

Nomura Individual Investor Survey

August 2017

18 August 2017

Global Research Division
Nomura Securities Co., Ltd.

The Nomura Individual Investor Survey is a monthly survey conducted with the aim of better understanding investing activity by individuals and providing information on related trends.

1. Survey overview

(1) Nomura I-View Index rises to 36.8 after falling previous month

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 36.8 in August 2017, rising m-m after having fallen the previous month. The Nikkei 225 reference level (7 August 2017 close) was 20,055.89, down 25.09 from the previous survey (10 July 2017 close of 20,080.98).

(2) Greater investor interest in forex, reduced focus on domestic politics

Respondents were asked to select the factor most likely to affect the stock market over the next three months. The response rate for "forex trends" rose 2.6ppt m-m to 25.0%. Meanwhile, the response rate for "domestic politics" fell 2.9ppt m-m to 14.6%, while the response rate for "international affairs" fell 2.2ppt to 43.5%.

(3) Appeal of materials sector increases, appeal of transportation & utilities sector and financials sector falls

On the outlook for sectors over the next three months or so, we calculate a diffusion index (DI) by subtracting the percentage of responses for "unappealing" from that for "appealing." The DI for the materials sector rose 4.0pt m-m to 3.2. The DI for the electrical equipment/precision equipment sector rose 3.0pt m-m, after falling the previous month. Meanwhile, the DI for the transportation and utilities sector fell 3.5pt to -10.1, marking the fourth consecutive decline. The DI for the financials sector fell 3.5pt to -11.5.

(4) Rise in number of investors expecting yen depreciation against US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to depreciate against the US dollar was 44.3%, up 11.2ppt from the previous month. The response rate for "fall of about ¥5 against the dollar" rose 9.3ppt m-m to 38.4%. The response rate for "fall of about ¥10 against the dollar" rose 1.8ppt m-m to 4.5%, while that for "fall of more than ¥10 against the dollar" rose 0.1ppt m-m to 1.4%.

The response rate for "rise of about ¥5 against the dollar" fell 5.0ppt m-m to 40.7%, while that for "rise of about ¥10 against the dollar" fell 4.3ppt to 13.0%. The response rate for "rise of more than ¥10 against the dollar" fell 1.9ppt m-m to 2.0%.

(5) Investment appeal of Brazilian real falls

On the outlook for different currencies over the next three months, we calculate a DI for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." This month, the DI for the Brazilian real fell 6.1pt m-m to -22.5 and the DI for the Japanese yen fell by 3.0pt to 22.6. Meanwhile, the DI for the Australian dollar rose 3.0pt to 16.6, the third consecutive rise.

(6) Appeal of Japanese investment trusts among financial instruments rises

To give an indication of plans for holding financial instruments, we calculate DIs for each type of financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holdings from the percentage planning to hold the instrument for the first time or increase their holdings. The DI for Japanese investment trusts rose 2.3pt m-m to 15.0 and the DI for cash & deposits rose 2.0pt to 28.8.

(7) Higher percentage of respondents expect prices to be unchanged one year out

When asked for their outlook for prices of regularly purchased goods and services one year out, 49.4% of respondents selected the "no change" response, up 2.4ppt from the previous month. The response rate for the "rise" options declined 0.8ppt m-m to 36.1% and that for the "fall" options also fell, by 1.6ppt to 14.5%.

(8) Reduction in ETF purchase amount by the BOJ

For this month's spot question, we asked investors about a reduction in the Bank of Japan's ETF purchases. When asked when they thought the BOJ would reduce the amount of its ETF purchases, the most popular response was that they would not do so (41.4%), followed by 2020 or later (21.4%) and by the end of 2018 (19.6%).

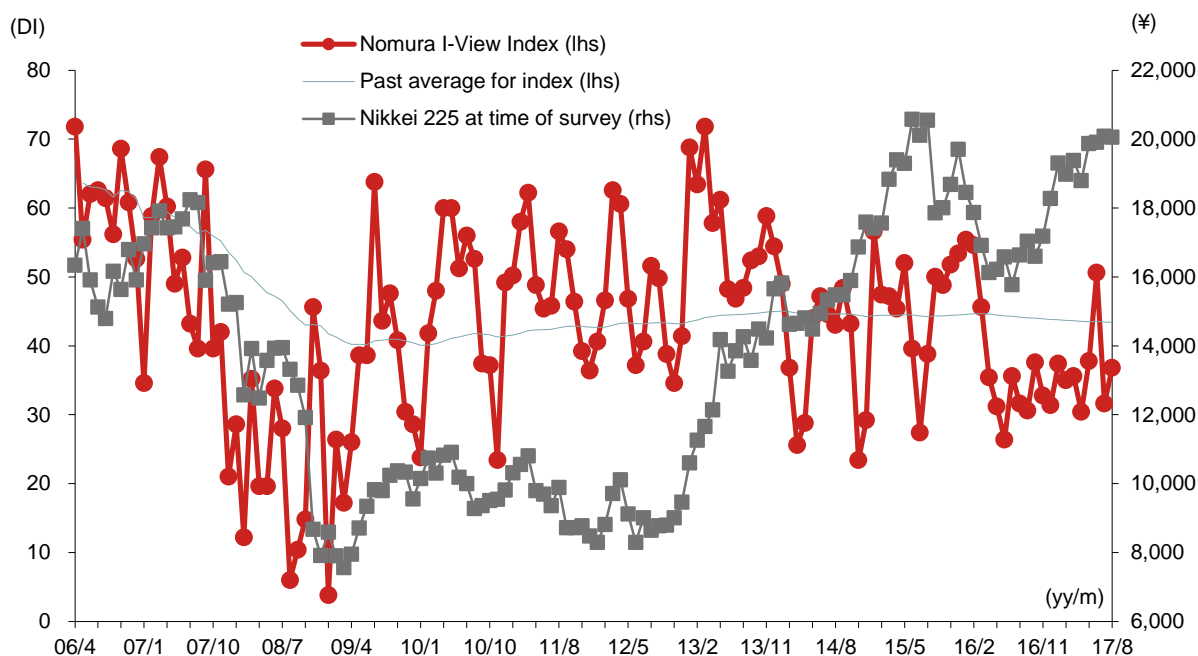
When asked what effect the BOJ reducing its ETF purchases would have on their own investment behavior, the most popular response was that the amount they invested in Japanese equities would not change (no effect), with over half of respondents (63.8%) taking this line.

2. Survey results

(1) Nomura I-View Index rises to 36.8 after falling previous month

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 36.8 in August 2017, rising m-m after having fallen the previous month. The Nikkei 225 reference level (7 August 2017 close) was 20,055.89, down 25.09 from the previous survey (10 July 2017 close of 20,080.98) (Figure 1).

Fig. 1: The Nomura I-View Index and reference level of Nikkei Average at time of survey

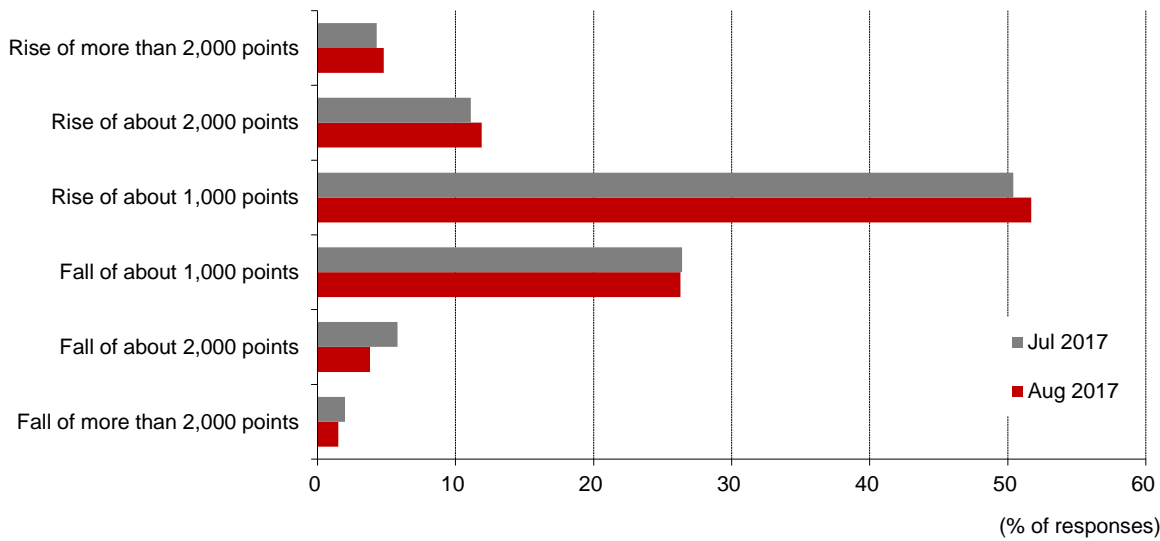


Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a DI. The calculation method is as follows: ((number of responses indicating expected rise in share prices in the next three months) minus (number of responses indicating expected fall in share prices in the next three months)) divided by number of respondents) x 100. The figure for Jan 2010 used here excludes those respondents who projected that the Nikkei Average would be flat. (2) The Nomura I-View Index ranges from -100 to +100. The closer to +100, the more bullish the outlook held by individual investors. The closer to -100, the more bearish the outlook held by individual investors.

The combined proportion of respondents expecting the Nikkei 225 to rise over the next three months was 68.4%, up 2.6ppt from 65.8% the previous month. The proportion of respondents expecting a "rise of about 1,000 points" was up 1.3ppt m-m at 51.7%, while the proportion expecting a "rise of around 2,000 points" was up 0.8ppt at 11.9%. The proportion responding "rise of more than 2,000 points" increased 0.5ppt to 4.8%.

The proportion selecting a "fall of about 1,000 points" declined 0.1ppt to 26.3%, while the proportion selecting a "fall of about 2,000 points" fell 2.0ppt to 3.8%. The proportion expecting a "fall of more than 2,000 points" declined 0.5ppt to 1.5% (Figure 2).

Fig. 2: Outlook for Nikkei Average during the next three months

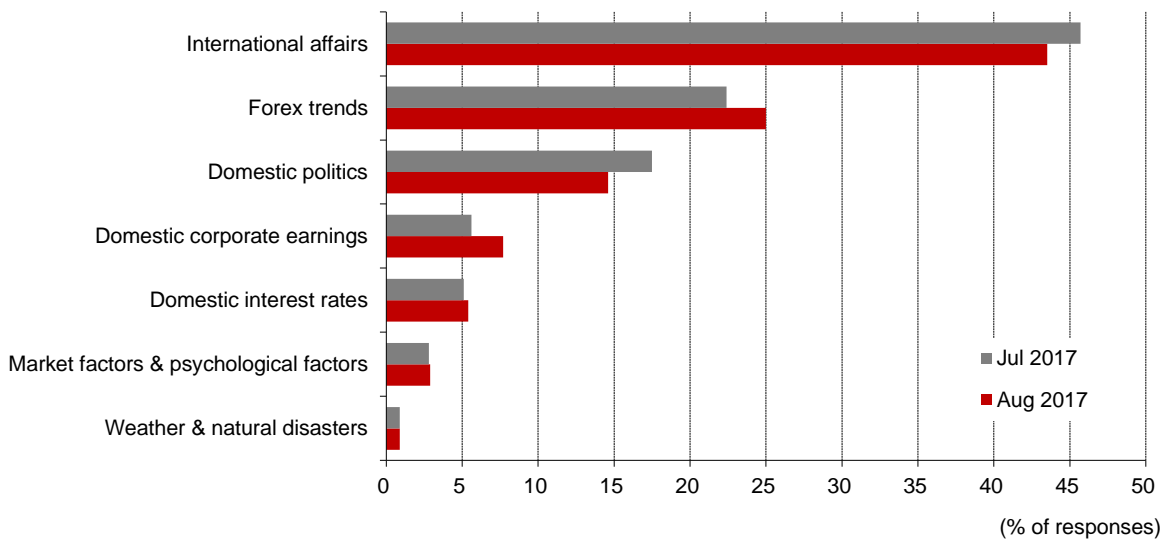


Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on the 7 August 2017 close of 20,055. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points, with 1,000-point increments in between.

(2) Greater investor interest in forex, reduced focus on domestic politics

Respondents were asked to select the factor most likely to affect the stock market over the next three months. The response rate for "forex trends" rose 2.6ppt m-m to 25.0%. Meanwhile, the response rate for "domestic politics" fell 2.9ppt m-m to 14.6%, while the response rate for "international affairs" fell 2.2ppt to 43.5% (Figure 3).

Fig. 3: Impact of factors on the stock market



Note: Respondents were asked to choose one answer from a possible seven responses concerning factors likely to impact the stock market over the next three months or so.

(3) Appeal of materials sector increases, appeal of transportation & utilities sector and financials sector falls

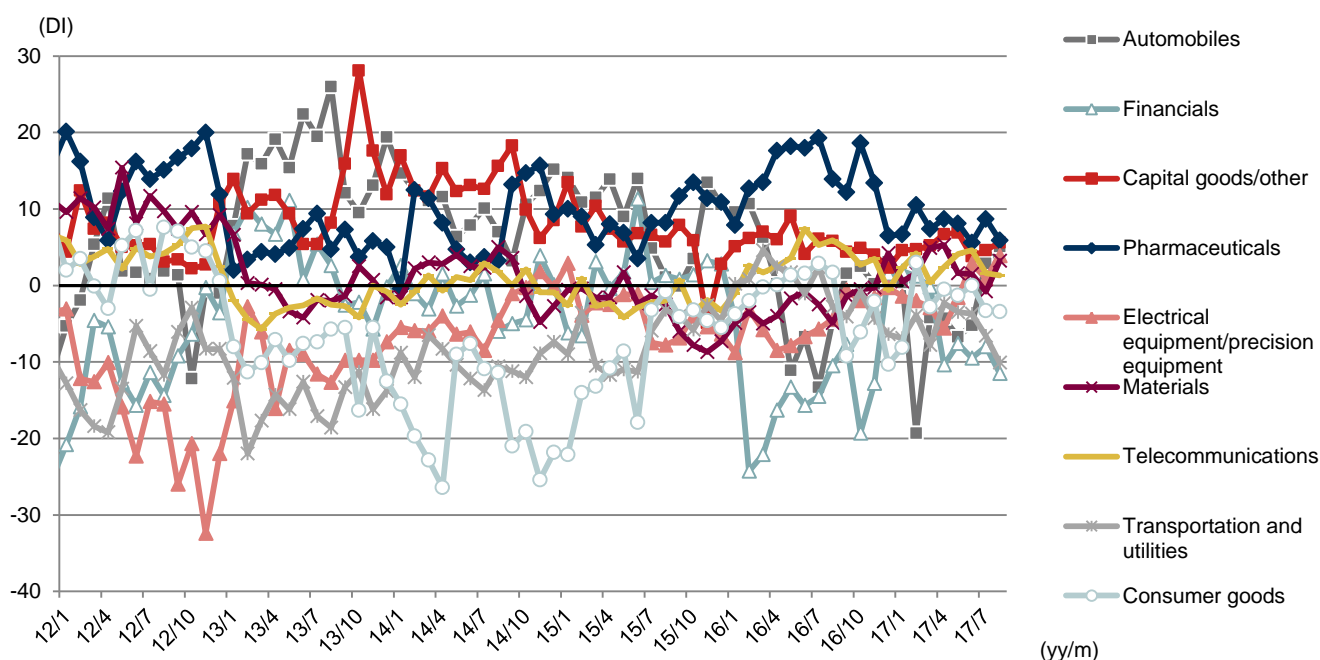
On the outlook for sectors over the next three months or so, we calculate a diffusion index (DI) by subtracting the percentage of responses for "unappealing" from that for "appealing." The DI for the materials sector rose 4.0pt m-m to 3.2. The DI for the electrical equipment/precision equipment sector rose 3.0pt m-m, after falling the previous month. Meanwhile, the DI for the transportation and utilities sector fell 3.5pt to -10.1, marking the fourth consecutive decline. The DI for the financials sector fell 3.5pt to -11.5 (Figures 4 and 5).

Fig. 4: Investment appeal by sector

| Sector | DI | Breakdown of DI (% of responses) | | (Ref) |
|--|-------|----------------------------------|-------------|-------------|
| | | Appealing | Unappealing | Previous DI |
| Pharmaceuticals | 5.9 | 12.5 | 6.6 | 8.7 |
| Capital goods/other | 5.6 | 10.8 | 5.2 | 4.6 |
| Automobiles | 5.1 | 16.3 | 11.2 | 2.9 |
| Telecommunications | 3.9 | 13.4 | 9.5 | 0.9 |
| Electrical equipment/precision equipment | 3.2 | 13.4 | 10.2 | -0.8 |
| Materials | 1.3 | 6.2 | 4.9 | 1.6 |
| Consumer goods | -3.4 | 12.9 | 16.3 | -3.3 |
| Transportation and utilities | -10.1 | 5.8 | 15.9 | -6.6 |
| Financials | -11.5 | 8.7 | 20.2 | -8.0 |

Note: Respondents were given nine sectors and asked to choose one they viewed as an appealing investment target and one they viewed as unappealing. For each sector, we calculated a DI by subtracting the percentage of responses for "unappealing" from that for "appealing." The materials sector comprises mining, textiles, paper & pulp, chemicals, oil, ceramics, steel, nonferrous metals, and trading houses. The financial sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/other sector comprises construction, machinery, shipbuilding, transportation equipment, miscellaneous manufacturing, and real estate. The transportation and utilities sector comprises railroads & buses, trucking, shipping, airlines, warehousing, electric power, and gas.

Fig. 5: Trend in DIs for selected sectors



(4) Most-watched stocks

Respondents were asked to name one stock that they would like to have in their portfolio, irrespective of short- or long-term investment horizon (including stocks actually held) or that they find appealing. We show the most popular responses in Figure 6.

Fig. 6: Name a stock with appeal (1,000 valid responses)

| Code | Company | No. of respondents | Code | Company | No. of respondents |
|------|--------------------------------|--------------------|------|---------------------------------|--------------------|
| 7203 | Toyota Motor | 99 | 9437 | NTT Docomo | 10 |
| 9984 | Softbank Group | 34 | 6502 | Toshiba | 8 |
| 4502 | Takeda Pharmaceutical | 26 | 6954 | Fanuc | 8 |
| 7201 | Nissan Motor | 20 | 8316 | Sumitomo Mitsui Financial Group | 8 |
| 8411 | Mizuho Financial Group | 19 | 4503 | Astellas Pharma | 7 |
| 8306 | Mitsubishi UFJ Financial Group | 16 | 6701 | NEC | 7 |
| 9202 | ANA Holdings | 14 | 8058 | Mitsubishi Corp | 7 |
| 4661 | Oriental Land | 13 | 9432 | Nippon Telegraph and Telephone | 7 |
| 6752 | Panasonic | 13 | 2702 | McDonald's Holdings (Japan) | 6 |
| 7261 | Mazda Motor | 13 | 2802 | Ajinomoto | 6 |
| 8267 | Aeon | 13 | 4755 | Rakuten | 6 |
| 6758 | Sony | 12 | 5411 | JFE Holdings | 6 |
| 7751 | Canon | 12 | 7974 | Nintendo | 6 |
| 6501 | Hitachi | 11 | 8473 | SBI Holdings | 6 |
| 6594 | Nidec | 11 | 8750 | Dai-ichi Life Holdings | 6 |
| 8001 | Itochu | 11 | 9020 | East Japan Railway | 6 |
| 3402 | Toray Industries | 10 | | | |

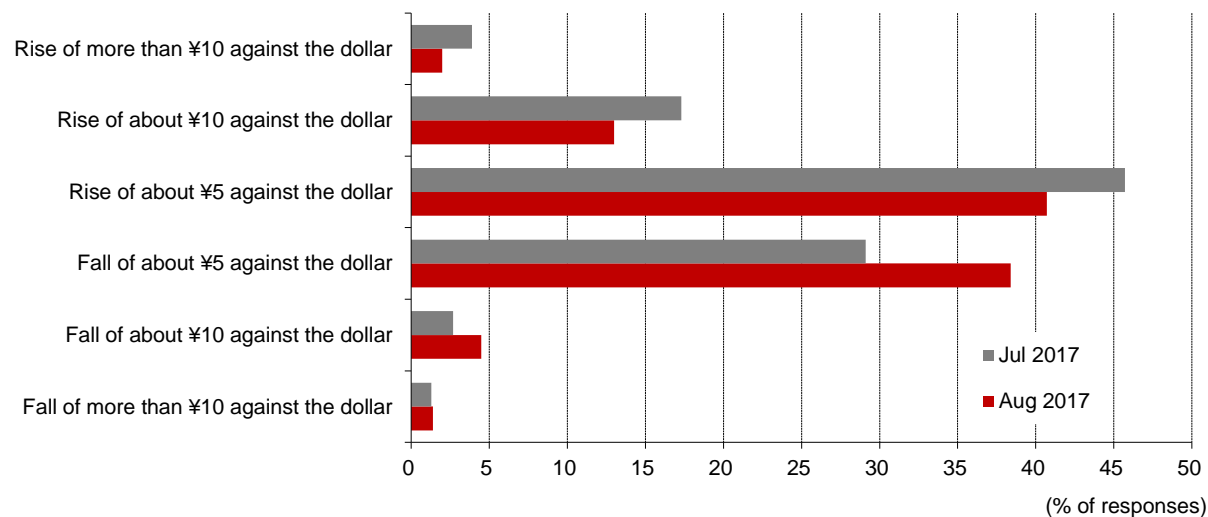
Note: Not included in valid responses were answers of "none" or clearly mistaken responses.

(5) Rise in number of investors expecting yen depreciation against US dollar

On the outlook for USD/JPY over the next three months, the combined percentage of respondents expecting the yen to depreciate against the US dollar was 44.3%, up 11.2ppt from the previous month. The response rate for "fall of about ¥5 against the dollar" rose 9.3ppt m-m to 38.4%. The response rate for "fall of about ¥10 against the dollar" rose 1.8ppt m-m to 4.5%, while that for "fall of more than ¥10 against the dollar" rose 0.1ppt m-m to 1.4%.

The response rate for "rise of about ¥5 against the dollar" fell 5.0ppt m-m to 40.7%, while that for "rise of about ¥10 against the dollar" fell 4.3ppt to 13.0%. The response rate for "rise of more than ¥10 against the dollar" fell 1.9ppt m-m to 2.0% (Figure 7).

Fig. 7: Respondents' three-month outlook for USD/JPY



Note: Respondents were asked to share their outlook for USD/JPY over the next three months, referencing a 7 August 2017 indicative rate of 110.71. They could choose one answer from six possible responses ranging from a rise of more than ¥10 against the dollar to a fall of more than ¥10 against the dollar, with ¥5 increments in between.

(6) Investment appeal of Brazilian real falls

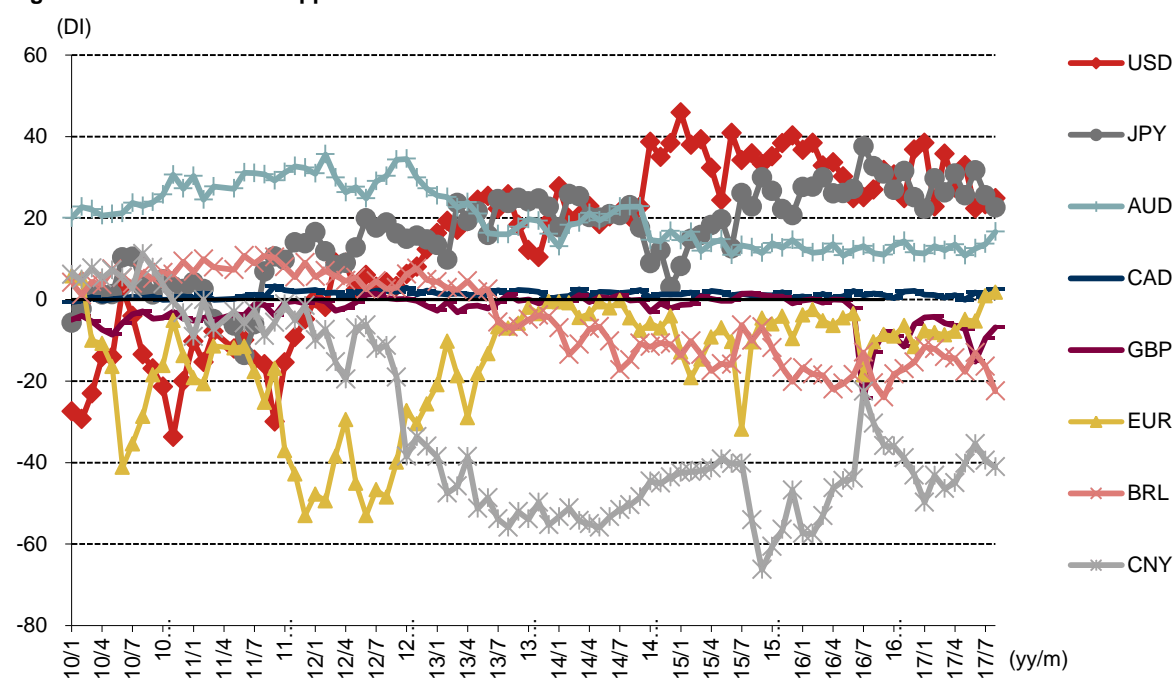
On the outlook for different currencies over the next three months, we calculate a DI for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing." This month, the DI for the Brazilian real fell 6.1pt m-m to -22.5 and the DI for the Japanese yen fell by 3.0pt to 22.6. Meanwhile, the DI for the Australian dollar rose 3.0pt to 16.6, the third consecutive rise (Figures 8 and 9).

Fig. 8: Investment appeal by currency

| Currency | DI | Breakdown of DI (% of responses) | | (Ref) Previous DI |
|-------------------|-------|----------------------------------|-------------|----------------------|
| | | Appealing | Unappealing | |
| US dollar | 24.8 | 32.7 | 7.9 | 23.3 |
| Japanese yen | 22.6 | 31.2 | 8.6 | 25.6 |
| Australian dollar | 16.6 | 17.8 | 1.2 | 13.6 |
| Canadian dollar | 2.6 | 3.3 | 0.7 | 0.6 |
| Euro | 1.8 | 7.7 | 5.9 | 0.9 |
| Pound sterling | -6.8 | 1.6 | 8.4 | -9.5 |
| Brazilian real | -22.5 | 1.3 | 23.8 | -16.4 |
| Chinese yuan | -41.1 | 2.0 | 43.1 | -39.5 |

Note: Respondents were given nine possible responses, consisting of the above eight currencies and "other," and asked to choose one they viewed as an appealing investment target and one they viewed as unappealing. Those selecting "other" were asked to specify a currency.

Fig. 9: DIs for investment appeal of selected currencies



(7) Appeal of Japanese investment trusts among financial instruments rises

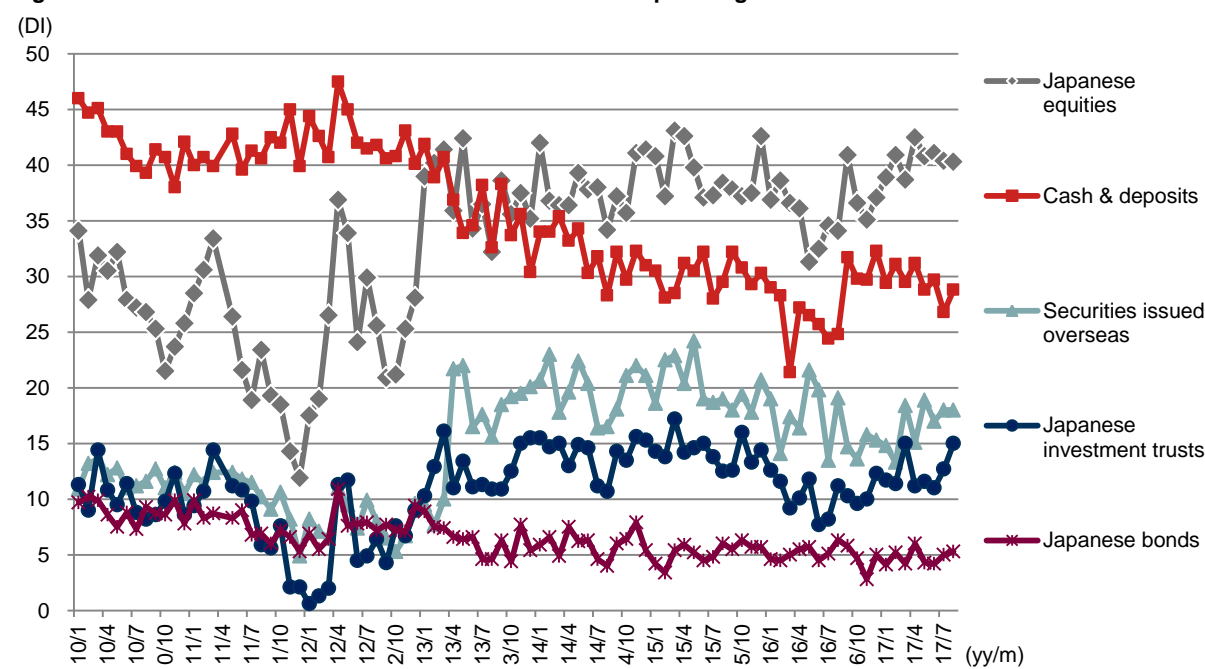
To give an indication of plans for holding financial instruments, we calculate DIs for each type of financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holdings from the percentage planning to hold the instrument for the first time or increase their holdings. The DI for Japanese investment trusts rose 2.3pt m-m to 15.0 and the DI for cash & deposits rose 2.0pt to 28.8 (Figures 10 and 11).

Fig. 10: Financial instruments for which investors are planning either to increase or to decrease their holdings

| Financial instrument | DI | Breakdown of DI (% of responses) | | (Ref) Previous DI |
|----------------------------|-------|----------------------------------|------------------|----------------------|
| | | Plan to increase | Plan to decrease | |
| Japanese equities | 40.3 | 52.1 | 11.8 | 40.4 |
| Cash & deposits | 28.8 | 34.3 | 5.5 | 26.8 |
| Japanese investment trusts | 15.0 | 21.6 | 6.6 | 12.7 |
| Foreign equities | 9.5 | 10.4 | 0.9 | 9.3 |
| Gold | 7.2 | 7.4 | 0.2 | 6.8 |
| Foreign investment trusts | 5.8 | 7.3 | 1.5 | 5.5 |
| Japanese bonds | 5.3 | 6.6 | 1.3 | 5.0 |
| Foreign bonds | 2.7 | 3.8 | 1.1 | 3.2 |
| Hybrid securities | 1.3 | 1.5 | 0.2 | 1.2 |
| Other | 0.3 | 0.6 | 0.3 | 0.6 |
| None | -47.8 | 29.1 | 76.9 | -45.0 |

Note: Respondents were given a list of 11 responses and asked to choose those financial instruments for which they planned to increase their holdings and those for which they planned to decrease their holdings (multiple responses were allowed). "Plan to increase" refers to financial instruments that investors plan to hold for the first time or for which they plan to increase their holdings, while "plan to decrease" refers to instruments that investors plan to cease holding or for which they plan to decrease their holdings. Hybrid securities and gold were added to the list of choices from the February 2012 survey. Since the April 2013 survey, we have divided the former category of "Securities issued overseas" into foreign equities, foreign investment trusts, and foreign bonds.

Fig. 11: DIs for financial instruments in which investors are planning either to increase or to decrease their holdings



Note: "Securities issued overseas" is the total for foreign equities, foreign investment trusts, and foreign bonds.

(8) Higher percentage of respondents expect prices to be unchanged one year out

When asked for their outlook for prices of regularly purchased goods and services one year out, 49.4% of respondents selected the "no change" responses, up 2.4ppt from the previous month. The response rate for the "rise" options declined 0.8ppt m-m to 36.1% and that for the "fall" options also fell, by 1.6ppt to 14.5% (Figure 12).

Fig. 12: Outlook for prices one year out

| | Choices | % of responses | (Ref) Previous % of responses |
|---|----------------------|----------------|----------------------------------|
| 1 | Fall of 5% or more | 2.2 | 1.9 |
| 2 | Fall of 2% up to 5% | 2.9 | 5.1 |
| 3 | Fall of less than 2% | 9.4 | 9.1 |
| 4 | No change (0%) | 49.4 | 47.0 |
| 5 | Rise of less than 2% | 28.4 | 27.3 |
| 6 | Rise of 2% up to 5% | 6.4 | 8.4 |
| 7 | Rise of 5% or more | 1.3 | 1.2 |
| | Total | 100 | 100 |

Note: Respondents were asked to select one response to the question: "How do you expect prices of regularly purchased goods and services to differ from current levels one year out?"

(9) Reduction in ETF purchase amount by the BOJ

For this month's spot question, we asked investors about a reduction in the Bank of Japan's ETF purchases. When asked when they thought the BOJ would reduce the amount of its ETF purchases, the most popular response was that they would not do so (41.4%), followed by 2020 or later (21.4%) and by the end of 2018 (19.6%) (Figure 13).

Fig. 13: Timescale for BOJ reducing the amount of its ETF purchases

| | Choices | No. of respondents | % of responses |
|---|--------------------------|--------------------|----------------|
| 1 | By the end of 2017 | 45 | 4.5 |
| 2 | By the end of 2018 | 196 | 19.6 |
| 3 | By the end of 2019 | 131 | 13.1 |
| 4 | 2020 or later | 214 | 21.4 |
| 5 | The BOJ will not do so | 414 | 41.4 |
| | Total no. of respondents | 1,000 | 100 |

Note: Respondents were asked to select one answer to the question: "When do you think the BOJ will reduce the amount of its ETF purchases?"

When asked what effect the BOJ reducing its ETF purchases would have on their own investment behavior, the most popular response was that the amount they invested in Japanese equities would not change, with over half of respondents (63.8%) taking this line (Figure 14).

Fig. 14: Impact of BOJ reducing its amount of ETF purchases on investor behavior

| | Choices | No. of respondents | % of responses |
|---|--|--------------------|----------------|
| 1 | Increase investment in Japanese equities | 158 | 15.8 |
| 2 | Reduce investment in Japanese equities | 204 | 20.4 |
| 3 | No change in investment in Japanese equities (no impact) | 638 | 63.8 |
| | Total no. of respondents | 1,000 | 100 |

Note: We asked investors to select which of the responses given most accurately reflected how their investment approach would be affected if the BOJ reduced its ETF purchases.

3. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, Nomura Securities conducts a monthly survey—the Nomura Individual Investor Survey. The results of the survey have been published monthly since April 2006.

Survey method: Questionnaire conducted electronically using the internet monitor questionnaire service administered by Nomura Investor Relations Co., Ltd.

Survey target: Survey sent to 3,000 individual investors randomly selected from the approximately 24,000 with equity investment experience participating in Nomura Investor Relations' internet monitor questionnaire service.

Number of responses: 1,000 (survey closed when 1,000 responses received).

Survey period: Survey distributed on 7 August, with deadline for responses on 8 August 2017.

Survey content: Questions included each month are (1) share price outlook, (2) factors expected to impact the stock market, (3) attractive sectors and stocks, (4) USD/JPY outlook and attractive currencies, (5) financial instruments for which investors plan to change their holdings, and (6) inflation outlook (since July 2013). Respondents are also asked spot questions each month and queried about their personal profiles.

4. Nomura Individual Investor Survey (August 2017) respondents

Gender: Male (83.5%), female (16.5%)

Age: Under 30 (1.0%), 30–39 (7.2%), 40–49 (19.0%), 50–59 (30.9%), 60 and above (41.9%)

Occupation: Self-employed/fisheries, agriculture, forestry (8.2%), professional (physician/medical professional, lawyer, etc) (3.2%), company management/corporate officer (3.8%), company employee/public servant (43.4%), student (0.1%), full-time homemaker (7.8%), part-time worker/casual worker/job-hopper (6.1%), unemployed/pensioner (25.7%), other (1.7%)

Region: Kanto (50.7%), Kinki (20.3%), Tokai/Koshinetsu/Hokuriku (15.0%), Hokkaido/Tohoku (4.5%), Chugoku/Shikoku/Kyushu (9.5%)

Financial assets held: Less than ¥1,000,000 (5.5%), ¥1,000,000–¥2,999,999 (8.4%), ¥3,000,000–¥4,999,999 (9.1%), ¥5,000,000–¥9,999,999 (16.2%), ¥10,000,000–¥29,999,999 (32.6%), ¥30,000,000–¥49,999,999 (12.9%), ¥50,000,000 or more (15.3%)

Value of domestic stocks held: Less than ¥500,000 (8.9%), ¥500,000–¥999,999 (10.8%), ¥1,000,000–¥2,999,999 (21.9%), ¥3,000,000–¥4,999,999 (17.0%), ¥5,000,000–¥9,999,999 (18.0%), ¥10,000,000–¥29,999,999 (17.4%), ¥30,000,000 or more (6.0%)

Investment experience: Less than three years (2.4%), three years to less than five years (6.7%), five years to less than 10 years (18.7%), 10 years to less than 20 years (34.7%), 20 years or more (37.5%)

Investment plan for domestic stocks: Mainly for long-term holding (47.5%), pursuit of gains from short-term appreciation (9.9%), pursuit of dividends and shareholder perks (28.8%), no particular plan (13.8%)

Notice

The next Nomura Individual Investor Survey (September 2017) is scheduled for release on Friday, 22 September 2017.

Any Authors named on this report are Research Analysts unless otherwise indicated

Important Disclosures

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42% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 51% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

8% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 8% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 30 June 2017.

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** As defined by the EU Market Abuse Regulation

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5% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

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The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at:

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