Sony Postpones PlayStation 3 Release

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TOKYO - Sony will put off the release of its much awaited PlayStation 3 console until November from its planned spring debut because of delays in finalizing its next-generation optical disc technology, the company said Wednesday.

Ken Kutaragi, the head Sony's video games division, made the announcement at a hastily called news conference after reports of the delay surfaced in the business daily Nihon Keizai Shimbun and other papers.

The PlayStation 3 is critical for Sony Corp (NYSE: SNE - news)'s profits and brand image, so the delay is a major setback for the Japanese electronics and entertainment company as it struggles to mount a recovery after several years of poor earnings.

The reports sent Sony's stock tumbling 1.8 percent to 5,470 yen ($46) Wednesday. Kutaragi announced the decision after the close of the Tokyo Stock Exchange.

The new timeline means that the PlayStation 3 will still hit store shelves simultaneously in Japan, North America and Europe, just in time for Christmas.

Kutaragi said Sony is still trying to finalize the copyright protection technology and other standards for the Blu-ray DVD disc, the format for PlayStation 3, and next-generation video for the company's electronics gadgets in the works.

"I'd like to apologize for the delay," Kutaragi said at a Tokyo hotel. "I have been cautious because many people in various areas are banking on the potential of the next-generation DVD."

Blu-ray preparations were initially to have been completed by last September, but now won't be finalized until next month, he said.

The delay comes at a time when competition in next-generation game consoles is...
heating up with U.S. software maker Microsoft Corp. already putting the Xbox 360 on sale last year. Nintendo Co., the Japanese manufacturer of Game Boy machines and Pokemon and Super Mario game software, is also planning its version called Revolution later this year.

The PlayStation series is now the dominant brand for home consoles, helping support Sony's bottom line in recent years, and controlling about 60 percent of the global market, according to Kutaragi. Sony has shipped nearly 204 million machines worldwide when combining shipments for the original PlayStation and its upgrade PlayStation 2.

Toshiaki Nishimura, analyst for Yasuda Asset Management Co., said the delay is likely to hurt game revenue for Sony, but the announcement wasn't a big surprise for the market, which had anticipated a delay. Speculation about a possible delay had been growing in the last few months.

"Sony is merely at the starting point of a race," Nishimura said, adding that more time is needed to assess PlayStation 3 and the advanced gadgets that will run on the same computer chip called "cell" that Sony is developing with Toshiba Corp. and IBM Corp.

"We are even a bit relieved that Sony has definitely said it's coming out with the PS3 because that's so critical for its cell business," he said.

The PlayStation 3 console can be used as a Blu-ray DVD player, but will also read previously released PlayStation and PlayStation 2 games, Kutaragi said. It will also have a hard disk drive, broadband and wireless Internet connections, and support high-definition televisions.

The company is expecting monthly production of 1 million machines, and targeting production of 6 million units for the fiscal year through March 2007, Kutaragi said.

Any setback in the PlayStation business could deal a big blow to Sony, which had just announced in January that it will post a profit of 70 billion yen ($592 million) for the fiscal year through March, instead of sinking into a 10 billion yen ($85 million) loss, as projected earlier.

For decades, Sony symbolized Japan's manufacturing power exemplified by the original Walkman. But in recent years, the company, which also has movie and music businesses, was battered by declining electronics prices.

Sony's core electronics division has lost money for two straight fiscal years. Since Welsh-born Howard Stringer took over last year as the first foreigner to head the company, Sony has been trying to achieve a turnaround.

It's only been in recent months Sony has made a comeback in flat-panel TVs using liquid crystal displays manufactured in a joint venture with South Korean rival Samsung Electronics Co. It has also come out with Walkman MP3 digital music players to catch up with the hit iPod from Apple Computer Inc.