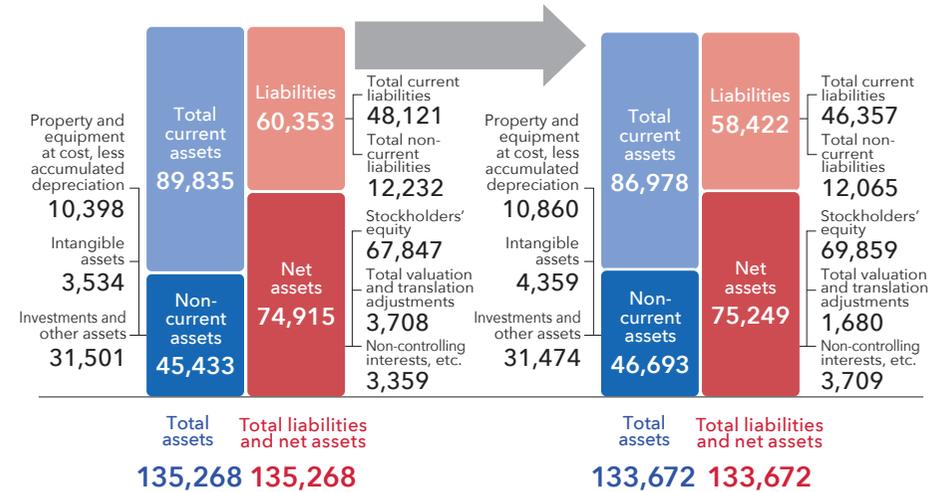
Although the share of loss of entities accounted for using the equity method was improved, non-operating income was down year on year, largely due to a decrease in returns on fund management activities. Profit attributable to owners of parent fell 36.0% year on year, owing to a drop in extraordinary income paralleling a lower gain on sales of shares of subsidiaries and affiliates.

Consolidated Balance Sheet

(Millions of yen)

As of March 31, 2019

As of September 30, 2019



Assets, Liabilities and Net assets

Total assets stood at ¥133,672 million, down ¥1,596 million, compared with March 31, 2019. This is largely due to the repayment of loans, which caused a decrease in cash and deposits.

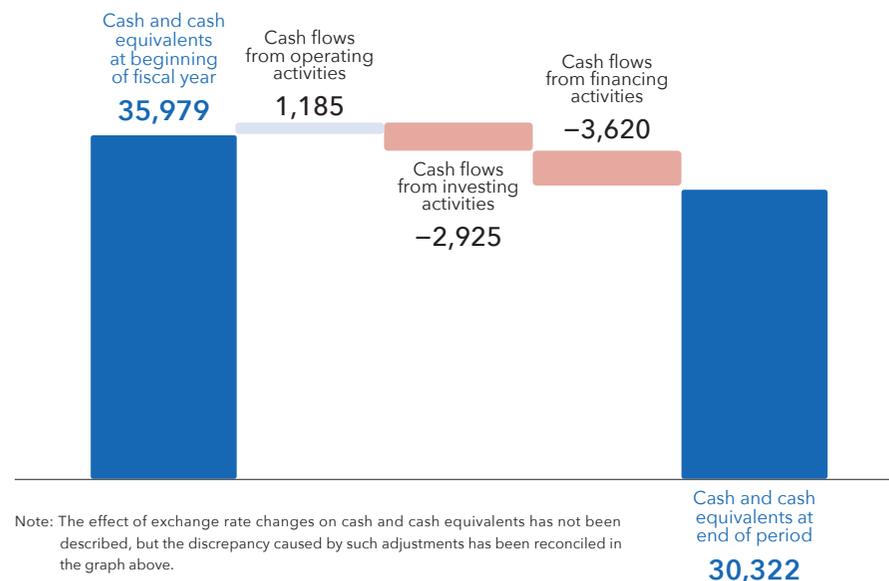
Total liabilities came to ¥58,422 million, down ¥1,930 million. This is primarily due to repayment of the current portion of long-term debt and a decrease in accrued consumption taxes.

Net assets amounted to ¥75,249 million, up ¥334 million, and the equity ratio reached 53.5%.

Consolidated Statement of Cash Flows

(Millions of yen)

First half of FY2020/3 (April 1, 2019–September 30, 2019)



Note: The effect of exchange rate changes on cash and cash equivalents has not been described, but the discrepancy caused by such adjustments has been reconciled in the graph above.

Cash flows

Net cash provided by operating activities came to ¥1,185 million, down ¥1,084 million from a year earlier. The main components of change include a decrease in income before income taxes as well as decreases in notes and accounts payable – trade, accrued consumption taxes, and accrued expenses under others, net.

Net cash used in investing activities amounted to ¥2,925 million, a turnaround from ¥5,490 million in net cash provided a year earlier. This is due, essentially, to a decrease in proceeds from sales of shares of subsidiaries and affiliates booked in the corresponding period a year earlier.

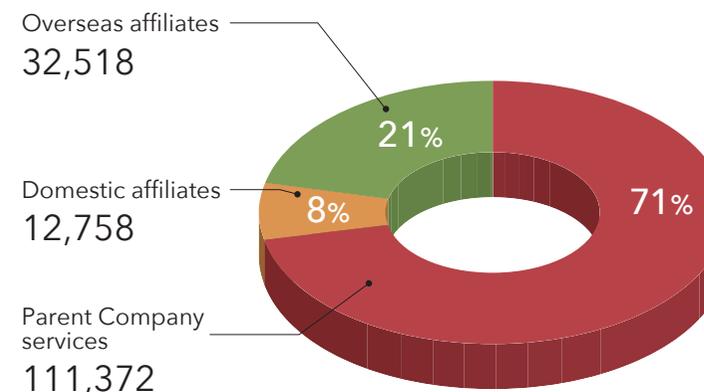
Net cash used in financing activities reached ¥3,620 million, down ¥109 million year on year. This is due, essentially, to a decrease in payments from changes in ownership interests in subsidiaries that do not result in a change in scope of consolidation booked a year earlier, and an increase in cash dividends paid.

Consequently, cash and cash equivalents as of September 30, 2019 totaled ¥30,322 million, down ¥5,657 million from the beginning of this period.

Net Sales by Segment

(Millions of yen)

First half of FY2020/3 (April 1, 2019–September 30, 2019)



Note: Figures are not adjusted for –¥4,705 million of transactions between segments.

Parent Company services

Outsourcing operations offered by the Company

Domestic affiliates

Outsourcing operations offered by domestic Group companies

Overseas affiliates

Outsourcing operations offered by overseas Group companies

Activities to Promote Diversity

transcosmos Group strives to create a workplace where all employees can perform proactively to the best of their abilities regardless of their diverse backgrounds such as gender, nationality, and disabilities. With this approach, we will enhance our employees' capabilities that are the sources to grow our business, drive global expansion, and create additional values continuously.

Promoting the Advancement of Women

transcosmos set up a dedicated organization in October 2007 and introduced a slogan and three cornerstones for various initiatives in April 2008.

Slogan Imagine an attractive business culture in which women can actively participate!

Three cornerstones for initiatives

- Ability development and career development support for female employees
- Awareness raising and public relations activities
- Creating an employee-friendly workplace

In July 2019, transcosmos reinforced the structure, reestablishing the dedicated organization as the Diversity Promotion Department, which reports directly to the president, to promote further diversity and inclusion.

Data on status of women's advancement

Parent company only (number of people)

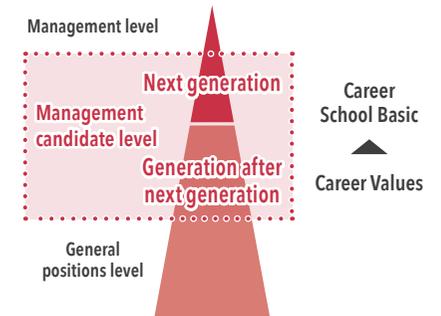
	FY2018/3	FY2019/3	FY2020/3
Number of female managers (percentage of total management)	129 (19.4%)	147 (19.3%)	156 (19.3%)
Section chiefs	88	104	111
Department managers	36	35	38
General managers	5	8	7
Executive officers (director and above)	0	1	1
Number of female employees, as of April 1 (percentage of total workforce)	4,457 (43.3%)	4,869 (44.2%)	5,356 (45.0%)
Number of new-graduate female employees (percentage of total workforce)	358 (63.4%)	412 (62.0%)	390 (61.2%)

Ability development and career development support for female employees

transcosmos takes a varied approach that includes selective training opportunities and access to external human resources development programs. Our goal is to empower women to be highly motivated and career-minded by helping them acquire the necessary skills to pursue fulfilling careers.

• Selective training

To form a population of candidates for management positions, transcosmos has run selective training programs for two levels—next generation and generation after the next generation—since 2008. Many graduates of these programs are later promoted to higher positions, creating a pipeline for female managers of the future.



Awareness raising and public relations activities

We seek to cultivate an atmosphere in which diverse employees, including women, can play an active role. Toward this end, we emphasize awareness-building activities underpinned by access to information through such channels as forums and a dedicated intranet.

• Member of Ikuboss Corporate Alliance

transcosmos is a member of the Ikuboss Corporate Alliance, managed by the non-profit organization Fathering Japan. Guided by the Ikuboss concept, we seek to create a "rewarding" workplace. This commitment is underpinned by management's pledge to uphold the Ikuboss Declaration.

Management's "Ikuboss Declaration"



Job Development for Disabled Persons

Based on the following "Basic Policy," we are proactively hiring disabled persons.

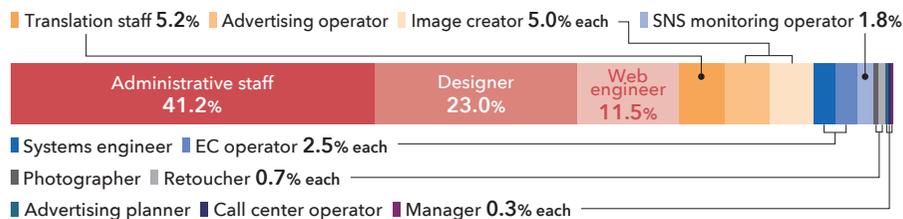
We aspire to be recognized as a "disabled-friendly" workplace!

- Hire people based on frontline business needs
- Actively appoint employees to profit centers
- Foster human resources who contribute as members of the Company regardless of the presence or absence of disability
- Employ a wide range of human resources regardless of the type of disability
- Build win-win relationships between the Company and disabled persons

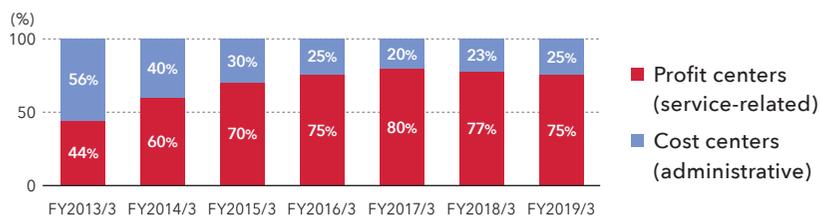
Breakdown by disability type Employment regardless of disability type



Breakdown by job type Excelling in various positions



Breakdown by operation (profit centers versus cost centers) More than 70% work in profit centers.



Our key initiatives to support disabled persons

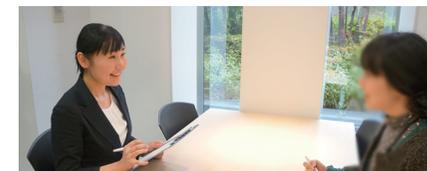
Information Accessibility



transcosmos had a full-time sign-language interpreter to assist the hearing impaired in meetings and other settings.

One additional sign-language interpreter was hired, along with the increase in the number of hearing-impaired employees.

Mental Health Care



transcosmos had a full-time psychiatric social worker to provide support through regular sessions with employees who have mental disabilities.

Two additional psychiatric social workers were hired, along with the increase in the number of employees with mental disabilities.

Appearance on radio program

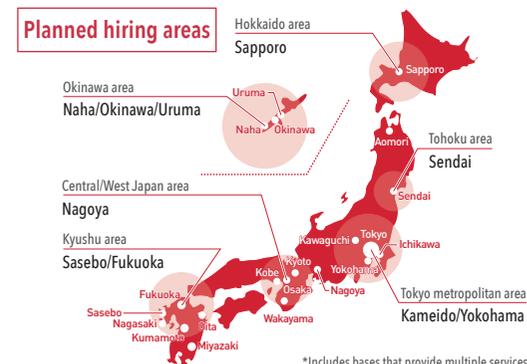


In the planning of an episode—"On-the-spot interview at transcosmos inc.! ~ Let's learn about the jobs disabled persons have!"—of the radio program "Community Building 2.0R," FM Fuji sent guest Hirotada Ototake to transcosmos' Shibuya headquarters to gather information.

In this program, Mr. Ototake covers a variety of topics from the viewpoint of a disabled person. transcosmos talked about the initiative it has taken by employing more than 400 disabled persons as part of its corporate population.

Job creation for disabled persons at regional bases

transcosmos emphasizes job creation for disabled persons at the Tokyo headquarters and Osaka head office and is expanding the scope of recruitment to centers across the country to provide more employment opportunities for disabled persons. (Hiring efforts launched in Sapporo, Kameido, Yokohama, Nagoya, Sasebo, Fukuoka, Naha, and Uruma)



Activities to Promote Diversity

Employee Development/ Enhancing Capabilities

Since our foundation, transcocosmos has been delivering highly valuable services by uniting “people” and “technology” through “scheme.” transcocosmos believes that developing highly skilled professionals is important for both our employees and for us as a company. Under this belief, we are leading initiatives to help our people develop, grow and enhance their abilities.

Origin of transcocosmos' Business people & technology

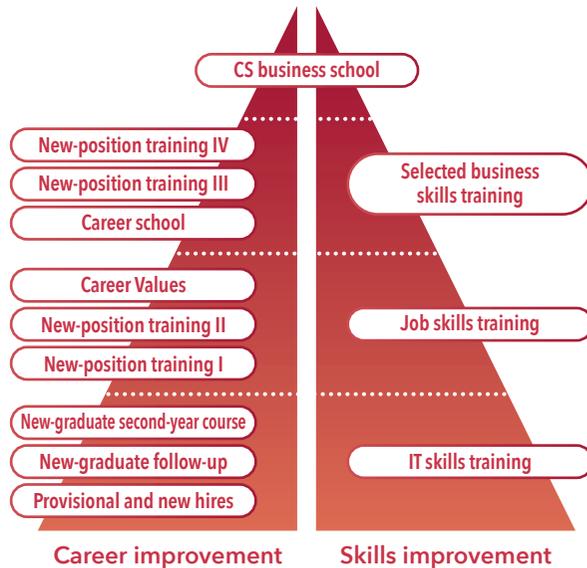
People — Highly-skilled professionals who can offer considerate services that meet and exceed client expectations

Technology — The world's cutting-edge technologies that enable us to deliver value to clients

Delivering highly valuable services by uniting people with technology through “scheme”

In-house training program comprising 384 courses

We have prepared a program of 384 courses, including training for new employees as well as training to help employees enhance their IT skills, job skills, and selected business skills. These courses help employees improve their career prospects and their capabilities.



369 types of recommended qualifications to acquire

We have enriched our qualification support system, which covers the cost of tuition or single-sum amounts for employees who obtain qualifications. The scope of qualifications covered under this system was expanded to 369, as of FY2019/3, and includes TOEIC, bookkeeping, and IT Passport. When pursuing studies in combination with any business course offered in-house, employees will be able to build new skills at no cost to themselves.

Industry-academia collaboration

Through industry-academia collaboration, transcocosmos encourages activities that contribute to society. These include efforts to cultivate next-generation human resources who will underpin the sustainable development of society as well as efforts to promote science and education.

● Lecture for open campus/campus tour at Nihon Kogakuin College Hachioji Campus

A member of transcocosmos Group conducted a lecture about AI for high school students participating in an open campus/campus tour, following the creation of the AI Systems Department at the Nihon Kogakuin College Hachioji Campus.

Theme: AI (artificial intelligence) surrounds us. What is it?

This lecture also included the opportunity to see AI in action, including automated image recognition using webcams, enabling the student audience to gain a deeper understanding of AI.



Corporate Information (As of September 30, 2019)

Registered Name	transcosmos inc.
Date of Foundation	June 18, 1985
Paid-in Capital	¥29,065 million
Employees	Group: 55,848 (Japan: 38,943; Overseas: 16,905)
Major Banks	Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd.
Main Office	3-25-18, Shibuya, Shibuya-ku, Tokyo 150-8530, Japan Tel. +81-3-4363-1111 Fax +81-3-4363-0111
Osaka Head Office	Tosabori Daibiru Bldg., 2-2-4, Tosabori, Nishi-ku, Osaka-shi, Osaka 550-0001, Japan Tel. +81-6-4803-9500 Fax +81-6-4803-9590

Principal Stockholders (As of September 30, 2019)

Name	Number of shares (thousand shares)	Ratio of shares (%)
Masataka Okuda	5,910	12.11
Koki Okuda	5,498	11.27
GOLDMAN, SACHS & CO. REG	4,281	8.77
transcosmos foundation	3,753	7.69
Japan Trustee Services Bank, Ltd. (Account in Trust)	3,324	6.81
Mihoko Hirai	1,463	3.00
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,160	2.38
Government of Norway	1,139	2.34
Limited Company HM Kosan	722	1.48
Employee Shareholding Association of transcosmos inc.	638	1.31

Notes: 1. Other than the above, the Company retains 7,318 thousand shares of its own stock.
2. Number of shares less than one thousand is rounded down to the nearest thousand.
3. Shareholding ratio is rounded off to two decimal places.

Stock Information (As of September 30, 2019)

Shares Authorized for Issue	150,000,000
Shares Issued	48,794,046
Stockholders	11,186

Management (As of December 1, 2019)

Founder & Group CEO Chairman & CEO President & COO	Koki Okuda Koji Funatsu Masataka Okuda
Director, Executive Vice President	Koichi Iwami
Director, Senior Corporate Executive Officer	Masaaki Muta Masatoshi Kouno Takeshi Kamiya Kenshi Matsubara Ken Inazumi
Director, Corporate Executive Officer	Kiyoshi Shiraishi Shunsuke Sato
Outside Director (Audit and Supervisory Committee Member)	Takeshi Natsuno* Nozomu Yoshida* Eiji Uda*
Outside Director	Rehito Hatoyama* Toru Shimada* Genichi Tamatsuka*
Executive Vice President	Hiroyuki Mukai
Senior Corporate Executive Officer	Masakatsu Moriyama Shinichi Nagakura Hiroshi Kaizuka Takeshi Sankawa
Corporate Executive Officer	Eijiro Yamashita Hiroki Tanigawa Hiroyuki Uchimura Yoichi Kawano Tsunehiro Fukushima
Corporate Senior Officer	Norimitsu Miyazawa Kazuhiko Yamaki Yoshihiro Uematsu Kokkei Nakayama Hiroyuki Morita
Corporate Officer	Shinji Kanezawa Kwon Sang-chuel Masato Ogino Shohei Shimoda Hideki Nagura Yoshikazu Majima Soichiro Tomiyoshi Takuma Hirono Hiroyoshi Hara Kotobuki Morita Toshiro Funahashi Yuzuru Mitsumoto
	Hirofumi Inoue Tsutomu Hasegawa Tsuyoshi Washio Takashi Sube
	Keisuke Yoshida Kei Yamane Kenta Kusano Hiroyuki Kohara Makoto Noguchi Satoshi Takayama Kazuhiko Tabuchi Toshio Tokoro Kiyonori Takechi Kazuo Asano Tadayuki Togashi

*We have designated six outside directors as independent directors with no conflict of interest with general shareholders and have submitted written notification of these matters to the Tokyo Stock Exchange, Inc.



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