

Japan Data Center Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Japan Data Center Market is expected to register a CAGR of 5.77% over the forecast period. The growing cloud computing, increasing high-speed internet penetration, government regulations for local data security and growing investment by global players are some of the major factors driving the demand for data centers in the country.

Key Highlights

The Data Center market includes all hardware-related expenditures incurred while establishing and maintaining an IT infrastructure. It covers three subsections servers, storage, and network infrastructures, such as routers and switches. Nowadays, organizations have their own IT infrastructure. External providers, on the other hand, make their IT infrastructure available entirely or partially by leasing out capacity in data centers.

Big data and IoT technology will expand investments in the data center market. Enterprises in Japan are witnessing high data generation across industries, such as IT and telecom, BFSI, healthcare, and government and defense. The growing cloud computing (further fueled due to COVID-19), increasing penetration of foreign cloud vendors, and increasing investment by domestic players are some of the major factors driving the demand for data centers in the country.

Japan is one of the fastest-growing markets in digital content consumption across Asia, driven by the growing use of mobile devices and the adoption of cloud technologies. Further, due to the recent COVID-19 outbreak, cloud computing in the country is expanding. Many market experts also claim that the companies will focus on investing in new technologies and training staff as the key priorities in the medium-term future.

The growth of cloud computing, IoT, and AI poses new challenges to the Data Center industry. This is due to the increased need for new types of Data Centers, such as cloud-type Data Centers (IaaS/PaaS), connectivity Data Centers, hyper-scale Data Centers, and edge Data Centers.

The demand for data centers has seen a positive rise, augmented by technology demand growth due to COVID-19 shutdowns.

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Companies upgrading IT infrastructures to support remote working amid shutdowns may shift workloads to the public and private cloud. Datacenter operations and investments were least affected by the pandemic, signifying their critical role in supporting ongoing business activity. After the pandemic, this is expected to drive the demand further as enterprises move towards the cloud, hybrid, and remote working models. ?

Japan Data Center Market Trends

Growing Demand for Cloud Computing is Driving the Market Growth

The growing adoption of cloud and digital services across various end-user industries further expands the B2B cloud computing service market's scope for managed data center and colocation service market.

The presence of significant cloud technology enablers, such as SAS, and the growing geographic footprint of cloud service providers, like Amazon Web Services (AWS), Microsoft Azure, and Google Cloud, focused on building data centers in Japan, contributing to the growth of the Japan data center market. For instance, in October this year, Google planned to establish its first data center in Japan by next year. The data center will be located in Inzai City, Chiba, and will be part of the company's USD 730 million infrastructure fund, which will continue through 2024.

Customers in Japan tend to store important data in their I.T. assets; therefore, data center services with low latency and secure connectivity to public clouds and customers' I.T. assets were necessary. From June this year, NEC Corporation provided a connecting point to Microsoft Azure ExpressRoute through a dedicated private network fiber connection to Azure provided by the NEC Inzai Data Center in Japan. It is a data center owned by an IT service provider to provide a connectivity point to Microsoft Azure ExpressRoute. This program is part of NEC and Microsoft's strategic partnership. NEC intends to give these services to 100 businesses by 2025.

Furthermore, in September 2022, Honeywell International Inc., one of the global leaders in connected buildings, launched the Data Center Suite, a portfolio of outcome-based software solutions designed to assist data center managers and owners in optimizing uptime, worker productivity, critical asset health, and operational expenses while providing greater visibility into sustainability KPIs. Furthermore, the cloud-based Honeywell Forge digitized maintenance can be combined with remote building management to improve service-level agreement performance.

According to a survey conducted by the Ministry of Internal Affairs and Communications (Japan) in September last year, approximately 43% of business enterprises in Japan stated that they had already completely implemented cloud computing services. Another 27.7% of businesses answered that they had partially implemented cloud services in some offices or departments.

BFSI is Expected to Hold Significant Market Share

The high growth of electronic banking, digital storage, and virtualization in the BFSI sector is expected to increase the demand for cost-effective and energy-efficient data center solutions. As it ensures the reliable and continuous availability of IT and digital banking services in a highly secure manner, it can also secure and encrypt all device communications and control user access to guard against errors and malicious intents.

The banking industry is expected to witness significant adoption of data centers owing to the increasing adoption of digital and mobile banking initiatives. Also, the adoption of blockchain technology in the industry and mobile payments are factors fueling the demand for data centers in the industry.?

According to a survey conducted by Japan's Ministry of Internal Affairs and Communications last year, credit cards, debit cards, and ATM cash cards were the most popular payment method for online shopping and financial transactions, with around 75.7% of

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respondents choosing this method in Japan. Approximately one-third of those polled paid for their internet purchases at convenience shops.

The BFSI industry has been one of the most affected industries by the digital transformation of businesses enabling cost-effective earnings. The increased penetration of cell phones and high-speed internet in the country has encouraged people to opt for digital banking, which has led to the integration of powerful CRM and cloud tools to store and analyze data, which is expected to augment market growth.

Owing to the global COVID-19 disruption, the adoption of digital banking solutions is expected to further push the adoption of technologies like containerization, cloud computing, microservices, and APIs, along with blockchain. Hence, the banking and financial industry is expected to provide several opportunities for the growth of data centers in the country.

Japan Data Center Market Competitor Analysis

The Japanese data center market is moderately fragmented due to the presence of both global players and small and medium-sized enterprises. Players in the market are adopting strategies, such as partnerships, business expansion, and acquisitions to enhance their data center offerings and gain sustainable competitive advantage.

November 2022 - Equinix, Inc. announced the opening of its 15th IBX data center in Tokyo, Japan. The corporation announced an initial investment of USD 115 million in the new data center, named TY15. The first phase of TY15, set to open in H2 2024, would have an initial capacity of approximately 1,200 cabinets and 3,700 cabinets when entirely built out.

April 2022 - The KDDI Corporation intends to achieve zero CO2 emissions at its Telehouse data centers worldwide by FY2026. The overall goal of the KDDI Group is to attain zero CO2 emissions by FY2050. Following that, in response to the Japanese government's April 2021 objective of reducing greenhouse gas emissions by 46% by 2030 (relative to FY2013), KDDI has been researching ways to achieve carbon neutrality faster, to achieve it 20 years earlier than previously announced.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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