

Japan Data Center Server - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2030)

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Abstracts

The Japan Data Center Server Market size is estimated at USD 22.68 billion in 2024, and is expected to reach USD 26.33 billion by 2030, growing at a CAGR of 2.52% during the forecast period (2024-2030).

Japan's demand for data centers is proliferating and becoming more attractive as a business market. Environmental initiatives, government support for local data centers, changes in industrial structure, and changing lifestyles due to technological advancements all play a significant role in the Japanese data center market, resulting in major demand for the server market.

Key Highlights

The major driver for the market growth is the growing demand for hyperscale construction in the Japanese region. Osaka's strength lies in its diverse concentration of industries, encompassing environmental, new energies, pharmaceuticals, and manufacturing sectors. This vibrant ecosystem fosters a unique coaction between hyperscale data centers and industries driving global sustainability and technological advancement. With a population of 8.8 million, Osaka Prefecture has a GDP of USD 360 billion, similar to the size of Norway's economy.

Japan is widely regarded as one of the most advanced economies in terms of Internet penetration. As of 2023, Japan's Internet usage rate (individuals) was 82.9%, and the development rate of optical fiber was 99.3%. The number of broadband subscribers was 43.8 million, which includes 36.6 million FTTH subscribers and 6.5 million CATV Internet subscribers, while the number of mobile broadband subscribers (4G and 5G)

was 184 million.

The energy efficiency of cloud data centers can play a crucial role in reducing Japan's carbon footprint to achieve the Japanese government's goal of net-zero carbon emissions by 2050. Having recognized the benefits cloud technologies can provide to the country and their positive effect on encouraging innovation and fostering non-conventional business models, the Japanese government has been launching numerous initiatives to promote the cloud as part of the broader plans to digitalize the country further.

To build a server, one must buy individual components first. They have to assemble the server and install the necessary software. It is resource-intensive to customize, own, and maintain a server. It is well-suited for long-term projects and knowledge-building within the company.

The COVID-19 outbreak significantly impacted the Japanese economy. Adopting digital technology was essential for the nation to become more resilient during and after the pandemic. Technology applications helped businesses and their employees manage the financial effects of COVID-19 by assisting them in contacting clients and conducting business digitally, restarting business operations, and implementing technologies that reduce logistical bottlenecks. A sizable 69% of Japan's digital opportunity, valued at JPY 46.8 trillion (USD 434 billion), was thought to be sourced from technology that assists companies and employees in managing the effects of the pandemic on the economy.

As the market navigates the post-COVID era, it is essential to understand that the digital landscape is evolving rapidly. In Japan, over 50% of Internet users use mobile payments and Internet banking due to convenience and security. This was concluded from a survey conducted by Z.com Engagement Lab from June 30 to July 03, 2023, collecting data from 1,323 Japanese internet users aged between 16 and 60 to provide insights for business decision-makers on consumer perspectives in the post-COVID era.

Japan Data Center Server Market Trends

Blade Server Form Factor Segment is Expected to Witness Significant Growth

A blade server is a small computer used to host and distribute data within a network of computers and systems. It acts as a link between computers, applications, programs, and systems. According to Cloudscene, as of September 2023, there were 218 data

centers in Japan. A blade server is typically used in larger data centers due to the need to maximize space and power utilization and efficiency, have high computing needs, and support higher thermal and electrical loads.

There are close to 40 data centers in Japan that are identified as extensive data center facilities and are expected to increase in the coming years. The Japanese government plans to build several new data centers nationwide by decentralizing landing bases for submarine cables to diversify landing points. Submarine cables are laid mainly on Japan's eastern Pacific Ocean side, with many concentrated in certain areas, such as Tokyo and Shima. The government intends to disperse landing bases in other areas and strengthen economic security. This may lead to significant growth in the large DC segments in newer concentrated areas, boosting the demand for blade servers.

Constraints on land and power in the greater Tokyo area result in higher construction costs, possible delays for new developments, and fierce competition from domestic and foreign players. DC construction companies are investing in new data centers to build new data centers on scarce land in Japan, but as the demand is high, these data centers are likely to have high computing power. The advantage of blade servers in this situation is that, due to the limited computing components of blade servers, customers can fit more servers into a smaller rack area to increase the density.

Some Asian countries, such as Japan, do not support 110 V power infrastructure. As a result, they are unable to achieve the power density enjoyed in the United States. For example, a 3-phase 220V power data center in the United States can support a 15 kW rack. However, special cooling solutions are needed to support this power density. Blades are not a viable solution in cases where power is restricted to 110V, no matter the vendor. An exception to this would be a departmental solution, such as the HP BladeSystem C3000 or IBM BladeCenter S.

Further, blade servers are designed for high-performance processing. Unlike rack servers, blade servers can be hot-swapped. This means that one can remove and replace a blade server in a cluster without powering down the whole cluster. This significantly reduces downtime when an administrator needs to swap out a blade server or move a blade server out of the cluster for maintenance.

Understanding blade server technology's past, present, and future is essential for organizations of all sizes in Japan to make informed decisions regarding their IT infrastructure. Due to their compact design, high performance, and scalability, blade servers are expected to remain a key component of that infrastructure for many years

as they continue to evolve and evolve with the ever-evolving world of technology.

IT and Telecommunication to be the Fastest Growing End-user Industry

Japan's Information and Communications Technology (ICT) sector is at the forefront of innovation, driving remarkable progress and creating a future-proof environment. The ICT sector opens up a world of possibilities by utilizing state-of-the-art technologies while facing the challenges that define its growth.

The growth of the Japanese ICT market is mainly driven by the growing use of Internet of Things (IoT) devices across various sectors, such as consumer electronics, military, agriculture, and construction. Japan is home to some of the most prominent ICT organizations in the world, such as Sony, Panasonic, Fujitsu, NEC, and Toshiba (Toshiba), which are playing an important role in the growth of Japan as an ICT hub. The increasing government spending on maintaining the top-of-the-line and advanced infrastructure and the proper implementation of many modernization and improvement projects contribute to the market's expansion.

Japan's ICT market is expected to grow due to the rapid expansion of E-Japan's strategy, which focuses on local e-government projects, such as citizen participation, self-assessment, and feedback on online government services.

Japan has a high level of stability in business and society, as well as high-quality infrastructure and services such as ICT infrastructure, communication technology, education, healthcare, and more. The Japanese government is taking steps to support the private sector's digital transformation and the emergence of small and medium-sized enterprises (SMEs).

Smart Cities are one of the Japanese government's key initiatives to bring Society 5.0 to life. The 6th Strategic Technology Infrastructure (STI) plan set a goal of 100 initiatives¹⁰ to be implemented by 2025 with the participation of 1000+ organizations from local government, regional organizations, and private enterprises. The "Smart City Public-Private Partnership platform" will replace the local and dispersed digital landscape to promote public-private partnerships and develop regional projects. Specific initiatives include centralizing the MyNumber (citizens ID) system and developing database registry standards by 2030.

Further, the telecom companies in Japan are investing in 6G. The 6G system will not only outperform 5G, but it will also offer high speed, high capacity, low latency, new high-frequency bands (above 100 GHz), extend communication coverage to the sky, sea, and space, and provide ultra-low power consumption and ultra-low-cost communications. According to the Ministry of Internal Affairs and Communications, about 69.8 million 5G subscriptions were counted in Japan as of March 2023. In June 2022, NEC (NEC), Fujitsu (Fujitsu), and Nokia (Nokia) joined forces to test new mobile communication technologies to launch 6G services commercially by 2030.

Thus, with the overall increase in investment by tech companies, government initiatives to improve the IT industry development and growth in data centers in the country would boost the server market in Japan.

Japan Data Center Server Industry Overview

The Japan data center server market is highly fragmented with the presence of major players like Dell Technologies Inc., Hewlett Packard Enterprise, Cisco Systems Inc., Lenovo Group Limited, and Quanta Computer Inc. Players in the market are adopting strategies such as partnerships and acquisitions to enhance their product offerings and gain sustainable competitive advantage.

December 2023 - Fujitsu announced the launch of a dedicated company for the hardware business in Japan in alignment with this strategy and to further strengthen the management of its hardware business, which primarily focuses on servers and storage solutions.

August 2023 - Hewlett Packard Enterprise announced that phoenixNAP is expanding its Bare Metal Cloud platform with cloud-native HPE ProLiant RL300 Gen11 servers, using energy-efficient processors from Ampere Computing. The expanded services support AI inferencing, cloud gaming, and other cloud-native workloads with enhanced performance and energy efficiency.

July 2023 - Fujitsu announced a new server, BS2000 SE730/SE730B. The servers of the latest SE generation are a valued platform in the high-end performance range for managing the largest data volumes. The servers offer extremely high availability and serve as an ideal platform for mission-critical applications.

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