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Major developers earnings solid, Hulic to launch J-REIT

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The TSE REIT index keeps rising

The TSE REIT index rose 1.3% in the week spanning 1 to 8 February. However, it underperformed TOPIX and the TSE Real Estate stock index, by 1.9ppt and 0.3ppt, respectively. As of 8 February, the total market cap of all listed J-REITs was ¥3.1trn, the weighted average distribution yield 6.0% (based on company forecasts), the FFO multiple 11.3x, and the NAV multiple 0.81x (based on previous term results).

Office and diversified REITs strong; BoJ's first purchases of J-REITs in 2012

By asset class, office and diversified REITs performed well, posting a 1.6% increase. Residential rose 0.7%. As retail, logistics and hotel were also up, all the asset classes rose during the week. On 7 February, the Bank of Japan (BoJ) purchased ¥1.3bn of J-REITs for the first time in 2012. The BoJ's cumulative purchases since December 2010 are ¥67.8bn. It has ¥42.2bn left for J-REIT acquisitions.

Solid earnings at major real estate companies

Both Mitsui Fudosan (8801; ¥1,287; Buy) and Mitsubishi Estate (8802; ¥1,258; Buy) announced solid 3Q earnings on 3 February. Mitsubishi Estate raised its full-year guidance. We expect stable earnings for the real estate sector. We forecast OP at the five major companies we cover will rise 7.0% YoY in FY12 and 7.3% in FY13.

Hulic launches J-REIT business

At Hulic's (3265; ¥967; NR) results briefing on 3 February, President Saburo Nishiura mentioned that the company is launching a J-REIT business, with the aim of listing in roughly two years. According to Mr. Nishiura, total assets could temporarily swell to secure properties for the REIT. In 2012, Activia Properties, a Tokyu Land-affiliated REIT, is planning to list.

J-REIT sector valuation

We base our valuations on the FFO multiple for J-REITs. We first set the FFO multiple for Nippon Building Fund (NBF), which has the largest market capitalization in the J-REIT sector, and then set multiples for the other J-REITs by referencing historical movements relative to NBF. When setting our multiple for NBF, we look at the current vacancy rate and the level of real estate lending in light of past trends.

Risks

Downside risks in the J-REIT sector include (1) poor vacancy and rent rates caused by sluggishness/contraction in the macro economy, (2) a sharp decline in real estate lending by financial institutions, (3) an elimination of the BoJ's J-REIT purchase program, and (4) legal revisions that could have an adverse impact on J-REIT operations or accounting.

Top Picks	
Japan Prime Realty Inv. (8955.T)	Buy
¥179,800	
United Urban Investment (8960.T)	Buy
¥83,900	
Kenedix Realty Inv. (8972.T)	Buy
¥227,700	
Companies Featured	
Nippon Building Fund (8951.T)	Hold
¥686,000	
Japan Real Estate Inv. (8952.T)	Buy
¥672,000	
Japan Retail Fund Inv. (8953.T)	Hold
¥111,400	
Japan Prime Realty Inv. (8955.T)	Buy
¥179,800	
Global One REIT (8958.T)	Hold
¥522,000	
Nomura RE Office Fund (8959.T)	Buy
¥414,500	
United Urban Investment (8960.T)	Buy
¥83,900	
Kenedix Realty Inv. (8972.T)	Buy
¥227,700	
Daiwa Office Inv. (8976.T)	Buy
¥174,700	

Deutsche Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.



Solid earnings at major real estate companies

Mitsui Fudosan - Solid 3Q FY3/12 results reconfirm profit momentum

3Q FY3/12 results firm; reiterating Buy

Mitsui Fudosan has announced 3Q results. The company maintained its full-year guidance, but it appears it is making smooth earnings progress slightly above the conservative guidance. In our view, Mitsui Fudosan's earnings hit bottom in FY3/11 and shifted to growth from FY3/12. We expect continued growth in FY3/13 and beyond. We maintain our Buy rating, underpinned by the upside implied by our ¥2,200 target price.

Full-year earnings may exceed guidance

Cumulative 1-3Q FY3/12 OP reached ¥77.4bn, below year-earlier levels. However, this is because deliveries for condominiums and sales of investment properties at the housing, office buildings and land segments tend to be concentrated in 4Q. Condominium sales contracts concluded had made 92% progress toward guidance at end-December. As already announced, Nippon Building Fund (8951, ¥685,000; Hold) acquired three buildings from Mitsui Fudosan in January for a total value of about ¥18bn. Two of the properties have already been delivered. In addition, the leasing business is outperforming guidance, especially on retail properties. We accordingly think it likely that FY3/12 OP will exceed management's guidance of ¥122bn.

One of few companies likely to sustain growth in FY3/13

In addition to earnings contributions from office buildings and retail properties completed in FY3/12, we expect the condominium business will experience improved margins. We have previously stated our outlook that profit should grow in FY3/13 and beyond, but our view has strengthened after seeing 3Q results. We think the increasing desire of consumers to move to higher-grade buildings following the earthquake disaster is a positive for the company.

The current share price underestimates Mitsui Fudosan's enterprise value

Trading at a c. 50% discount to NAV, Mitsui Fudosan shares appear undervalued. We think the market is not accurately valuing the company's fundamentals. Our TP is based on a theoretical share price obtained from our residual income model (using a 5.12% CoE, 1.207 beta, and earnings estimates for three years), adjusted for after-tax unrealized gains on leased real estate.

Downside risks: a halt in the real estate investment market recovery, renewed weakness in personal consumption and investment sentiment, and further corporate cost cutting.

Mitsubishi Estate - Raises FY3/12 OP guidance: we reiterate Buy

Earthquake impact was mild in the end

Mitsubishi Estate announced an upward revision to FY3/12 guidance at 3Q results. It raised its OP projection from ¥145bn to ¥146bn. The upgrade reflects the recognition of revenue from 600 condo units in FY3/12 that it had been expecting to book in FY3/13



because of construction delays due to the earthquake. In the end, the earthquake had only a mild impact. We reiterate Buy on valuation.

Residential business sales forecast revised up by ¥33bn

Mitsubishi Estate is now able to book FY3/12 sales from 600 of 1000 units it thought it would not be able to until FY3/13 because of construction delays due to the earthquake. As a result, it announced a ¥33bn upgrade to its residential business sales guidance. This was possible because of efforts by general contractors, who were minimally impacted by the earthquake, and due to brisk post-quake condo sales.

Mitsubishi Estate's buildings employ a high level of disaster prevention measures

Outside of the residential segment, the company's other businesses are performing in-line with guidance. Of note is the noticeable vacancy rate improvement in the office market for seismically strong buildings. We expect this trend to accelerate going forward. Mitsubishi Estate's buildings, and the buildings it will be redeveloping, are equipped with high-end disaster prevention systems. We think rents could go up at its buildings as awareness of this fact grows.

Reiterating ¥2,000 target price

Trading at a discount of c. 40% to NAV, the shares appear extremely undervalued. We believe that the market is not correctly appraising Mitsubishi Estate's fundamentals. We base our TP of ¥2,000 on our residual income model (cost of equity 5.27%, beta 1.159, and three-year earnings forecasts).

Downside risks: a shift in Japan's main business district away from the Marunouchi-Otemachi area, missed investment opportunities owing to undue market pessimism, and sluggish leasing and development operations because of macroeconomic deterioration.

Our OP forecast for five major real estate companies: up 7.0% YoY in FY12

We forecast that aggregate OP at the five major real estate companies will expand 7.0% YoY in FY12 to ¥483bn. We forecast further growth of 7.3% YoY in FY13 to ¥518.2bn. OP of ¥518.2bn would more or less match the FY08 level, thereby demonstrating the earnings stability of the real estate sector (See Figure 1).

Mitsui Fudosan is set to return to profit growth in FY3/12, and Sumitomo R&D (8830; ¥1,483; Buy) did so in FY3/11. Tokyu Land (8815; ¥333; Buy) is likely to see profit dip in FY3/12 in reaction to sales profits booked in FY3/11, but we estimate that its underlying profits have returned to growth. Tokyo Tatemono (8804; ¥281; Buy) has lagged in FY12/11, but we expect profit growth to resume in FY12/12 (Figure 1. Note that since Tokyo Tatemono announces results in December, for Tokyo Tatemono this fiscal year is classified as FY12/11, and the next fiscal year as FY12/12).



Figure 1: OP forecasts for five major real estate companies

	FY08 Actual	FY09 Actual	FY10 Actual	FY11 DSF	FY12 DSF	FY13 DSF
OP (¥bn)	519.2	468.2	503.5	451.4	483.0	518.2
Mitsui Fudosan	171.5	120.6	120.1	122.9	135.9	148.3
Mitsubishi Estate	138.6	149.0	158.3	146.5	140.7	155.3
Sumitomo Realty	146.4	134.0	138.5	140.8	147.5	150.2
Tokyu Land	35.0	35.5	62.5	43.2	47.4	51.2
Tokyo Tatemono	27.7	29.2	24.1	-2.0	11.5	13.2
YoY (%)	-18.8	-9.8	7.5	-10.3	7.0	7.3
Mitsui Fudosan	-4.3	-29.7	-0.4	2.3	10.6	9.1
Mitsubishi Estate	-22.1	7.5	6.3	-7.5	-4.0	10.4
Sumitomo Realty	-5.3	-8.5	3.4	1.7	4.8	1.8
Tokyu Land	-57.4	1.4	76.2	-30.9	9.7	8.0
Tokyo Tatemono	-39.0	5.2	-17.4	-	-	14.8

Source: Company, Deutsche Securities forecasts



Hulic launches J-REIT business

Aiming for listing in two years

Securing properties for REIT

At Hulic's FY12/11 results briefing on 3 February, president Saburo Nishiura mentioned that the company is launching a J-REIT business with the aim of a listing in roughly two years. A specialist fund management division named "Strategic Planning Office" is to be established in April, and will begin carrying out day-to-day operations.

Mr. Nishiura noted his desire to create a "distinctive J-REIT" that would not be limited to Hulic's office building holdings, and mentioned the possibility of real estate from the PPP business (public-private partnerships) and the CRE solutions business (making effective use of companies' real estate holdings) being included in the REIT. He also mentioned that Hulic's total assets were likely to expand temporarily as the company secures properties for the REIT.

Hulic purchased the Ginza 7-chome office building from Recruit in January. The company has also acquired an interest in an office building in London from NTT Urban Development and Kajima.

Warehousing business continues

Hulic purchased the Multimedia Yodobashi-Camera in Kichijoji property in July 2011, and after holding the property for a short period, sold it to an SPC partially owned by United Urban Investment Corporation in December, recording a profit from the sale. Hulic already owns two properties under a similar business model, and at the results briefing Mr. Nishiura suggested that the company intends to sell those properties by March, and that REITs should be major candidates as buyers.

Activia Properties planning to list during 2012

Tokyu Land is planning to list Activia Properties, a real estate investment trust focusing on commercial facilities and office buildings, by the end of FY12 (March 2013). This would be the first listing of a J-REIT in roughly five years, since the listing of Industrial & Infrastructure Fund Investment Corporation (3249; ¥387,500; NR) in October 2007.



Reasons Kurita Water Industries is moving headquarters

Relocating from old to new buildings

[Expanding demand for buildings held by major real estate developers and J-REITs](#)

Kurita Water Industries will move to a new head office building on 1 October 2012. The company made the decision because its current headquarters building is 37 years old and has degraded to a certain extent. In an earthquake-prone country like Japan, buildings need to serve as shelters at times of emergency. In other words, management has an obligation to protect employee safety. We expect office demand to continue to increase as other companies having this viewpoint move into new buildings designed and built to higher aseismic standards.

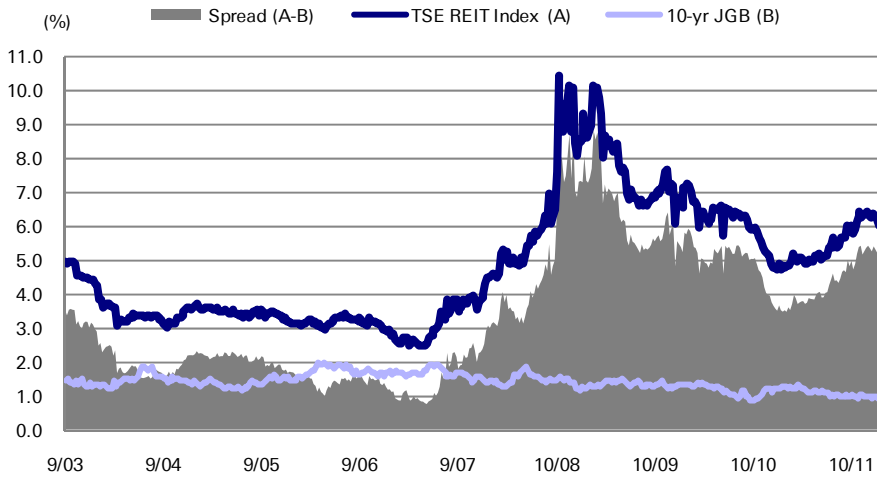
While Miki Shoji's data show only sluggish improvement, the vacancy rate for newer, large-scale buildings has clearly improved. This trend has become stronger after the Great East Japan Earthquake. The reason is that demand has increased for buildings with strong seismic resistance. This has led to an improvement in vacancies for buildings held by major real estate developers and J-REITs.

[Kurita Water Industries moving to Tokyo Tatemono's Nakano Central Park building](#)

Kurita Water Industries choose Nakano Central Park, which is now being developed by Tokyo Tatemono, for its new location. This project has been designed to meet cutting-edge safety and environmental standards so as to satisfy new tenant requirements. Tokyo Tatemono has recorded valuation losses on the project and rent levels have had to be reduced in order to attract tenants.

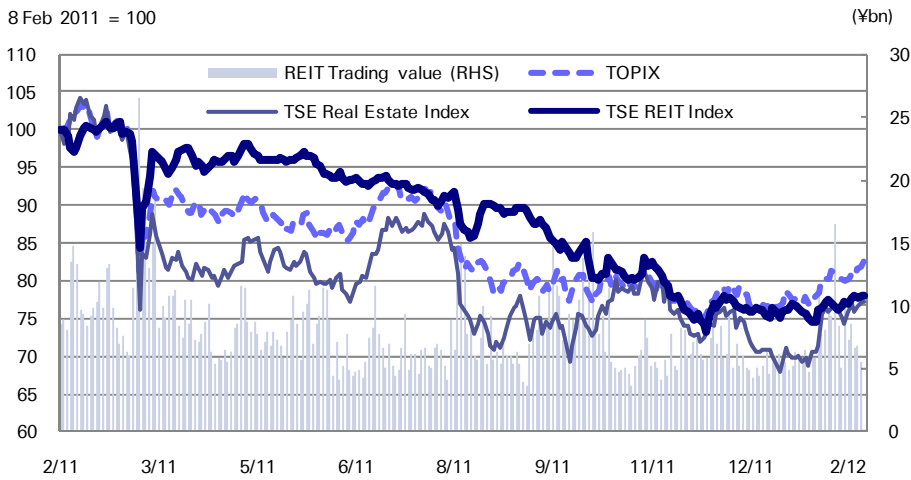


Figure 2: Dividend yields of the TSE REIT Index and 10-year JGB



Source: Bloomberg Finance LP

Figure 3: Index performance over the previous year

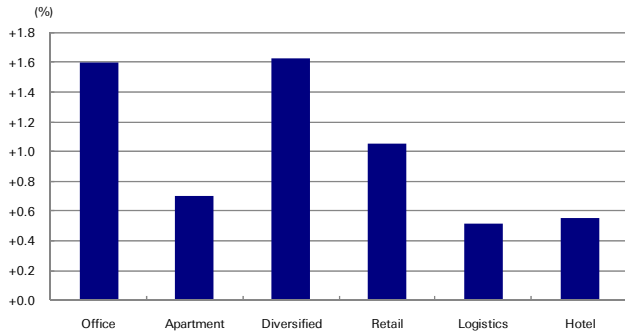


Source: Bloomberg Finance LP



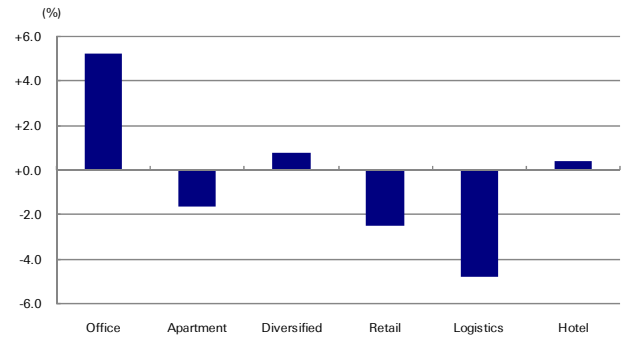
Unit price performance by asset class

Figure 4: Performance over the last week



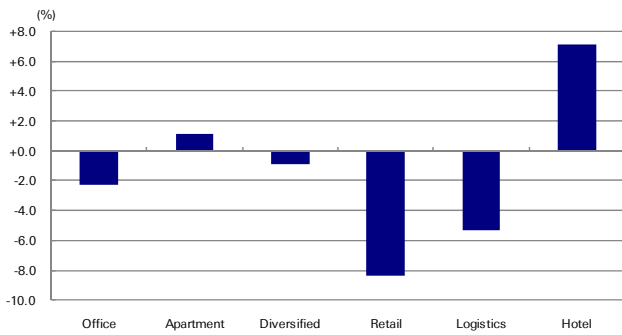
Source: Nikkei Astra, Bloomberg Finance LP

Figure 5: Performance over the last month



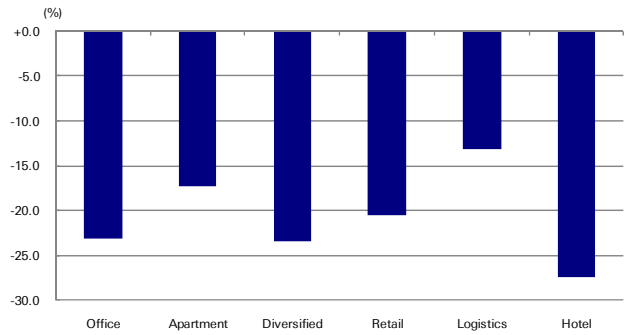
Source: Nikkei Astra, Bloomberg Finance LP

Figure 6: Performance over the last 3 months



Source: Nikkei Astra, Bloomberg Finance LP

Figure 7: Performance over the previous year



Source: Nikkei Astra, Bloomberg Finance LP



Ranking - Unit price performance

Figure 8: Performance over the last week

			Return (%)
TOPIX			3.2
TSE Real Estate Index			1.7
TSE REIT Index			1.3
Top 5			
1	OJR	(8954)	7.6
2	NRF	(3240)	4.2
3	TOP	(8982)	3.6
4	NAF	(3226)	3.3
5	JEI	(8987)	3.0
Bottom 5			
5	IIF	(3249)	-0.6
4	INV	(8963)	-0.9
3	JPR	(8955)	-1.3
2	DHR	(8984)	-1.4
1	ADR	(3269)	-1.5

Source: Bloomberg Finance LP

Figure 9: Performance over the last month

			Return (%)
TOPIX			7.2
TSE Real Estate Index			10.5
TSE REIT Index			1.4
Top 5			
1	JRE	(8952)	9.1
2	OJR	(8954)	7.1
3	NRF	(3240)	6.9
4	JEI	(8987)	6.6
5	NBF	(8951)	5.9
Bottom 5			
5	JRF	(8953)	-3.3
4	FRC	(8968)	-3.4
3	TRI	(8957)	-5.4
2	JLF	(8967)	-7.6
1	ADR	(3269)	-7.7

Source: Bloomberg Finance LP

Figure 10: Performance over the previous three months

			Return (%)
TOPIX			6.0
TSE Real Estate Index			0.0
TSE REIT Index			-2.3
Top 5			
1	JRH	(8986)	23.8
2	SHSI	(8973)	10.4
3	OJR	(8954)	9.6
4	IRE	(8975)	8.6
5	JHR	(8981)	8.3
Bottom 5			
5	ADR	(3269)	-7.7
4	FRI	(8964)	-7.9
3	NBF	(8951)	-7.9
2	JRF	(8953)	-8.6
1	INV	(8963)	-20.0

Source: Bloomberg Finance LP

Figure 11: Performance over the previous year

			Return (%)
TOPIX			-17.1
TSE Real Estate Index			-22.8
TSE REIT Index			-22.0
Top 5			
1	IIF	(3249)	1.2
2	JRH	(8986)	0.0
3	MHR	(3234)	-6.8
4	NAF	(3226)	-11.8
5	MID	(3227)	-11.9
Bottom 5			
5	JEI	(8987)	-31.9
4	PIC	(8956)	-35.1
3	KRI	(8972)	-37.4
2	DOI	(8976)	-37.8
1	INV	(8963)	-47.0

Source: Bloomberg Finance LP



Figure 12: Ranking – Market cap, trading volume, trading value

Latest price : Closing price as of 8 February 2012

Market cap (bn yen)				Recent 20-day avg. volume (units / day)				Recent 20-day avg. value (mn yen / day)			
1	NBF	(8951)	417.4	1	JRF	(8953)	4,867	1	NBF	(8951)	2,224.7
2	JRE	(8952)	328.7	2	ADR	(3269)	4,803	2	JRE	(8952)	936.9
3	JRF	(8953)	209.5	3	UUR	(8960)	3,430	3	ADR	(3269)	662.6
4	UUR	(8960)	176.5	4	NBF	(8951)	3,342	4	JRF	(8953)	537.4
5	MTR	(8961)	159.2	5	JRE	(8952)	1,448	5	UUR	(8960)	284.5
6	ADR	(3269)	148.0	6	JPR	(8955)	1,347	6	JPR	(8955)	239.6
7	JPR	(8955)	128.6	7	HRE	(8966)	1,072	7	MTR	(8961)	237.3
8	NOF	(8959)	126.5	8	INV	(8963)	1,006	8	OJR	(8954)	237.0
9	FRI	(8964)	120.3	9	JRH	(8986)	962	9	NOF	(8959)	212.8
10	NAF	(3226)	102.2	10	KRI	(8972)	944	10	TRI	(8957)	212.7
11	OJR	(8954)	99.1	11	OJR	(8954)	726	11	KRI	(8972)	210.5
12	JLF	(8967)	91.9	12	PIC	(8956)	671	12	FRI	(8964)	200.5
13	DHR	(8984)	77.1	13	MHR	(3234)	609	13	JLF	(8967)	175.5
14	DOI	(8976)	69.1	14	TRI	(8957)	553	14	PIC	(8956)	169.2
15	TRI	(8957)	65.4	15	NOF	(8959)	528	15	MHR	(3234)	154.9
16	KRI	(8972)	65.2	16	IRE	(8975)	441	16	DHR	(8984)	142.0
17	FRC	(8968)	62.8	17	DOI	(8976)	433	17	NAF	(3226)	134.1
18	JEI	(8987)	60.7	18	MTR	(8961)	374	18	JEI	(8987)	112.3
19	MHR	(3234)	58.2	19	JEI	(8987)	364	19	NRF	(3240)	92.7
20	TOP	(8982)	57.4	20	MID	(3227)	342	20	FRC	(8968)	84.8
21	NRF	(3240)	54.7	21	FRI	(8964)	327	21	TOP	(8982)	75.9
22	GOR	(8958)	50.6	22	DHR	(8984)	295	22	DOI	(8976)	72.6
23	PIC	(8956)	49.9	23	JLF	(8967)	276	23	GOR	(8958)	68.7
24	JRH	(8986)	46.8	24	NRF	(3240)	270	24	MID	(3227)	62.2
25	IIF	(3249)	36.3	25	NAF	(3226)	263	25	SHSI	(8973)	45.8
26	SHSI	(8973)	34.8	26	TOP	(8982)	215	26	HRI	(8977)	44.8
27	MID	(3227)	34.2	27	JHR	(8981)	190	27	IIF	(3249)	44.6
28	HRI	(8977)	28.6	28	FRC	(8968)	168	28	HRE	(8966)	41.2
29	HRE	(8966)	27.5	29	SPI	(8979)	165	29	JRH	(8986)	33.3
30	IRE	(8975)	25.6	30	SHSI	(8973)	156	30	JHR	(8981)	33.2
31	JHR	(8981)	18.6	31	HRI	(8977)	135	31	SPI	(8979)	16.6
32	NHF	(8985)	11.6	32	GOR	(8958)	134	32	IRE	(8975)	13.6
33	SPI	(8979)	10.8	33	IIF	(3249)	115	33	NHF	(8985)	11.3
34	INV	(8963)	8.5	34	NHF	(8985)	57	34	INV	(8963)	6.3

Source: Bloomberg Finance LP



Figure 13: Ranking – Dividend yield, P/FFO, P/NAV

Latest price : Closing price as of 8 February 2012

			Div. Yield (Co.E, F1) (%)				P/FFO (actual) (x)				P/NAV (actual) (x)
1	MID	(3227)	8.3	1	JHR	(8981)	6.8	1	INV	(8963)	0.16
2	KRI	(8972)	8.2	2	HRI	(8977)	6.9	2	JHR	(8981)	0.39
3	PIC	(8956)	8.0	3	MID	(3227)	6.9	3	DOI	(8976)	0.41
4	HRE	(8966)	7.8	4	HRE	(8966)	7.6	4	HRE	(8966)	0.45
5	SPI	(8979)	7.6	5	NHF	(8985)	7.6	5	MID	(3227)	0.50
6	NHF	(8985)	7.4	6	SPI	(8979)	7.7	6	KRI	(8972)	0.52
7	IRE	(8975)	7.2	7	PIC	(8956)	7.7	7	PIC	(8956)	0.59
8	HRI	(8977)	7.2	8	KRI	(8972)	8.3	8	GOR	(8958)	0.59
9	JEI	(8987)	7.1	9	JRF	(8953)	8.8	9	HRI	(8977)	0.59
10	JHR	(8981)	6.8	10	OJR	(8954)	9.2	10	NHF	(8985)	0.59
11	OJR	(8954)	6.8	11	DHR	(8984)	9.3	11	JRH	(8986)	0.63
12	MHR	(3234)	6.8	12	JRH	(8986)	9.3	12	TRI	(8957)	0.65
13	SHSI	(8973)	6.7	13	TOP	(8982)	9.4	13	SPI	(8979)	0.66
14	TOP	(8982)	6.7	14	SHSI	(8973)	9.5	14	JEI	(8987)	0.68
15	DHR	(8984)	6.7	15	FRC	(8968)	9.7	15	OJR	(8954)	0.69
16	NRF	(3240)	6.6	16	JEI	(8987)	9.8	16	TOP	(8982)	0.70
17	ADR	(3269)	6.6	17	NRF	(3240)	10.0	17	JLF	(8967)	0.71
18	JRF	(8953)	6.6	18	TRI	(8957)	10.1	18	JRF	(8953)	0.76
19	UUR	(8960)	6.6	19	JPR	(8955)	10.9	19	MHR	(3234)	0.77
20	JRH	(8986)	6.5	20	FRI	(8964)	10.9	20	FRC	(8968)	0.81
21	JPR	(8955)	6.5	21	DOI	(8976)	11.1	21	JPR	(8955)	0.81
22	FRC	(8968)	6.4	22	IIF	(3249)	11.4	22	NOF	(8959)	0.82
23	INV	(8963)	6.4	23	UUR	(8960)	11.7	23	UUR	(8960)	0.84
24	IIF	(3249)	6.3	24	NOF	(8959)	11.8	24	NBF	(8951)	0.85
25	TRI	(8957)	6.3	25	NAF	(3226)	12.1	25	ADR	(3269)	0.85
26	NOF	(8959)	6.0	26	ADR	(3269)	12.6	26	SHSI	(8973)	0.86
27	FRI	(8964)	6.0	27	MHR	(3234)	12.8	27	NRF	(3240)	0.87
28	MTR	(8961)	5.8	28	JLF	(8967)	13.0	28	IIF	(3249)	0.88
29	JLF	(8967)	5.6	29	MTR	(8961)	13.5	29	DHR	(8984)	0.88
30	DOI	(8976)	5.6	30	JRE	(8952)	13.5	30	FRI	(8964)	0.93
31	NAF	(3226)	5.4	31	GOR	(8958)	13.6	31	JRE	(8952)	0.95
32	GOR	(8958)	5.0	32	NBF	(8951)	13.9	32	NAF	(3226)	1.07
33	JRE	(8952)	4.7					33	MTR	(8961)	1.18
34	NBF	(8951)	4.4								

Note: Div. Yield: DPU (Company estimates are for this fiscal period, annualized) / Latest price

P/FFO: Latest price / FFO per unit as of the latest fiscal period (annualized)

P/NAV: Latest price / NAV per unit as of the latest fiscal period

Deutsche Securities has not made any adjustments to figures shown on this page.

We omit IRE (8975) from the ranking of P/FFO ratio and P/NAV ratio. FCR (8975) and the previous IRE (8983) merged on 1 November 2011 and now operate as IRE (8975).

We omit INV (8963) from the ranking of P/FFO ratio because they posted a net loss in the previous fiscal period.

Source: Nikkei Astra, Bloomberg Finance LP



Figure 14: J-REIT and real estate sector event calendar

The schedule is subject to change.

Y2012

A: Result announcement, RM: Result meeting

Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun.
30-Jan	31-Jan	1-Feb	2-Feb	3-Feb	4-Feb	5-Feb
	Tokyu Land (A) Housing starts data (Dec)			Mitsui Fudosan, Mitsubishi Estate (A)		
6-Feb	7-Feb	8-Feb	9-Feb	10-Feb	11-Feb	12-Feb
Office market data by CBRE (Jan, 6.7%)		Office market data by Building Group (Jan, Tokyo 5-wards, Large bldg. 8.15%) Office market data by Sanko Estate (Jan) (Jan, Large Bldg., 6.39%)	Sumitomo R&D (A) BoJ bank lending data (end-Dec) Office data by Miki (Vacancy rate, Jan)			
13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
FRI (A)	NBF, JEI (A) FRI (RM)	IIF (A) NBF, JEI (RM)	MID (A) IIF (RM)	MID (RM)		
	Tokyo Tatemono (A)		Condo market data by REEI (Jan)			
20-Feb	21-Feb	22-Feb	23-Feb	24-Feb	25-Feb	26-Feb
		INV (A)	INV (RM)			
Tokyo Tatemono (RM)						
27-Feb	28-Feb	29-Feb	1-Mar	2-Mar	3-Mar	4-Mar
		JPR (A)	JPR (RM)			
		Housing starts data (Jan)				
5-Mar	6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar

Meetings	Date, Time	Place
FRI(8964)	14 Feb, 15:30-	Bellesalle Yaesu, Yaesu First Financial Bldg. 2F
NBF(8951)	15 Feb, 10:00-	Nomura Securities Nihonbashi Head Office 7F
JEI(8987)	15 Feb, 15:30-	Seminar room, Mizuho Securities, JA Bldg. 15F
IIF(3249)	16 Feb, 15:00-	Bellesalle Yaesu, Yaesu First Financial Bldg. 2F
MID(3227)	17 Feb, 16:00-	Nomura Securities HQ (7F)
INV(8963)	23 Feb, 15:30-	SMBC Nikko Securities (Shin Marunouchi Building 20F)
JPR(8955)	1 Mar, 16:30-	Otemachi First Square West 23F

Source: Company, CB Richard Ellis, Building Group, Sanko Estate, Miki Shoji, REEI (Real Estate Economic Institute), BoJ, Ministry of Land, Infrastructure, Transport and Tourism

Figure 15: Valuation (by market cap)

Based on the closing price as of 8 February, 2012 or actual figures as of the latest fiscal period

Ticker	Abbrev.	Asset type	Unit price (yen)	Market cap (bn yen)	Latest FP end (mm/yy)	Co.E (F1)	Actual	Co.E (F1)	P/FFO (x)	FFO payout (%)	P/NAV (x)	NOI yield (%)	LTV (%)	Occu-pancy (%)	Unit price performance (%)				52-week highest / lowest price (yen)		
						Div. Yield (%)	DPU (yen)	DPU (yen)							1m	3m	6m	1y	High	Low	
TOPIX			782.34													7	6	0	-17	976.28	703.88
TSE Real Estate Index			695.90													11	0	0	-23	944.26	610.04
TSE REIT Index			858.46													1	-2	-11	-22	1,111.71	805.04
1	8951	NBF	Office	686,000	417.4	6/11	4.4	15,138	15,100	13.9	61.3	0.9	4.5	47.5	95.6	6	-8	-11	-20	868,000	614,000
2	8952	JRE	Office	672,000	328.7	9/11	4.7	15,850	15,700	13.5	63.8	1.0	4.6	47.4	94.6	9	3	-11	-19	850,000	591,000
3	8953	JRF	Retail	111,400	209.5	8/11	6.6	3,259	3,659	8.8	51.7	0.8	5.1	53.7	99.6	-3	-9	-2	-22	149,000	105,800
4	8960	UUR	Dvrs	83,900	176.5	11/11	6.6	2,750	2,750	11.7	76.7	0.8	5.5	52.9	96.2	-2	-3	-6	-23	110,500	76,500
5	8961	MTR	Dvrs	658,000	159.2	9/11	5.8	18,819	19,200	13.5	77.2	1.2	5.1	50.3	99.5	4	-4	-17	-22	870,000	590,000
6	3269	ADR	Aptmt	135,800	148.0	7/11	6.6	4,500	4,500	12.6	83.2	0.9	5.4	54.3	96.3	-8	-8	-6	-19	173,200	110,100
7	8955	JPR	Office	179,800	128.6	6/11	6.5	5,611	5,800	10.9	67.7	0.8	4.8	50.1	94.7	0	-3	-9	-18	239,400	160,000
8	8959	NOF	Office	414,500	126.5	10/11	6.0	14,837	12,400	11.8	84.6	0.8	4.4	51.1	96.4	2	1	-15	-28	604,000	370,500
9	8964	FRI	Retail	620,000	120.3	6/11	6.0	18,478	18,500	10.9	65.1	0.9	5.8	48.4	100.0	-1	-8	-8	-18	800,000	555,000
10	3226	NAF	Aptmt	525,000	102.2	8/11	5.4	13,508	14,100	12.1	62.4	1.1	5.1	53.0	95.5	-3	0	-12	-12	628,000	471,000
11	8954	OJR	Dvrs	348,500	99.1	8/11	6.8	12,571	11,800	9.2	66.4	0.7	4.7	53.6	97.2	7	10	-12	-32	513,000	305,500
12	8967	JLF	Logis	621,000	91.9	7/11	5.6	15,991	17,400	13.0	66.8	0.7	6.5	29.5	99.9	-8	-6	-11	-19	772,000	550,000
13	8984	DHR	Aptmt	480,000	77.1	8/11	6.7	16,320	16,000	9.3	62.9	0.9	5.0	62.1	96.2	-1	8	-4	-20	603,000	403,000
14	8976	DOI	Office	174,700	69.1	11/11	5.6	4,464	4,850	11.1	56.7	0.4	3.5	37.4	92.4	5	-2	-30	-38	297,400	152,000
15	8957	TRI	Dvrs	386,000	65.4	7/11	6.3	13,239	12,200	10.1	69.3	0.6	4.7	50.3	98.5	-5	-6	-14	-30	575,000	339,500
16	8972	KRI	Office	227,700	65.2	10/11	8.2	9,596	9,300	8.3	69.6	0.5	4.7	44.5	94.7	0	4	-16	-37	388,000	207,000
17	8968	FRC	Dvrs	510,000	62.8	8/11	6.4	16,922	16,300	9.7	64.1	0.8	5.9	52.6	99.6	-3	1	-10	-16	639,000	465,000
18	8987	JEI	Office	322,000	60.7	6/11	7.1	12,000	11,400	9.8	73.2	0.7	4.7	49.5	92.4	7	2	-17	-32	486,500	295,100
19	3234	MHR	Dvrs	251,300	58.2	7/11	6.8	8,352	8,500	12.8	85.2	0.8	3.5	51.9	94.9	-1	-1	-4	-7	295,000	195,500
20	8982	TOP	Dvrs	370,000	57.4	10/11	6.7	12,809	12,400	9.4	65.2	0.7	5.0	53.7	97.3	5	-1	-14	-27	533,000	333,000
21	3240	NRF	Aptmt	362,500	54.7	11/11	6.6	11,770	12,018	10.0	64.8	0.9	5.1	53.9	96.8	7	-4	-9	-23	500,000	308,000
22	8958	GOR	Office	522,000	50.6	9/11	5.0	11,167	13,000	13.6	58.2	0.6	3.7	49.5	94.4	2	-6	-24	-30	784,000	479,000
23	8956	PIC	Dvrs	253,600	49.9	10/11	8.0	9,345	10,140	7.7	56.9	0.6	4.2	56.2	89.3	1	1	-21	-35	401,500	237,100
24	8986	JRH	Aptmt	35,200	46.8	9/11	6.5	1,101	1,150	9.3	58.2	0.6	5.3	46.2	96.2	4	24	7	0	38,600	26,760
25	3249	IIF	Logis	387,500	36.3	6/11	6.3	10,919	12,285	11.4	64.0	0.9	4.8	60.6	99.9	2	-4	3	1	438,500	321,000
26	8973	SHSI	Aptmt	302,000	34.8	9/11	6.7	10,045	10,150	9.5	63.2	0.9	5.0	51.9	97.3	-1	10	-9	-21	386,500	259,200
27	3227	MID	Office	186,400	34.2	6/11	8.3	7,605	7,715	6.9	56.7	0.5	4.7	46.7	97.4	1	-1	-8	-12	253,700	165,000
28	8977	HRI	Dvrs	335,000	28.6	11/11	7.2	12,688	12,000	6.9	52.3	0.6	4.8	53.8	99.4	1	-7	-12	-19	470,000	318,000
29	8966	HRE	Aptmt	39,500	27.5	11/11	7.8	1,574	1,550	7.6	60.9	0.4	4.8	47.2	95.1	5	-1	-9	-25	55,000	35,500
30	8975	IRE	Dvrs	30,400	25.6	10/11	7.2	7,220	1,100				-1	9	10	-15			42,929	25,000	
31	8981	JHR	Hotel	175,600	18.6	8/11	6.8	8,722	12,017	6.8	33.5	0.4	4.7	45.8	100.0	1	8	2	-30	259,100	150,100
32	8985	NHF	Hotel	200,000	11.6	9/11	7.4	8,502	7,400	7.6	65.0	0.6	5.7	48.6	99.5	0	5	-11	-23	292,100	176,100
33	8979	SPI	Aptmt	99,900	10.8	10/11	7.6	3,749	3,780	7.7	57.9	0.7	6.0	53.9	96.2	-2	0	-9	-18	129,800	95,100
34	8963	INV	Aptmt	6,290	8.5	6/11	6.4	200	200			0.2	4.4	60.0	91.2	1	-20	-50	-47	12,830	6,060
Total				3,062.2			6.0			11.3	65.5	0.8	4.8	49.5	97.2	2	-2	-10	-22		
Weighted average				173.3			6.0			11.3	65.5	0.8	4.8	49.5	97.2	2	-2	-10	-22		

Note: Deutsche Securities officially covers: NBF (8951, Hold rating), JRE (8952, Buy), JRF (8953, Hold), JPR (8955, Buy), GOR (8958, Hold), NOF (8959, Buy), UUR (8960, Buy), KRI (8972, Buy), DOI (8976, Buy). Other companies are not covered by us.

Deutsche Securities has not made any adjustments to figures shown on this page. LTV is based on interest bearing debts including tenants' deposits.

For IRE (8975), most data is omitted. FCR (8975) and the previous IRE (8983) merged on 1 November 2011 and now operate as IRE (8975). For INV (8963), the P/FFO ratio and FFO payout ratio are omitted because the company posted a net loss in the previous fiscal period.

Source: Nikkei Astra, Bloomberg Finance LP



Figure 16: Valuation (by asset class 1)

Based on the closing price as of 8 February, 2012 or actual figures as of the latest fiscal period

Ticker	Abbrev.	Asset type	Unit price (yen)	Market cap (bn yen)	Latest FP end (mm/yy)	Co.E (F1)	Actual	Co.E (F1)	P/FFO (x)	FFO payout (%)	P/NAV (x)	NOI yield (%)	LTV (%)	Occu-pancy (%)	Unit price performance (%)				52-week highest / lowest price (yen)		
						Div. Yield (%)	DPU (yen)	DPU (yen)							1m	3m	6m	1y	High	Low	
Office				1,281.2		5.3			12.5	65.4	0.8	4.5	47.5	95.0	5	-2	-13	-23			
Apartment				510.4		6.5			10.8	68.4	0.8	5.2	54.0	95.9	-2	1	-7	-17			
Diversified				782.6		6.6			10.6	69.0	0.8	4.8	50.7	96.4	1	-1	-11	-23			
Retail				329.7		6.3			9.6	56.6	0.8	5.3	51.7	99.7	-3	-8	-4	-21			
Logistics				128.2		5.8			12.5	66.0	0.8	6.0	38.3	99.9	-5	-5	-7	-13			
Hotel				30.2		7.1			7.1	45.6	0.5	5.1	46.9	99.8	0	7	-3	-27			
1	8951	NBF	Office	686,000	417.4	6/11	4.4	15,138	15,100	13.9	61.3	0.9	4.5	47.5	95.6	6	-8	-11	-20	868,000	614,000
2	8952	JRE	Office	672,000	328.7	9/11	4.7	15,850	15,700	13.5	63.8	1.0	4.6	47.4	94.6	9	3	-11	-19	850,000	591,000
3	8955	JPR	Office	179,800	128.6	6/11	6.5	5,611	5,800	10.9	67.7	0.8	4.8	50.1	94.7	0	-3	-9	-18	239,400	160,000
4	8958	GOR	Office	522,000	50.6	9/11	5.0	11,167	13,000	13.6	58.2	0.6	3.7	49.5	94.4	2	-6	-24	-30	784,000	479,000
5	8959	NOF	Office	414,500	126.5	10/11	6.0	14,837	12,400	11.8	84.6	0.8	4.4	51.1	96.4	2	1	-15	-28	604,000	370,500
6	8972	KRI	Office	227,700	65.2	10/11	8.2	9,596	9,300	8.3	69.6	0.5	4.7	44.5	94.7	0	4	-16	-37	388,000	207,000
7	8976	DOI	Office	174,700	69.1	11/11	5.6	4,464	4,850	11.1	56.7	0.4	3.5	37.4	92.4	5	-2	-30	-38	297,400	152,000
8	8987	JEI	Office	322,000	60.7	6/11	7.1	12,000	11,400	9.8	73.2	0.7	4.7	49.5	92.4	7	2	-17	-32	486,500	295,100
9	3227	MID	Office	186,400	34.2	6/11	8.3	7,605	7,715	6.9	56.7	0.5	4.7	46.7	97.4	1	-1	-8	-12	253,700	165,000
Office		Total		1,281.2																	
		Weighted average		258.6		5.3				12.5	65.4	0.8	4.5	47.5	95.0	5	-2	-13	-23		
1	8963	INV	Aptmt	6,290	8.5	6/11	6.4	200	200			0.2	4.4	60.0	91.2	1	-20	-50	-47	12,830	6,060
2	8966	HRE	Aptmt	39,500	27.5	11/11	7.8	1,574	1,550	7.6	60.9	0.4	4.8	47.2	95.1	5	-1	-9	-25	55,000	35,500
3	8973	SHSI	Aptmt	302,000	34.8	9/11	6.7	10,045	10,150	9.5	63.2	0.9	5.0	51.9	97.3	-1	10	-9	-21	386,500	259,200
4	8979	SPI	Aptmt	99,900	10.8	10/11	7.6	3,749	3,780	7.7	57.9	0.7	6.0	53.9	96.2	-2	0	-9	-18	129,800	95,100
5	8984	DHR	Aptmt	480,000	77.1	8/11	6.7	16,320	16,000	9.3	62.9	0.9	5.0	62.1	96.2	-1	8	-4	-20	603,000	403,000
6	8986	JRH	Aptmt	35,200	46.8	9/11	6.5	1,101	1,150	9.3	58.2	0.6	5.3	46.2	96.2	4	24	7	0	38,600	26,760
7	3226	NAF	Aptmt	525,000	102.2	8/11	5.4	13,508	14,100	12.1	62.4	1.1	5.1	53.0	95.5	-3	0	-12	-12	628,000	471,000
8	3240	NRF	Aptmt	362,500	54.7	11/11	6.6	11,770	12,018	10.0	64.8	0.9	5.1	53.9	96.8	7	-4	-9	-23	500,000	308,000
9	3269	ADR	Aptmt	135,800	148.0	7/11	6.6	4,500	4,500	12.6	83.2	0.9	5.4	54.3	96.3	-8	-8	-6	-19	173,200	110,100
Apartment		Total		510.4																	
		Weighted average		89.4		6.5				10.8	68.4	0.8	5.2	54.0	95.9	-2	1	-7	-17		

Note: Deutsche Securities officially covers: NBF (8951, Hold rating), JRE (8952, Buy), JRF (8953, Hold), JPR (8955, Buy), GOR (8958, Hold), NOF (8959, Buy), UUR (8960, Buy), KRI (8972, Buy), DOI (8976, Buy). Other companies are not covered by us.
 Deutsche Securities has not made any adjustments to figures shown on this page. LTV is based on interest bearing debts including tenants' deposits.
 For INV (8963), the P/FFO ratio and FFO payout ratio are omitted because the company posted a net loss in the previous fiscal period.
 Source: Nikkei Astra, Bloomberg Finance LP



Figure 17: Valuation (by asset class 2)

Based on the closing price as of 8 February, 2012 or actual figures as of the latest fiscal period

Ticker	Abbrev.	Asset type	Unit price (yen)	Market cap (bn yen)	Latest FP end (mm/yy)	Co.E (F1)	Actual	Co.E (F1)	P/FFO (x)	FFO payout (%)	P/NAV (x)	NOI yield (%)	LTV (%)	Occu-pancy (%)	Unit price performance (%)				52-week highest / lowest price (yen)		
						Div. Yield (%)	DPU (yen)	DPU (yen)							1m	3m	6m	1y	High	Low	
1	3234	MHR	Dvrs	251,300	58.2	7/11	6.8	8,352	8,500	12.8	85.2	0.8	3.5	51.9	94.9	-1	-1	-4	-7	295,000	195,500
2	8954	OJR	Dvrs	348,500	99.1	8/11	6.8	12,571	11,800	9.2	66.4	0.7	4.7	53.6	97.2	7	10	-12	-32	513,000	305,500
3	8956	PIC	Dvrs	253,600	49.9	10/11	8.0	9,345	10,140	7.7	56.9	0.6	4.2	56.2	89.3	1	1	-21	-35	401,500	237,100
4	8957	TRI	Dvrs	386,000	65.4	7/11	6.3	13,239	12,200	10.1	69.3	0.6	4.7	50.3	98.5	-5	-6	-14	-30	575,000	339,500
5	8960	UUR	Dvrs	83,900	176.5	11/11	6.6	2,750	2,750	11.7	76.7	0.8	5.5	52.9	96.2	-2	-3	-6	-23	110,500	76,500
6	8961	MTR	Dvrs	658,000	159.2	9/11	5.8	18,819	19,200	13.5	77.2	1.2	5.1	50.3	99.5	4	-4	-17	-22	870,000	590,000
7	8968	FRC	Dvrs	510,000	62.8	8/11	6.4	16,922	16,300	9.7	64.1	0.8	5.9	52.6	99.6	-3	1	-10	-16	639,000	465,000
8	8975	IRE	Dvrs	30,400	25.6	10/11	7.2	7,220	1,100							-1	9	10	-15	42,929	25,000
9	8977	HRI	Dvrs	335,000	28.6	11/11	7.2	12,688	12,000	6.9	52.3	0.6	4.8	53.8	99.4	1	-7	-12	-19	470,000	318,000
10	8982	TOP	Dvrs	370,000	57.4	10/11	6.7	12,809	12,400	9.4	65.2	0.7	5.0	53.7	97.3	5	-1	-14	-27	533,000	333,000
Diversified		Total	782.6																		
		Weighted average	108.8				6.6			10.6	69.0	0.8	4.8	50.7	96.4	1	-1	-11	-23		
1	8953	JRF	Retail	111,400	209.5	8/11	6.6	3,259	3,659	8.8	51.7	0.8	5.1	53.7	99.6	-3	-9	-2	-22	149,000	105,800
2	8964	FRI	Retail	620,000	120.3	6/11	6.0	18,478	18,500	10.9	65.1	0.9	5.8	48.4	100.0	-1	-8	-8	-18	800,000	555,000
Retail		Total	329.7																		
		Weighted average	176.9				6.3			9.6	56.6	0.8	5.3	51.7	99.7	-3	-8	-4	-21		
1	8967	JLF	Logis	621,000	91.9	7/11	5.6	15,991	17,400	13.0	66.8	0.7	6.5	29.5	99.9	-8	-6	-11	-19	772,000	550,000
2	3249	IIF	Logis	387,500	36.3	6/11	6.3	10,919	12,285	11.4	64.0	0.9	4.8	60.6	99.9	2	-4	3	1	438,500	321,000
Logistics		Total	128.2																		
		Weighted average	76.2				5.8			12.5	66.0	0.8	6.0	38.3	99.9	-5	-5	-7	-13		
1	8981	JHR	Hotel	175,600	18.6	8/11	6.8	8,722	12,017	6.8	33.5	0.4	4.7	45.8	100.0	1	8	2	-30	259,100	150,100
2	8985	NHF	Hotel	200,000	11.6	9/11	7.4	8,502	7,400	7.6	65.0	0.6	5.7	48.6	99.5	0	5	-11	-23	292,100	176,100
Hotel		Total	30.2																		
		Weighted average	15.9				7.1			7.1	45.6	0.5	5.1	46.9	99.8	0	7	-3	-27		

Note: Deutsche Securities officially covers; NBF (8951, Hold rating), JRE (8952, Buy), JRF (8953, Hold), JPR (8955, Buy), GOR (8958, Hold), NOF (8959, Buy), UUR (8960, Buy), KRI (8972, Buy), DOI (8976, Buy). Other companies are not covered by us.
 Deutsche Securities has not made any adjustments to figures shown on this page. LTV is based on interest bearing debts including tenants' deposits.
 For IRE (8975), most data is omitted. FCR (8975) and the previous IRE (8983) merged on 1 November 2011 and now operate as IRE (8975).
 Source: Nikkei Astra, Bloomberg Finance LP





Figure 18: Code, name and end of fiscal period

Code	Ticker	Name	Fiscal period
NBF	8951	Nippon Building Fund Inc.	Jun / Dec
JRE	8952	Japan Real Estate Investment Corporation	Mar / Sep
JRF	8953	Japan Retail Fund Investment Corporation	Feb / Aug
OJR	8954	ORIX JREIT Inc.	Feb / Aug
JPR	8955	Japan Prime Realty Investment Corporation	Jun / Dec
PIC	8956	Premier Investment Corporation	Apr / Oct
TRI	8957	TOKYU REIT, Inc.	Jan / Jul
GOR	8958	Global One Real Estate Investment Corp.	Mar / Sep
NOF	8959	Nomura Real Estate Office Fund, Inc.	Apr / Oct
UUR	8960	United Urban Investment Corporation	May / Nov
MTR	8961	MORI TRUST Sogo Reit, Inc.	Mar / Sep
INV	8963	Invincible Investment Corporation	Jun / Dec
FRI	8964	Frontier Real Estate Investment Corporation	Jun / Dec
HRE	8966	HEIWA REAL ESTSTE REIT, Inc	May / Nov
JLF	8967	Japan Logistics Fund, Inc.	Jan / Jul
FRC	8968	Fukuoka REIT Corporation	Feb / Aug
KRI	8972	Kenedix Realty Investment Corporation	Apr / Oct
SHSI	8973	Sekisui House SI Investment Corporation	Mar / Sep
IRE	8975	Ichigo Real Estate Investment Corporation	Apr / Oct
DOI	8976	Daiwa Office Investment Corporation	May / Nov
HRI	8977	Hankyu REIT, Inc.	May / Nov
SPI	8979	Starts Proceed Investment Corporation	Apr / Oct
JHR	8981	Japan Hotel and Resort, Inc.	Aug
TOP	8982	TOP REIT, Inc.	Apr / Oct
DHR	8984	Daiwa House Residential Investment Corporation	Feb / Aug
NHF	8985	Nippon Hotel Fund Investment Corporation	Mar / Sep
JRH	8986	Japan Rental Housing Investments Inc.	Mar / Sep
JEI	8987	Japan Excellent, Inc.	Jun / Dec
NAF	3226	Nippon Accommodation Fund Inc.	Feb / Aug
MID	3227	MID REIT, Inc.	Jun / Dec
MHR	3234	Mori Hills REIT Investment Corporation	Jan / Jul
NRF	3240	Nomura Real Estate Residential Fund, Inc.	May / Nov
IIF	3249	Industrial & Infrastructure Fund Investment Corporation	Jun / Dec
ADR	3269	Advance Residence Investment Corporation	Jan / Jul

Source: Company



Appendix 1

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Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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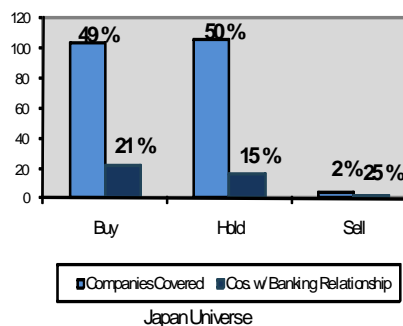
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Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

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