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TAN CHONG INTERNATIONAL LIMITED

陳唱國際有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 693)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

The announcement of unaudited financial results of Zero Co., Ltd. for the six-month period ended 31 December 2020 is originally prepared in Japanese ("Original Announcement"). The attached announcement on the next page is a translation of the Original Announcement solely for the purpose of providing information.

By the order of the Board
Tan Chong International Limited
Teo Siok Ghee
Liew Daphnie Pingyen
Joint Company Secretaries

Hong Kong, 10 February 2021

Website: <http://www.tanchong.com>

As at the date of this announcement, the executive Directors are Mr. Tan Eng Soon, Mr. Glenn Tan Chun Hong, Mr. Tan Kheng Leong and Mdm. Sng Chiew Huat and. The non-executive Director is Mr. Joseph Ong Yong Loke. The independent non-executive Directors are Mr. Ng Kim Tuck, Mr. Azman Bin Badrillah, Mr. Prechaya Ebrahim and Mr. Teo Ek Kee.

Summary of Consolidated Financial Results for the Second Quarter Ending of the Fiscal Year June 30, 2021 [Based on IFRS]

February 10, 2021

Company name: ZERO CO., LTD.
 Stock code: 9028 URL: <http://www.zero-group.co.jp/>
 Representative: President & CEO
 Inquiries: Director and Manager of Group Strategies Headquarters
 Scheduled Date of Submission of Quarterly Report: February 12, 2021
 Scheduled date to commence dividend payments: March 11, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

Stock Exchange Listing: Tokyo
 Takeo Kitamura
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(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the second quarter ending of the fiscal year June 30, 2021 (From July 1, 2020 to December 31, 2020)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Quarterly income		Profit attributable to equity shareholders of the company		Total comprehensive income of the quarter	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q FY2020	43,768	Δ5.4	2,582	22.9	2,594	22.7	1,768	30.7	1,774	31.8	1,904	31.5
2Q FY2019	46,259	7.1	2,101	174.8	2,114	185.2	1,353	-	1,347	-	1,448	-

	Basic quarterly earnings per share		Diluted quarterly earnings per share	
	Yen		Yen	
2Q FY2020	106.00		105.79	
2Q FY2019	80.73		80.57	

(Note) “-” is shown because the change in Quarterly profit and in profit attributable to equity shareholders for Q2 FY2019 of the company exceed 1,000%.

(2) Consolidated financial position

	Total assets	Total capital	Equity attributable to equity shareholders of the company	Equity ratio attributable to equity shareholders of the company
	Millions of yen	Millions of yen	Millions of yen	%
2Q FY2020	44,561	26,487	26,463	59.4
FY2019	44,514	24,894	24,864	55.9

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
FY2019	---	15.00	---	20.60	35.60
FY2020	---	15.00			
FY2020 (forecast)				19.50	34.50

(Note) Amendment from the most recently announced dividend forecast: No

3. Forecast of consolidated financial results for the year ending June 30, 2021 (From July 1, 2020 to June 30, 2021)

(Percentages indicate year-on-year changes)

	Sales revenue		Operating income		Profit before tax		Profit attributable to equity shareholders of the company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	81,000	Δ9.5	3,600	Δ2.1	3,580	Δ2.7	2,300	Δ3.1	137.84

(Note) Revisions from the most recently released business forecast: No

※(Note)

(1) Changes in significant subsidiary companies during the current quarter (Changes in the specific subsidiary companies following changes in the scope of consolidation): No

New — Co. (Company name),

Exclusions — Co. (Company name)

(2) Changes in accounting policies, changes in accounting estimates

① Changes in the accounting policies required by IFRS : No

② Changes in the accounting policies due to other reasons : No

③ Changes in the accounting estimates : No

(3) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)

2Q FY2020	17,560,242 shares	FY2019	17,560,242 shares
2Q FY2020	1,018,911 shares	FY2019	1,018,869 shares
2Q FY2020	16,744,861 shares	2Q FY2019	16,685,873 shares

② Number of treasury shares at the end of the period

③ Average number of shares during the period (total up to this quarter)

※Earnings summary is not within the scope of the quarterly review by a certified public accountant or auditor

※Explanation of the proper use of financial results forecast and other notes

The earnings forecast, and other forward-looking statements herein are based on the information currently available to the Company and certain assumptions that the Company considers reasonable. The actual results may differ significantly from these forecasts due to a wide range of factors such as economic status of the major domestic and international markets or exchange rates fluctuation.

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1. Qualitative information on the quarterly financial results

(1) Explanation regarding the operating results

Although Japan's economy during the consolidated cumulative period of the second quarter was in a severe state due to the impact of the COVID-19 pandemic, economic activity has gradually resumed and there is a trend of recovery.

In the domestic automobile market, the total number of new vehicles sales decreased to 97.9% (statistical data of the Japan Automobile Manufacturers Association) as compared to the consolidated cumulative period of the same quarter from the previous year (hereinafter referred to as the same period from the previous year). In the first quarter accounting period, the number of new vehicle sales decreased to 85.4% compared to the same period from the previous year as a result of the slump in demand due to the effects of the last minute demand prior to the consumption tax increase in the previous year and the impact of COVID-19 Pandemic. However, in the second quarter accounting period, the number of new vehicle sales increased at 114.6% compared to the same period from the previous year as a result of the reversal in the previous year's consumption tax increase. The number of registered vehicle cars is estimated to have increased at 101.6% compared to the same period from the previous year, with partial shift in transportation from public transport to private vehicles due to the COVID-19 Pandemic.

Sales decreased mainly due to a drop in the number of new car transportation and pre-delivery maintenance and inspection caused by the slump in new car sales in the automotive business, while operating profit increased in the human resources business and general cargo business.

As a result, the business results of our group are as follows: sales of 43,768 million yen (94.6% compared to the same quarter from the previous year) and operating profit of 2,582 million yen (122.9% compared to the same quarter from the previous year). Profit before tax was 2,594 million yen (122.7% compared to the same quarter from the previous year), and the quarterly profit attributable to the equity shareholders of the company was 1,774 million yen (131.8% compared to the same quarter from the previous year).

Number of units related to domestic distribution of automobiles

Units: vehicles

Domestic	July of 2019 to December of 2019	July of 2020 to December of 2020	Compared to the previous year
Number of new vehicles sold			
Domestic manufacturer *1	2,291,367	2,249,123	98.2%
(out of this, Nissan Motor) *1	(254,901)	(231,579)	(90.9%)
Foreign manufacturer *2	150,429	141,716	94.2%
Total of new vehicle sales	2,441,796	2,390,839	97.9%
Number of used vehicle registrations			
Registered vehicles *3	1,864,972	1,949,528	104.5%
Light vehicles *4	1,482,820	1,450,892	97.8%
Total number of used vehicles registered	3,347,792	3,400,420	101.6%
Number of vehicles permanently deleted *3	94,098	84,834	90.2%

Export	July of 2019 to December of 2019	July of 2020 to December of 2020	Compared to the previous year
New vehicles of domestic manufacturers *1	2,412,642	2,118,864	87.8%
Used vehicles (registered vehicles) *5	732,119	544,094	74.3%

*1 Calculated from Japan Automobile Industry Association Statistics *2 Calculated from Japan Automobile Importers' Association statistics *3 Calculated from Japan Automobile Dealers Association statistics

*4 Calculated from Japan Mini Vehicles Association statistics *5 Trial calculated from the number of export deleted registered vehicles in the Japan Automobile Dealers Association statistics

The segment business results are as follows.

①Automobile related businesses

In the vehicle transportation business, which is the core business, sales decreased due to a decrease in the number of new vehicles sales, which resulted in a decrease in the number of commissions for vehicle transportation and pre-delivery maintenance and inspection although used vehicle transportation increased along with the number of registered used vehicle increased compared to the same quarter from the previous year. There was an increase in sales in the used vehicle export business due to the lifting of the lockdown in Malaysia, but there was an overall decrease in sales in the automotive related businesses.

In the vehicle transportation business there are management issues such as the creation of a company that is worth working for and the promotion of work style reforms aimed at reducing total working hours, increases in labor costs and hiring costs to cope with potential driver shortages, and increases in vehicle costs due to the increase in the number of vehicles and aging of transportation equipment, working to achieve systematic vehicle allocation and optimize the operation of nationwide distribution network, while at the same time thoroughly implementing cost management. The unit cost of fuel was lower than the same period of the previous year, but the impact of the decrease in sales in the vehicle transportation and pre-delivery maintenance was significant, resulting in a decrease in sales in the automotive related businesses.

As a result, the overall sales in the automobile related businesses was 31,899 million yen (96.4% compared to the same quarter from the previous year), and the segment profit was 2,725 million yen (95.9% compared to the same quarter from the previous year).

②Human resource businesses

Regarding the pick-up service business, sales increased due to a recovery from the impact of the COVID-19 pandemic, but the overall sales was reduced because the driver dispatch business and the airport-related personnel business were affected by the termination of employment contract due to the COVID-19 pandemic. Profit increased as a result of efforts to reduce SG&A expenses and employment adjustment subsidies appropriation.

As a result, the sales of the overall human resource business was 8,996 million yen (91.7% compared to the same quarter from the previous year), and the segment profit was 608 million yen (120.7% compared to the same quarter from the previous year).

③General cargo business

Sales in the transport /warehousing business decreased due to withdrawal from unprofitable businesses, and sales in the port cargo handling business increased due to the consigned cargo handling of materials for bio-mass power generation facilities decreased coal cargo and automobile cargo handling. Furthermore, the CKD business was also reduced due to the temporary suspension of operations at customer's plants in Thailand, and there was decrease overall in sales in the general cargo business.

In the transportation /warehousing business, profit increased due to the withdrawal from unprofitable businesses and the acquisition of new customers, but the port cargo handling business declined due to product mix. In the CKD business, in addition to reducing fixed costs, expenses were compensated for as the customer's plant was temporarily shut down, the overall general cargo business posted an increase in profits.

As a result of the above, the sales of the overall general cargo business was 2,872 million yen (85.4% compared to the same quarter of the previous year), and segment profit was 226 million yen (segment loss of 259 million yen in the same quarter of the previous year).

Furthermore, the company expenses not included in the abovementioned report segment (expenses affiliated with our company's management division), etc. are allocated as an item in the "adjustment amount" as indicated in "2. (Segment information) in the summary of consolidated statements for the quarter," and totalled 977 million yen.

(2) Explanation regarding financial position

① Status of assets, liabilities, and equity

(Assets)

Current assets increased by 50 million yen (0.3%) compared to the end of the previous consolidated fiscal year to 18,238 million yen.

This was mainly due to cash and cash equivalents increasing by 761 million yen, while operating

receivables and other receivables decreased by 593 million yen.

Non-current assets decreased 3 million yen (0.0%) compared to the end of the previous consolidated fiscal year and were 26,323 million yen.

This was mainly due to an increase of tangible fixed assets of 134 million yen resulting from purchase of operating vehicles, while goodwill and intangible assets decreased by 213 million yen due to the sales of intangible assets.

As a result, total assets increased by 46 million yen (0.1%) compared to the previous consolidated fiscal year to 44,561 million yen.

(Liabilities)

Current Liabilities decreased 1,054 million yen (7.2%) compared to the end of the previous consolidated fiscal year and were 13,518 million yen.

This was mainly due to a decrease of 848 million yen due to repayment of loans.

Non-current liabilities decreased by 491 million yen (9.7%) compared to the end of the previous consolidated fiscal year to 4,556 million yen.

This was mainly due to a decrease of 261 million yen in other financial liabilities due to repayment of lease debts.

As a result, total liabilities decreased by 1,546 million yen (7.9%) compared to the end of the previous consolidated fiscal year to 18,074 million yen.

(Equity)

Total equity increased by 1,593 million yen (6.4%) compared to the end of the previous consolidated fiscal year to 26,487 million yen.

This is mainly because retained earnings increased by 1,542 million yen due to the recording of quarterly profits.

② Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the consolidated accounting period of the second quarter increased by 761 million yen compared to the end of the previous consolidated accounting fiscal year to 5,541 million yen.

Each cash flow status category during the consolidated cumulative period of the first second and their causes are as follows.

(Cash flow from operating activities)

Funds obtained as a result of operating activities were 4,894 million yen (there was an income of 3,073 million yen during the same period of the previous year).

The main cause of the increase in funds were 1,768 million for profit from this period and 2,251 million yen for depreciation and amortization expenses which are non-fund expenses; the main cause of the decrease in funds was 832 million yen for payment of corporate income.

(Cashflow through investment activities)

Net cash used in investment activities was 1,279 million yen (expenditures of 905 million yen during the same period of the previous year).

The main itemization breakdown for expenditures was 1,084 million yen for acquisition of tangible fixed assets and investment property.

(Cashflow through financing activities)

Funds used as a result of financial activities were 2,853 million yen (expenditures of 2,025 million yen during the same period of the previous year).

The main itemization breakdown for expenditures 1,646 million yen lease liabilities payments and 835 million yen for short-term borrowings.

(3) Explanation regarding the future forecast information such as consolidated business forecast

We have not made any amendments to the consolidated earnings forecast announced on August 6, 2020.

2. Summary of the consolidated financial statements and major notes

(1) Summary of quarterly consolidated statement of financial position

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2020)	End of the consolidated accounting period of the second quarter (December 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	4,779	5,541
Trade and other receivables	12,607	12,014
Inventories	511	439
Other financial assets	10	14
Other current assets	279	228
Total current assets	18,187	18,238
Non-current assets		
Tangible fixed assets	17,146	17,280
Goodwill and intangible assets	2,626	2,412
Investment properties	3,275	3,217
Investment accounting processed with equity method	984	1,012
Other financial assets	1,487	1,504
Other non-current assets	350	546
Deferred tax assets	456	348
Total non-current assets	26,327	26,323
Total assets	44,514	44,561

(Unit: million yen)

	End of the previous consolidated accounting year (June 30, 2020)	End of the consolidated accounting period of the second quarter (December 31, 2020)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payable	5,875	6,349
Loans	2,028	1,179
Other financial liabilities	2,847	2,483
Income taxes payable, etc.	931	826
Other current liabilities	2,889	2,679
Total current liabilities	14,572	13,518
Non-current liabilities		
Loans	55	37
Other financial liabilities	3,148	2,887
Retirement benefits liabilities	1,216	945
Other non-current liabilities	276	282
Deferred tax liabilities	351	402
Total non-current liabilities	5,048	4,556
Total liabilities	19,620	18,074
Equity		
Capital	3,390	3,390
Capital surplus	3,394	3,423
Treasury stock	△681	△681
Other components of funds	70	98
Retained earnings	18,690	20,232
Total equity attributable to the equity shareholders of the company	24,864	26,463
Non-controlling interests	29	23
Total equity	24,894	26,487
Total liabilities and equity	44,514	44,561

(2) Summary of quarterly consolidated profit and loss statement

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)	Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)
Sales	46,259	43,768
Cost of sales	△39,906	△37,413
Gross Profit	6,353	6,355
Selling, general and administrative expenses	△4,454	△4,309
Other income	228	710
Other expenses	△25	△173
Operating profit	2,101	2,582
Financial profit	6	6
Financial expenses	△32	△21
Investment gain / loss through equity method	38	26
Profit before tax	2,114	2,594
Corporate income tax expenses	△760	△825
Profits of the quarter	1,353	1,768
Attribution of the profits of the quarter:		
Equity shareholders of the company	1,347	1,774
Non-controlling interests	6	△5
Profits of the quarter	1,353	1,768
Quarterly earnings per share		
Basic quarterly earnings per share (yen)	80.73	106.00
Diluted quarterly earnings per share (yen)	80.57	105.79

(3) Summary of quarterly consolidated statement of comprehensive income

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)	Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)
Profits of the quarter	1,353	1,768
Other comprehensive income		
Items not transferring over to profit or loss:		
Remeasurement of defined benefit system	79	107
Financial assets measured by fair value through other comprehensive income	59	25
Total of the items not transferring over to profit or loss	138	133
Items which may be transferred over to profit or loss		
Other comprehensive income equity of affiliated company accounted for by the equity method	△43	2
Total of the items which may be transferred over to profit or loss	△43	2
Other comprehensive income after tax deduction	94	135
Comprehensive income of the quarter	1,448	1,904
Attribution of the comprehensive income for the quarter:		
Equity shareholders of the company	1,441	1,910
Non-controlling interests	6	△5
Comprehensive income of the quarter	1,448	1,904

(4) Summary of quarterly consolidated statement of changes in equity

Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)

(Unit: million yen)

	Equity attributable to equity shareholders of the company								Non-controlling interests	Total equity	
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained Earnings			Total equity attributing to the equity shareholders of the company
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive income	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2019	3,390	3,362	△687	△50	286	--	236	16,754	23,056	16	23,072
Profits of the quarter							--	1,347	1,347	6	1,353
Other comprehensive income				△43	59	79	94		94		94
Comprehensive income of the quarter	--	--	--	△43	59	79	94	1,347	1,441	6	1,448
Dividends of surplus							--	△345	△345		△345
Share-based payment transactions, etc.		20	5				--		26		26
Transfer from other capital component to Retained earnings						△79	△79	79	--		--
Total transactions, etc. with the owners	--	20	5	--	--	△79	△79	△265	△318	--	△318
Balance on December 31, 2019	3,390	3,382	△681	△93	346	--	252	17,835	24,179	22	24,202

Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)

(Unit: million yen)

	Equity attributable to equity shareholders of the company								Non-controlling interests	Total equity	
	Capital	Capital surplus	Treasury stock	Other components of funds				Retained Earnings			Total equity attributing to the equity shareholders of the company
				Conversion difference of business activities overseas	Financial assets measured by fair value through other comprehensive income	Remeasurement of defined benefit system	Total other components of funds				
Balance on July 1, 2020	3,390	3,394	△681	△108	179	--	70	18,690	24,864	29	24,894
Profits of the quarter							--	1,774	1,774	△5	1,768
Other comprehensive income				2	25	107	135		135		135
Comprehensive income of the quarter	--	--	--	2	25	107	135	1,774	1,910	△5	1,904
Dividends of surplus							--	△340	△340		△340
Acquisition of treasury stock			△0				--		△0		△0
Share-based payment transactions, etc.		29					--		29		29
Transfer from other capital component to Retained earnings						△107	△107	107	--		--
Total transactions, etc. with the owners	--	29	△0	--	--	△107	△107	△232	△311	--	△311
Balance on December 31, 2020	3,390	3,423	△681	△106	204	--	98	20,232	26,463	23	26,487

(5) Summary of quarterly consolidated cash flow statements

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)	Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)
Cash flow from operating activities		
Profits of the quarter	1,353	1,768
Depreciation and amortization costs	2,067	2,251
Interest income and dividend	△6	△6
Interest expense	25	20
Investment gain / loss through equity method	△38	△26
Corporate income tax expenses	760	825
Increase / decrease of trade receivables (△ is an increase)	493	563
Increase / decrease of inventories (△ is an increase)	△83	71
Increase / decrease of trade payables (△ is a decrease)	△127	353
Increase / decrease in retirement benefits liabilities (△ is a decrease)	△135	△110
Other	△449	29
Subtotal	3,859	5,741
Interest and dividend received	6	6
Interest paid	△25	△20
Corporate income tax paid	△766	△832
Cash flow from operating activities	3,073	4,894
Cashflow through investment activities		
Payment for acquisition of tangible fixed assets and investment properties	△828	△1,084
Proceed from sales of tangible fixed assets and investment properties	7	24
Payment for intangible assets	△66	△51
Payment for loans receivable	△9	△10
Proceed from loans receivable	8	8
Other	△15	△164
Cashflow through investment activities	△905	△1,279

(Unit: million yen)

	Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)	Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)
Cash flow through financing activities		
Net increase or decrease of short-term loans (Δ is a decrease)	7	Δ 835
Repayment of long-term loans	Δ 86	Δ 31
Repayment of lease debts	Δ 1,601	Δ 1,646
Dividend paid	Δ 345	Δ 340
Expenditures from acquisition of treasury stock	—	Δ 0
Cash flow through financing activities	Δ 2,025	Δ 2,853
Increase / decrease in of cash and cash equivalents (Δ is a decrease)	143	761
Cash and cash equivalents at the beginning of the quarter	3,465	4,779
Balance of cash and cash equivalents at the end of the quarter	3,609	5,541

(6) Notes regarding summary of quarterly consolidated financial statements
(Notes on going concern assumption)

There are no applicable matters.

(Segment information)

The segment information of our group is as follows.

Consolidated cumulative period for the previous second quarter (from July 1, 2019 to December 31, 2019)

(Unit: million yen)

	Automobile related businesses	Human resource business	General cargo business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales						
Sales from external customers	33,086	9,808	3,364	46,259	—	46,259
Sales between segments	20	526	229	777	△777	—
Total	33,107	10,334	3,594	47,036	△777	46,259
Segment profit (operating profit)(Δ is loss)	2,840	504	△259	3,084	△982	2,101

(Note) 1. The △982 million yen adjustment amount in the segment profits includes the total company cost △982 million yen and 0 million yen of transaction elimination between segments. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.

2. The life expectancy has been changed from the consolidated cumulative period of the first quarter (for some vehicles) for sales in our company's automobile related businesses. Due to this change, the segment profit during the consolidated cumulative period of this second quarter has increased by 154 million yen in the automotive related businesses compared to that of the conventional method.

Consolidated cumulative period of this second quarter (from July 1, 2020 to December 31, 2020)

(Unit: million yen)

	Automobile related businesses	Human resource business	General cargo business	Total	Adjustment amount (note)	Total amount on the quarterly consolidated financial statements
Sales						
Sales from external customers	31,899	8,996	2,872	43,768	—	43,768
Sales between segments	24	351	237	612	△612	—
Total	31,924	9,347	3,109	44,381	△612	43,768
Segment profit (operating profit)	2,725	608	226	3,560	△977	2,582

(Note). The △977 million yen adjustment amount in the segment profits includes the total company cost △977 million yen and 0 million yen of transaction elimination between segments. The total company cost is an expense related to the management divisions of our company not belonging to the reporting segment.