

# **Japan Cloud Computing Market Assessment, By Type [Public Cloud, Private Cloud, Hybrid Cloud, and Multi-Cloud], By Service [SaaS, PaaS, IaaS, FaaS, and XaaS], By End-user [BFSI, Education, Healthcare, IT & Telecommunications, Media & Entertainment, Retail, Automotive & Transportation, and Others], By Region, Opportunities, and Forecast, FY2017-FY2031**

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## **Abstracts**

The Japan Cloud Computing Market was worth USD 24.5 billion in FY2023 and is expected to grow substantially, surpassing nearly USD 62.4 billion by FY2031 with a promising CAGR of 12.4%.

In Japan, cloud computing offers notable advantages, including cost savings, scalability, and remote data accessibility. The expansion of the Japan Cloud Computing Market is propelled by factors such as digital transformation, quantum computing, escalating data generation, and businesses seeking adequate cloud solutions. These dynamics foster the adoption of cloud services in Japan, resulting in improved business efficiency, innovation, and competitive edge, thereby driving market growth.

Quantum computing is gaining importance in Japan's Cloud Computing Market due to its potential to explain complex problems at unparalleled speeds. As businesses seek to optimize data processing and encryption, quantum computing offers a competitive edge by accelerating computations that traditional systems can't handle efficiently.

In April 2023, the Japanese government planned to invest USD 31.7 million (4.2 billion yen) to support shared quantum computing expansion using a cloud platform. Moreover, last year, the industry ministry allotted USD 136.97 million (20 billion yen) in

funding to promote cloud activities. With this funding, Japan is looking to become one of the most prominent players in the world in terms of quantum computing.

### Digital Transformation through Cloud Computing

Cloud computing drives digital transformation in Japan by enabling businesses to switch from traditional IT models to dynamic, scalable solutions. The shift empowers Japanese organizations to access resources on demand, optimize operations, and enhance customer experiences. With the 'Society 5.0' vision promoting technological integration, companies leverage cloud services to innovate, streamline processes, and stay competitive in a rapidly evolving digital landscape, marking a pivotal transformation era across various sectors in Japan.

In April 2022, Fujitsu introduced a service portfolio named 'Fujitsu Computing as a Service (CaaS)' to speed up digital transformation and provide global customers access to cutting-edge computing technologies via the cloud. This enabled Japanese businesses to leverage advanced technologies for various commercial applications.

### Improvisation of Cybersecurity Policies

With the increasing adoption of cloud services, the Japanese government aims to protect critical data and mitigate cyber threats. Implementing stringent regulations, such as data localization requirements and improved data encryption, aims to safeguard sensitive information. Collaborations between government and private sector entities are encouraged to promote information sharing and develop advanced cybersecurity measures.

In February 2023, Japan adopted its new National Security Strategy that inculcated two significant changes in its cybersecurity policy, i.e., creating a strategy for information warfare and implementing proactive cybersecurity measures such as active cyber defense. Moreover, in line with this updated strategy, there has been a complete revision of the Defense Buildup Program (DBP), with a planned allocation of USD 294.328 million (43 trillion yen) in defense spending over the next five years, starting from 2023.

### Ascent Growth Rate of Software-as-a-Service (SaaS)

The Software-as-a-Service (SaaS) growth rate in Japan has surged due to several key factors. Firstly, businesses increasingly prioritize digital transformation, necessitating

scalable and cost-effective software solutions. SaaS fulfills this need by offering flexible, subscription-based access to software without heavy upfront investments. Additionally, the rise of remote work during the global pandemic has accelerated the adoption of cloud-based solutions.

Moreover, SaaS enables seamless remote access to tools and applications, enhancing collaboration and productivity. Furthermore, SaaS eliminates the burden of software maintenance and updates, allowing companies to focus on core activities. The convergence of these factors has propelled the remarkable expansion of SaaS in the Japanese market. As projected by One Capital Inc., the SaaS market in Japan is expected to reach a value of USD 8.49 billion (1.24 trillion yen) in 2023 and growth of approximately 13.7% compared to the previous year.

### Government Regulations

The Japan Cloud Computing Market is subject to government regulations to ensure data privacy and security and promote fair competition. The government has established guidelines and standards for cloud service providers regarding data protection, cross-border data transfers, and compliance with industry-specific regulations. Additionally, regulatory bodies monitor and enforce antitrust laws to maintain a competitive environment. These regulations aim to safeguard user data, maintain trust in cloud services, and foster a transparent and secure cloud computing market in Japan. As per the International Trade Administration (ITA), Japan's Digital Agency encourages central and local government entities to use cloud services. For example, in October 2022, the agency announced that the Japanese government would launch 'Government Cloud' services in the coming fiscal year. Prominent providers such as Amazon Web Services, Google Cloud Platform, Microsoft Azure, and Oracle offer these cloud services.

### Impact of COVID-19

The COVID-19 pandemic significantly impacted Japan's cloud computing market, leading to distinct changes in the pre-and post-COVID-19 scenarios. Before the pandemic, cloud computing adoption grew steadily as businesses sought scalable and flexible solutions. However, with the onset of the pandemic, the demand for cloud services skyrocketed as remote work and digital transformation became imperative. Organizations quickly realized the need for reliable and secure cloud infrastructure to support their operations. This led to a surge in cloud service utilization across various industries in Japan. Additionally, businesses prioritized data security, remote

collaboration tools, and efficient data management, further driving the adoption of cloud computing solutions. As a result, the post-COVID-19 scenario in Japan's cloud computing market witnesses accelerated growth and increased investments, with organizations recognizing the long-term benefits of cloud technology in ensuring business continuity and resilience in uncertain times.

### Impact of Russia-Ukraine War

The Russia-Ukraine war had a positive and a negative impact on the Japan Cloud Computing Market. As geopolitical tensions increased, businesses became cautious about relying on cloud services from the countries involved. Trade disruptions and economic uncertainty impacted cloud providers in Japan, causing concerns about service availability and data security. This situation also prompted Japanese companies to reevaluate their cloud strategies, considering factors like provider location and data sovereignty. Moreover, international relationships affected partnerships and collaborations in cloud technology. Furthermore, the broader implications of the conflict reminded Japanese businesses of the importance of assessing geopolitical risks when using cloud services from various regions.

### Key Players Landscape and Outlook

The Japan Cloud Computing Market is increasing, and leading Japanese companies are collaborating to provide their customers with innovative cloud solutions and services. These companies are investing in research and development, expanding their distribution networks, and pursuing mergers and acquisitions to strengthen their position in the market. Their efforts highlight their commitment to innovation, service improvement, and market leadership.

In July 2023, Rakuten Mobile selected Oracle Communications' cloud-based policy and charging solutions to expand their 4G and 5G services. They aimed to connect with Rakuten Symphony's Symworld Marketplace. These solutions will run on Rakuten Symphony's Symcloud Cloud Native Platform (CNP), thereby aiding the operator's goal of a high-performing, automated system that can grow to handle various uses for consumers and businesses in different sectors.

In February 2023, NTT DOCOMO and NEC completed the design of a carrier-grade redundant 5G core network (5GC) hybrid cloud environment. The plan will allow DOCOMO to switch between its on-premises NFV infrastructure and AWS for 5GC redundancy operations. This will provide a more flexible and cost-effective way to

manage cloud network performance and capacity.

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\*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work

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