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# Nikkei snaps 3-day winning streak; yen strength weighs on corporate profits

TOKYO | BY JOSHUA HUNT



May 12 Japanese shares fell for the first time in four days on Thursday as appetite for riskier assets was hurt by a decline on Wall Street and dismal earnings and forecasts from Japan Inc.

The Nikkei share average declined 0.4 percent to 16,510.81 points by late morning, putting the benchmark index on course to end a three-day winning streak.

"The strength of the yen against other G7 currencies continues to be a concern," said Martin King, co-managing director at Tyton Capital Advisors.

The yen edged away from a two-week low against the U.S. dollar on Thursday and failed to test a major psychological level of 110 yen per dollar, hurting sentiment.

Investor sentiment soured further after the Dow Jones industrial average suffered its worst day since February on Wednesday as soft quarterly reports from Walt Disney, Macy's and other major shares undermined confidence across the consumer sector.

Market players said investors were also concerned about a raft of dismal company earnings forecasts that have emerged during a week of quarterly reports following a period of sustained yen strength, which cuts deeply into exporters' profit outlook.

"We're beginning to see that guidance from exporters have been on many occasions quite shocking, forecasting in some cases declines in profit of 20 to 50 percent in the coming year," said Stefan Worrall, director of Japan equity sales at Credit Suisse.

"People are really shocked to see such low forecasts for shares that have seen record or double-digit growth in recent years and at first many felt they were overly conservative. But after the yen strength we've seen recently, some of these forecasts suddenly don't look so conservative after all."

Mitsubishi Motors Corp shares were untraded with a glut of buy orders, but the stock was indicated 16 percent higher at its daily limit after the automaker and Nissan Motor Co confirmed they were discussing a possible capital tie-up in the wake of Mitsubishi's fuel-economy test rigging scandal. Shares of Nissan Motor Co were 1.8 percent lower.

Toyota Motor Corp ended the morning session 2.9 percent lower after the automaker forecasted a 40 percent decline in operating profit for the current fiscal year due to the sharp appreciation of the yen, ending three straight years of record profits driven by a weaker currency.

Bridgestone Corp also weighed on the index, tumbling 5.8 percent after booking a 20.7 percent decline in net profit for the quarter ending in March. The tire exporter also blamed a stronger yen for its disappointing performance.

The broader Topix fell 0.5 percent to 1,327.62 and the JPX-Nikkei Index 400 declined 0.5 percent to 12,002.94. (Reporting by Joshua Hunt; Editing by Kim Coghill)



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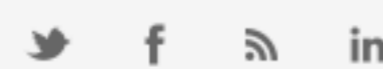
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