Japan Data Center Storage - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Japan Data Center Storage Market size is estimated at USD 1.92 billion in 2024, and is expected to reach USD 2.27 billion by 2029, growing at a CAGR of 3.36% during the forecast period (2024-2029).

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, leading to a growing need for data center storage equipment.

Under Construction IT Load Capacity: The upcoming IT load capacity of the Japan data center market is expected to reach 2,000 MW by 2029.

Under Construction Raised Floor Space: The country's construction of raised floor area is expected to increase to 10 million sq. ft by 2029.

Planned Racks: The country's total number of racks to be installed is expected to reach 500K units by 2029. Tokyo is expected to house the maximum number of racks by 2029.

Planned Submarine Cables: There are close to 30 submarine cable systems connecting the Philippines, 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, Japan, to Shima,

Japan.

Japan Data Center Storage Market Trends

IT & Telecommunication Segment to Hold Major Share in the Market

In 2020, a survey on internet usage among Japanese children revealed that high school students spent an average of 4 hours and 8 minutes online daily, marking a 31-minute increase from the previous year and underlining the escalating reliance on the internet. The survey found that 99.1% of high schoolers use the internet, with 91.9% accessing it through smartphones. This trend is anticipated to contribute to significant traffic occupancy in the forecast period.

Data centers play a crucial role in national security, internet infrastructure, and economic performance, and Japan is witnessing rapid growth in its data center infrastructure. This growth is propelled by an increasing preference for cloud services and the rising consumption and generation of data by an expanding digital user base, leading to higher data center and storage device usage.

Japan has implemented a government policy aiming to connect nearly all households to a high-speed fiber optic network by 2028, with an allocation of approximately JPY 50 billion for subsea cable and data center decentralization to enhance security and economic development. The advancement of IT infrastructure through data centers has enabled businesses to manage and process larger volumes of data, requiring the scaling of storage infrastructure, including the addition of flash storage. It drives to existing data centers or the construction of new ones. The growth in the number of data centers is directly linked to the demand for storage devices in IT infrastructure.

The demand for data center services is further fueled by increasing data center workloads, driven by the need for improved application performance, expanding storage requirements, and rising mobile data usage due to the proliferation of applications and increased internet usage. As businesses worldwide shift to cloud data storage, the demand for data center services is on the rise.

The acceleration of the 5G rollout by Japan's mobile operators since 2021, with ambitious targets for base station deployment and population coverage, reflects the growing dominance of the telecommunications sector. The widespread adoption of smartphones and the increasing use of 5G networks contribute to a surge in data traffic, positively impacting the growth of data centers in Japan. This, in turn, augments the

demand for data storage and data center storage equipment, thereby increasing the overall market value.

Hybrid Storage Expected To Hold Significant Share

The Government of Japan's Digital Agency actively promotes the adoption of cloud services for both central and local government offices. An example of this initiative is the announcement made in October 2022, wherein the agencies of the Government of Japan committed to adopting "Government Cloud" services for the fiscal year. This approach combines on-premises and cloud storage solutions, referred to as data center hybrid storage, leveraging the strengths of both environments and offering flexibility in storing and managing data.

The integration of on-premises and cloud storage solutions in hybrid storage supports enterprises in tailoring their storage strategies to meet specific legal requirements, ensuring data integrity and legal compliance. This adoption of hybrid storage solutions contributes to the increasing need for data storage in the country.

The Ministry of Economics, Trade, and Industry (METI) has played a role in promoting IT adoption, including cloud services, through subsidies provided since FY2017. Additionally, in 2021, the Ministry of Health, Labour, and Welfare (MHLW) offered a "Workstyle Reform Promotion" subsidy to organizations affected by the COVID-19 pandemic, supporting their transition to remote work by covering contracting fees and equipment costs for cloud services and other IT devices. As businesses expand and evolve, data centers are growing to meet the connectivity needs of various industries, with an increasing reliance on hybrid infrastructure and cloud capabilities for flexibility, scalability, and remote work. The rising data traffic reinforces the importance of storage for businesses, contributing to an increased market value for hybrid storage solutions.

Various service providers are deploying advanced storage solutions to ensure data availability and access in hybrid clouds. Notably, companies like HPE GreenLake have introduced optimized hybrid storage systems, including platform upgrades and new cloud services in 2022. Large enterprises with substantial data storage capacities are adopting such product portfolios, further driving the demand for hybrid storage in the country.

The number of internet users in Japan saw a significant increase, rising by 844

thousand (0.7%) between 2021 and 2022. The surge in internet traffic, 1.6 times higher than pre-COVID-19 levels in 2019, can be attributed to the pandemic-driven rise in at-home videoconferencing, distance learning, and video streaming. The growing popularity of cloud storage and audio conferencing services has led more companies to embrace remote work, contributing to the emergence of data centers utilizing hybrid storage. The introduction of hybrid storage solutions, combining the functionality of hard drives and SSDs, demonstrates an innovative approach where cache utilization optimizes access speed for frequently accessed data, capitalizing on the fast access capabilities of SSDs and the greater storage capacity of hard drives.

Japan Data Center Storage Industry Overview

The Japan Data Center Storage market exhibits a moderate level of fragmentation, with a majority of the market share held by key players. Noteworthy companies in this market include Hewlett Packard Enterprise, NetApp Inc., Huawei Technologies Co. Ltd., Hitachi Vantara LLC, and Kingston Technology Company Inc. These entities strategically engage in collaborative initiatives to enhance their market share and bolster profitability.

In August 2023, Kioxia Corporation introduced new PCIe 5.0 SSDs designed for Enterprise and Data Center Infrastructures, contributing to advancements in storage solutions.

In August 2023, Kioxia Corporation announced the addition of the KIOXIA CD8P Series to its lineup of data center-class solid state drives (SSDs). The KIOXIA CD8P Series is well-suited to general purpose server and cloud environments that can take advantage of PCIe 5.0 (32GT/s x4) performance. These data center applications can generate complex mixed workloads spread across large scale virtualized systems in 24x7 operational data centers.

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