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Consolidated Financial Report
for the Second Quarter of Fiscal 2025 Ending March 31, 2025 (Japanese GAAP)

November 13, 2024

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 Scheduled date of semiannual securities report filing: November 13, 2024
 Scheduled date of dividend payment commencement: —
 Preparation of quarterly supplementary explanatory materials: Yes
 Quarterly results briefing held: Yes (for analysts)

(Figures are rounded down to the nearest million yen unless otherwise stated.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2025
(April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentage figures show the year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2024	26,983	9.1	434	(25.7)	255	(45.7)	77	(69.1)
Six months ended September 30, 2023	24,726	(10.5)	583	(69.0)	470	(73.6)	251	(79.8)

Note: Comprehensive income Six months ended September 30, 2024: ¥99 million (-66.4%)
 Six months ended September 30, 2023: ¥296 million (-76.4%)

	Net Income per Share	Net Income per Share (Diluted)
	(¥)	(¥)
Six months ended September 30, 2024	2.73	2.73
Six months ended September 30, 2023	8.65	8.62

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
September 30, 2024	71,729	24,365	34.0	850.93
March 31, 2024	74,468	25,053	33.6	883.02

Reference: Shareholders' equity September 30, 2024: ¥24,365 million
 March 31, 2024: ¥25,047 million

2. Dividends

	Annual Dividend per Share				
	1Q-End	2Q-End	3Q-End	Period-End	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2024	—	0.00	—	32.00	32.00
Fiscal 2025	—	0.00	—	—	—
Fiscal 2025 (Forecast)	—	—	—	32.00	32.00

Note: Revisions to the most recently announced forecast of cash dividends in the current quarter: None

3. Consolidated Financial Forecasts for Fiscal 2025 (April 1, 2024 to March 31, 2025)

(Percentage figures show the year-on-year increase (decrease).)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Fiscal Year	54,000	4.8	1,300	10.6	1,000	14.0	600	43.9	21.07

Note: Revisions to the most recently announced financial forecasts in the current quarter: None

*** Notes**

(1) Significant changes in the scope of consolidation during the current interim period: None
 Newly included: — Excluded: —

(2) Adoption of specific accounting methods for preparation of the interim consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatements

- 1) Changes in accounting policies due to revision to accounting standards, etc.: None
- 2) Changes in accounting policies other than 1): None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(4) Number of issued shares (common stock)

1) Number of issued shares (including treasury shares)	September 30, 2024	30,823,200 shares	March 31, 2024	30,823,200 shares
2) Number of treasury shares	September 30, 2024	2,189,740 shares	March 31, 2024	2,457,745 shares
3) Average number of shares during the period	Six months ended September 30, 2024	28,498,028 shares	Six months ended September 30, 2023	29,080,112 shares

Note: The number of treasury shares at the end of the fiscal year includes shares in the Company held by “Grandy House Employee Stock Holding Partnership Exclusive Trust Account” (562,200 shares on September 30, 2024, 725,500 shares on March 31, 2024). The shares of the Company held by “Grandy House Employee Stock Holding Partnership Exclusive Trust Account” are included in treasury shares and deducted from the calculation of the average number of shares during the period (650,414 shares for the six months ended September 30, 2024, 882,500 shares for the six months ended September 30, 2023).

*** This consolidated second quarter (interim) financial report is not subject to review by a certified public accountant or an audit firm.**

*** Explanation concerning the appropriate use of financial forecasts and other special instructions**

Disclaimer:

Results forecasts and other forward-looking statements contained in this report are based on assumptions, beliefs, and uncertainties in light of information available to the Company’s management as of the publication date. Actual results may differ materially from forecasts due to a variety of factors. Therefore, the Company does not guarantee the accuracy of forecasts and other forward-looking statements and its ability to achieve stated targets.

(Change to date format)

Starting with “Consolidated Financial Report for the First Quarter of Fiscal 2025 Ending March 31, 2025,” the date format has been changed from the Japanese calendar to the Western calendar.

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1. OVERVIEW OF OPERATING RESULTS

(1) Overview of operating results for the current interim period

During the current interim consolidated period (April 1, 2024, to September 30, 2024), the Japanese economy saw the moderate recovery continue due to an improvement in the employment and income environments. On the other hand, factors causing a temporary standstill were observed, such as downturns among overseas economies and rising prices that threatened to affect the Japanese economy.

In the housing sector, customer sentiment remained harsh, with housing prices remaining high due to rising material prices and mortgage rates rising. The number of construction starts for detached houses has declined year-on-year for 23 consecutive months since it started a year-on-year decline in November 2022. In the interim consolidated fiscal period, the number of construction starts decreased by 12.9% year-on-year, and there were no signs of a halt in the decline.

Under this environment, the Grandy House Group (Grandy House Corporation and its subsidiaries, hereinafter “the Group”), under a new management structure, announced its new medium-term management plan in May 2024 and has attempted to redirect itself to a growth stage in line with the basic policies of “Expand and strengthen the housing business toward sustainable growth,” “Strengthen the earnings foundation for growth and implement growth investment” and “Solidify the management foundation and enhance corporate value.”

In new home sales, our core business, the Group reorganized the functions of the Development Headquarters and the Sales Headquarters, which had previously overseen the entire Group under a single-division system, into a two-division structure (dividing each division into two) and established the Custom-Built Home Department. In this way, the Group has worked to strengthen its organization and cultivate new customer segments.

Through these efforts, the number of houses sold increased year-on-year during the current interim consolidated accounting period. Nonetheless, income fell short of the same period of the previous fiscal year due to a stagnant housing market.

As a result, the operating results for the current interim consolidated accounting period were as follows: net sales were ¥26,983 million, an increase of 9.1% year-on-year; operating income was ¥434 million, a decrease of 25.7% year-on-year; ordinary income was ¥255 million, a decrease of 45.7% year-on-year; and net income attributable to owners of the parent totaled ¥77 million, a decrease of 69.1% year-on-year.

Operating results by business segment are presented as follows.

a. Real Estate Sales

In new house sales, from the fiscal year under review, we reorganized the Development Headquarters and the Sales Headquarters into an area-based two-division system (dividing each division into two), namely, the Tokyo metropolitan area and the northern Kanto region, to improve decision-making agility. In addition, the Company established a department specializing in custom-made houses and expanded its lineup of custom-built and fully customized houses. The Company worked to increase orders by strengthening its efforts to acquire custom home-oriented clients amid a continuing decline in demand due to factors such as rising housing prices.

On the product side, the Company continued to differentiate itself by focusing on constructing sustainable and competitive houses, such as long-life quality housing and ZEH houses. In addition, the Company has begun sales of “Grand Sommelier Nishiharacho 6th Period (a total of three lots in the city of Utsunomiya),” the fourth in a project series (House Sommelier) that commercializes the passion of female architects in homebuilding.

As a result of these efforts, the number of new houses sold during the current interim consolidated accounting period exceeded the same period last year and totaled 649 (an increase of 43 year-on-year). Income, however, continued to be sluggish due to soaring housing prices and declining housing demand.

In existing house sales, difficult conditions persisted in which the soaring prices of new houses led to rising purchase prices and associated rising selling prices, resulting in sluggish demand and intensifying competition with low-cost new houses.

Under these circumstances, we pursued selective purchasing and focused on strengthening sales. As a result, the number of houses sold for the current interim consolidated accounting was 64, an increase of seven houses year-on-year.

As a result, sales in the real estate sales segment for the current interim period increased by 11.2% year-on-year to ¥25,540 million. We had a segment profit of ¥56 million, a decrease of 69.2% year-on-year.

b. Construction Material Sales

In construction material sales, the number of new housing (wooden) construction starts, which had declined year-on-year since April 2022, fluctuated between up and down year-on-year from April to September this year.

The conditions for winning orders, however, remained challenging. On the other hand, construction wood prices have remained flat since bottoming out.

Under these circumstances, we focused on bolstering our relationship with excellent customers and capturing new customers in the Saitama Prefecture area. Nonetheless, this segment suffered decreases in both sales and income from the same period of the previous fiscal year due to stagnant demand as well as a decline in sales volume and lower sales prices because of intensified competition.

As a result, sales of the construction material sales segment in the current interim consolidated accounting period decreased by 20.9% year-on-year to ¥1,218 million, with a segment profit of ¥50 million, a decrease of 71.3% year-on-year.

c. Real Estate Leasing

In real estate leasing, although the Company has made no new investments in rental offices (including residential buildings), the operational rate of existing properties remained high, resulting in solid performance.

In the parking business, a new pay-by-the-hour parking lot (for 30 lots) was put into operation in Utsunomiya City in August, but operational rates at existing parking lots remained at the same level year-on-year.

As a result, sales in the real estate leasing segment in the current interim consolidated accounting period increased by 1.2% year-on-year to ¥224 million. We had a segment profit of ¥124 million, an increase of 20.3% year-on-year.

(2) Overview of financial conditions for the current interim period

a. Balance Sheet

As of the end of the interim of consolidated fiscal 2025 under review, consolidated total assets declined to ¥71,729 million, a decrease of ¥2,738 million compared to the end of the previous consolidated fiscal year. This was primarily due to a decline in inventories, resulting from reduced inventory assets through progress in inventory sales in the real estate sales business.

Liabilities stood at ¥47,364 million, a decrease of ¥2,050 million compared to the end of the previous consolidated fiscal year. This was mainly due to a reduction in loans payable resulting from a decline in inventories.

Total net assets stood at ¥24,365 million, down ¥688 million compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease resulting from the payment of dividends despite increases primarily caused by the disposal of treasury stock and the recognition of net income attributable to owners of the parent.

b. Cash Flows

Cash and cash equivalent (hereinafter referred to as “cash”) at the end of the interim of consolidated fiscal year under review were ¥10,948 million, an increase of ¥768 million from the end of the previous fiscal year, as a result of an increase in cash flows from operating activities and decreases in cash flows from investing activities and financing activities.

The Company's cash flows during the six months ended September 30, 2024, are as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities improved significantly to ¥3,983 million (net cash used in operating activities for the six months ended September 30, 2023, was ¥3,425 million). This was mainly due to a decrease in inventories resulting from progress in inventory sales.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥222 million (net cash used in investing activities for the six months ended September 30, 2023, was ¥208 million). This was mainly due to expenditures on acquiring property, plant, and equipment, such as the acquisition and investment of pay-by-the-hour parking lots.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥2,992 million (net cash provided by financing activities for the six months ended September 30, 2023, was ¥972 million). This was mainly due to progress in repaying loans in line with progress in inventory sales.

(3) Explanation regarding Future Prospects including Consolidated Financial Forecasts

There have been no changes from the consolidated and non-consolidated financial forecasts announced on May 13, 2024.

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Consolidated Balance Sheets

(Thousands of Yen)

	Fiscal 2024 (As of March 31, 2024)	Second Quarter of Fiscal 2025 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	10,193,701	10,962,654
Notes and accounts receivable – trade and contract assets	487,539	459,307
Real estate for sale	13,322,680	12,519,398
Costs on uncompleted construction contracts	19,178	9,083
Real estate for sale in process	34,681,471	32,132,417
Merchandise and finished goods	295,766	329,757
Raw materials and supplies	152,029	139,650
Other	906,320	653,243
Allowance for doubtful accounts	(1,302)	(10,393)
Total current assets	60,057,385	57,195,118
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,716,254	3,669,166
Machinery, equipment and vehicles, net	13,539	22,977
Tools, furniture and fixtures, net	45,217	47,307
Land	7,536,497	7,668,603
Leased assets, net	58,135	55,858
Construction in progress	45,973	21,540
Total property, plant and equipment	11,415,618	11,485,453
Intangible assets		
Goodwill	754,193	685,630
Other	58,427	54,156
Total intangible assets	812,620	739,786
Investments and other assets		
Investment securities	270,800	302,250
Long-term loans receivable	10,642	10,332
Deferred tax assets	547,404	646,695
Other	1,223,988	1,216,550
Allowance for doubtful accounts	(5,000)	(5,000)
Total investments and other assets	2,047,836	2,170,829
Total non-current assets	14,276,074	14,396,068
Deferred assets		
Bond issuance costs	135,294	138,781
Total deferred assets	135,294	138,781
Total assets	74,468,754	71,729,968

(Thousands of Yen)

	Fiscal 2024 (As of March 31, 2024)	Second Quarter of Fiscal 2025 (As of September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	3,166,738	3,113,699
Short-term loans payable	17,039,600	16,455,000
Current portion of bonds	300,000	500,000
Current portion of long-term loans payable	4,846,806	4,868,026
Lease obligations	26,418	22,908
Income taxes payable	137,769	209,245
Provision for warranties for completed construction	175,296	170,293
Other	876,034	957,430
Total current liabilities	26,568,664	26,296,603
Non-current liabilities		
Bonds payable	7,800,000	8,300,000
Long-term loans payable	13,422,390	11,121,192
Lease obligations	38,543	39,594
Provision for directors' retirement benefits	267,837	—
Retirement benefit liability	1,168,527	1,242,385
Other	149,096	365,139
Total non-current liabilities	22,846,395	21,068,310
Total liabilities	49,415,059	47,364,914
Net assets		
Shareholders' equity		
Capital stock	2,077,500	2,077,500
Capital surplus	2,677,285	2,680,739
Retained earnings	21,428,435	20,575,215
Treasury shares	(1,267,754)	(1,122,120)
Total shareholders' equity	24,915,465	24,211,334
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131,849	153,719
Total accumulated other comprehensive income	131,849	153,719
Subscription rights to shares	6,380	—
Total net assets	25,053,694	24,365,053
Total liabilities and net assets	74,468,754	71,729,968

(2) Interim Consolidated Statements of Income and Comprehensive Income

(Interim Consolidated Statements of Income)

(Thousands of Yen)

	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Net Sales	24,726,700	26,983,435
Cost of sales	20,882,003	23,384,723
Gross profit	3,844,696	3,598,711
Selling, general and administrative expenses	3,260,762	3,164,682
Operating income	583,934	434,029
Non-operating income		
Interest income	65	705
Dividends income	2,861	3,111
Commission	14,600	13,399
Insurance claim income	24,808	657
Reversal of provision for warranties for completed construction	12,136	4,923
Other	31,102	17,997
Total non-operating income	85,574	40,794
Non-operating expenses		
Interest expenses	177,834	192,390
Commission for syndicate loan	3,714	3,864
Other	17,040	22,849
Total non-operating expenses	198,589	219,103
Ordinary income	470,919	255,719
Extraordinary income		
Gain on sales of non-current assets	—	3,577
Total extraordinary income	—	3,577
Extraordinary loss		
Loss on retirement of non-current assets	7,874	15,767
Loss on cancellation of leases	—	1,424
Retirement benefits for directors (and other officers)	—	100,000
Total extraordinary loss	7,874	117,191
Net income before income taxes	463,044	142,104
Income taxes – current	244,686	173,285
Income taxes – deferred	(33,268)	(108,871)
Total income taxes	211,418	64,414
Net income	251,626	77,690
Net income attributable to owners of the parent	251,626	77,690

(Interim Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Net income	251,626	77,690
Other comprehensive income		
Valuation difference on available-for-sale securities	44,850	21,870
Total other comprehensive income	44,850	21,870
Comprehensive income	296,476	99,560
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	296,476	99,560
Comprehensive income attributable to non-controlling interests	—	—

(3) Interim Consolidated Statements of Cash Flows

(Thousands of Yen)

	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Net income before income taxes	463,044	142,104
Depreciation and amortization	150,972	151,050
Share-based payment expenses	—	6,299
Amortization of goodwill	68,563	68,563
Increase (decrease) in provision for directors' retirement benefits	(3,424)	(267,837)
Increase (decrease) in provision for warranties for completed construction	(12,136)	(5,003)
Increase (decrease) in allowance for doubtful accounts	3,446	9,090
Increase (decrease) in retirement benefit liability	65,782	73,857
Interest and dividends income	(2,926)	(3,817)
Interest expenses	177,834	192,390
Loss (gain) on sales of non-current assets	—	(3,577)
Loss on retirement of non-current assets	7,874	15,767
Decrease (increase) in notes and accounts receivable – trade	71,659	28,232
Decrease (increase) in inventories	(3,578,721)	3,340,818
Increase (decrease) in notes and accounts payable – trade	(147,485)	(53,038)
Other	(106,595)	332,680
Subtotal	(2,842,112)	4,027,581
Interest and dividends income received	3,159	3,817
Interest expenses paid	(160,392)	(205,634)
Income taxes refunded (paid)	(425,688)	158,118
Net cash provided by (used in) operating activities	(3,425,033)	3,983,883
Cash flows from investing activities		
Purchase of property, plant and equipment	(207,741)	(195,436)
Proceeds from sales of property, plant and equipment	—	3,962
Purchase of intangible assets	(1,407)	(6,038)
Loan advances	(2,300)	—
Collection of loans receivable	504	310
Other	2,943	(25,656)
Net cash provided by (used in) investing activities	(208,001)	(222,857)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,984,400	(584,600)
Proceeds from long-term loans payable	3,290,000	2,333,000
Repayment of long-term loans payable	(4,027,253)	(4,612,978)
Proceeds from issuance of bonds	2,000,000	1,000,000
Redemption of bonds	(500,000)	(300,000)
Proceeds from disposition of treasury shares due to exercise of subscription rights to shares	35,574	23,287
Proceeds from sale of treasury shares	95,205	94,224
Purchase of treasury shares	(915,200)	—
Cash dividends paid	(971,641)	(929,491)
Repayments of lease obligations	(18,127)	(15,514)
Net cash provided by (used in) financing activities	972,956	(2,992,073)
Net increase (decrease) in cash and cash equivalents	(2,660,077)	768,952
Cash and cash equivalents at beginning of the period	10,825,466	10,179,192
Cash and cash equivalents at end of the interim period	8,165,388	10,948,144

(4) Notes to Interim Consolidated Financial Statements

(Notes on Segment Information)

I. The cumulative six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information relating to the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Interim Consolidated Statements of Income (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net Sales						
Sales to external customers	22,964,387	1,540,780	221,532	24,726,700	—	24,726,700
Inter-segment sales or transfers	26,340	2,016,461	41,893	2,084,694	(2,084,694)	—
Total	22,990,727	3,557,242	263,425	26,811,395	(2,084,694)	24,726,700
Segment profit	182,968	176,815	103,316	463,100	7,818	470,919

Notes: 1 Adjustments of segment profit (¥7,818 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted with ordinary income described in interim consolidated statements of income.

2. Information concerning the impairment loss of non-current assets and goodwill by reportable segment

Not applicable.

II. The cumulative six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. Information concerning the amounts of net sales and profit or loss by reportable segment

(Thousands of Yen)

	Reportable Segment				Adjustments (Note 1)	Amount Recorded on Interim Consolidated Statements of Income (Note 2)
	Real Estate Sales	Construction Material Sales	Real Estate Leasing	Total		
Net Sales						
Sales to external customers	25,540,836	1,218,452	224,145	26,983,435	—	26,983,435
Inter-segment sales or transfers	24,300	1,632,222	43,959	1,700,482	(1,700,482)	—
Total	25,565,136	2,850,675	268,105	28,683,917	(1,700,482)	26,983,435
Segment profit	56,413	50,682	124,268	231,364	24,355	255,719

Notes: 1 Adjustments of segment profit (¥24,355 thousand) are eliminations of inter-segment transactions.

2 Segment profit has been adjusted with ordinary income described in interim consolidated statements of income.

2. Information concerning the impairment loss of non-current assets and goodwill by reportable segment

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumptions)

Not applicable.

(Additional Information)

(Transactions for Distributing the Company's Own Stock to Employees, etc. through Trusts)

The Company has adopted the "trust-type employee stock holding incentive plan (E-Ship®)" (hereinafter referred to as "the Plan") for the purpose of providing its employees with incentives to enhance the corporate value of the Company on a medium-to long-term basis in the fiscal year ended March 31, 2022.

(1) Overview of transactions

The Plan is an incentive plan for all employees who are members of “the Grandy House Employee Stock Holding Partnership” (hereinafter referred to as “the Stock Partnership”). The Company has established the “Grandy House Employee Stock Holding Partnership Exclusive Trust” (hereinafter referred to as “the Trust”) in a trust bank. The Trust will acquire in advance after its establishment the number of Grandy House shares to be expected to be acquired by the Stock Partnership over a six-year period. At a later date, the Trust will sell its holdings of Grandy House shares to the Stock Partnership on a continual basis. If an amount equivalent to the gains from sale of shares is accumulated at the end of the term of the Trust, the relevant amount equivalent to the gains from the sale of shares will be distributed as residue assets to those who satisfy the criteria of beneficiaries. The Company warrants the repayment of loans payable for the Trust to acquire shares of the Company. Therefore, if an amount equivalent to the loss from sale of shares accumulates due to a decline in the price of shares of the Company, causing a debt equivalent to a loss from sale of the relevant shares remains in the Trust at the end of the term of the Trust, the Company will assume the repayment of the relevant remaining borrowing.

(2) Grandy House’s own company stock remaining in the Trust

Grandy House’s own company stock remaining in the Trust is recorded as treasury shares in net assets in accordance with the book value (excluding the amount of incidental expenses) in the Trust. The book value and the number of the relevant treasury shares are ¥418,613 thousand and 725,500 shares for the previous consolidated fiscal year, and ¥324,389 thousand and 562,200 shares for the consolidated second quarter of fiscal 2025 under review.

(3) The book value of loans payable recorded by the application of the gross method

The previous consolidated fiscal year: ¥369,530 thousand

The consolidated second quarter of fiscal 2025 under review: ¥251,830 thousand

(Abolition of Directors’ Retirement Benefits System)

The Company resolved to approve final payments to incumbent directors associated with the abolition of the directors’ retirement benefits system at the ordinary general meeting of shareholders held on June 27, 2024. Accordingly, provision for directors’ retirement benefits was reduced, and an amount payable of ¥202,125 thousand for the final payments is included at Other in non-current liabilities.