Japan Data Center Networking - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2030

Market Report | 2024-02-17 | 90 pages | Mordor Intelligence

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Report description:

The Japan data center networking market reached a value of USD 709.6 million in the previous year, and it is further projected to register a CAGR of 5.27% during the forecast period.

Key Highlights
-The increasing demand for cloud computing among SMEs, government regulations for local data security, and growing investment by domestic players are some of the major factors driving the demand for data centers in the country.
-The upcoming IT load capacity of the Japan data center market is expected to reach 2000 MW by 2029. The country's construction of raised floor area is expected to increase to 10 million sq. ft by 2029.
-The country's total number of racks to be installed is expected to reach 500 K units by 2029. Tokyo is expected to house the maximum number of racks by 2029. There are close to 30 submarine cable systems connecting Japan, and many are under construction.
-One such submarine cable that is estimated to start service in 2023 is Southeast Asia-Japan Cable 2 (SJC2), which stretches over 10,500 Kilometers with landing points from Chikura and Shima, Japan.
-An increasing need for data storage has resulted in an upsurge in the number of data centers nationwide. Additionally, energy represents around 40% of the operational costs of a data center; it is also becoming increasingly important for data centers to focus on energy efficiency. To improve energy efficiency as a cost-saving measure, key players focus on developing a green standard for data centers in Japan, which results in increasing the demand for Infrastructure management. Hence, such factors are expected to drive market growth during the forecast period.

Japan Data Center Networking Market Trends

IT & Telecommunication Segment Holds the Major Share.

- The increasing adoption of cloud-based services is driving the expansion of retail and hyperscale colocation services in Japan, resulting in increased demand for space in data centers and, consequently, the need for more network devices and services within data centers.
- Cloud services are growing in popularity in Japan. The need for big data integration and the demand for more remote work and data migration to the cloud are driving the use of domestic cloud data centers.
- Cloud is expected to showcase major growth among all the end users. The Government of Japan's Digital Agency promotes the utilization of cloud services for both central government and local government offices. In Japan, the business case for enterprises moving to cloud infrastructure is supported by several factors. Cloud infrastructure does not require a large capital investment, and cloud computing can easily be scaled to each company's IT system. Overall, the growth rate for the cloud is 13.51%.
- Further, in the Telecom sector, the Government is continuing its push to deploy 5G and other cutting-edge technologies that could transfer data faster than currently available with the long-term evolution of LTE. NTT DOCOMO, KDDI, Softbank, and Rakuten Mobile were each allocated a 5G spectrum by the Ministry of Internal Affairs and Communication (MIC).
- Additionally, Mobile data service revenue in Japan is expected to increase at a growth rate of 6.8% during the forecast period, primarily driven by growing mobile internet subscriptions and the increasing adoption of higher average revenue per user (ARPU)-yielding 5G services. Such developmental aspects are expected to further complement the growth of the data centers in the region and substantiate the growth of network devices and services in the market.

Ethernet Switches Holds Largest Market Share

- Data center ethernet switches are network devices that operate in a data center environment. In order to facilitate the efficiency and rapid transfer of data, they play an essential role in establishing interconnection between servers, storage devices, or other network equipment at a data center. Switches are designed for high-speed data transmission with support for gigabit and multigigabit Ethernet, including 10GbE, 25GbE, 40GbE, 100GbE, and beyond.
- Data centers throughout Japan use an extensive network of ethernet switches. Japan has many data centers to support a broad range of industries, including finance, technology, healthcare, and so on. To ensure efficiency and reliability in their infrastructure, these data centers rely on High-Performance Networking Equipment such as ethernet switches.
- Significant deployment and adoption of 5G services in Japan, resulting in increasing the growth of the data centers. The Ministry of International Affairs and Communications aims to continue moving the Japanese 5G experience forward. It set a target of 98% 5G population coverage by the end of March 2024. Data center operators are increasingly investing in advanced technology to maintain their competitiveness in a global market. To meet the network needs, they may rely on Ethernet switches from various manufacturers, including domestic and international brands.
- The key players in the market focus on updating the network devices to meet the market demand. In June 2023, Cisco's Nexus 9800 Series modular switches expand the Cisco Nexus 9000 Series portfolio with a new chassis architecture to include a combination of several first-generation line cards and fabrics modules, allowing it to scale from 57 Tbps up to 115 Tbps. Each line card slot on the chassis can support line cards that now offer 400GE or 100GE ports and higher speeds.
- Hyperscale data centers offer advantages such as economies of scale and custom engineering over enterprise data centers. These facilities are increasing in Japan. Previously, Japanese businesses relied on local systems integrators. However, now, they have a more conservative approach to going full cloud. Hyperscalers continue to invest in Japan and see a large, untapped growth coming from digitization in the private sector and the government. The demand for data centers is continuously rising along with a growing number of internet users and digitalization across the country, which is expected to experience decent growth in the segment during the forecast period.

Japan Data Center Networking Industry Overview

The upcoming DC construction projects in Japan are expected to drive increased demand in the Japan Data Center Networking Market over the coming years. This market is moderately consolidated, featuring key players such as Cisco Systems Inc., Arista Networks Inc., H3C Technologies Co., Ltd., VMware Inc., and Huawei Technologies Co. Ltd. These major players, holding significant market shares, are actively engaged in expanding their customer base in the region.

In August 2023, H3C introduced the S9827 series, a next-generation data center switch. This innovative product, built on CPO silicon photonics technology, marks a milestone in the industry with its remarkable capabilities. It offers a single-chip bandwidth of up to 51.2T and supports 64 800G ports, resulting in an eightfold increase in throughput compared to 400G products. The design incorporates advanced technologies such as liquid cooling and intelligent lossless operations, which collectively contribute to the creation of a highly widespread, low-latency, and energy-efficient smart network.

In November 2022, Equinix, Inc. and VMware, Inc. made a significant announcement in response to the growing demand for new digital infrastructure and Multicloud services. The two companies revealed their plans for a worldwide expansion of their partnership. Additionally, they introduced VMware Cloud on Equinix Metal as a new distributed cloud service aimed at supporting enterprise applications with improved performance, security, and cost-effectiveness. This service is set to combine VMware's managed and supported cloud infrastructure with Equinix's interconnected global bare-metal-as-a-service offering, providing an enhanced cloud solution for businesses.

Additional Benefits:

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

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