



# Japan: Broadband Market

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## Summary

Japan's broadband market is continuously growing. According to a survey by the Ministry of Internal Affairs and Communications (MIC), the number of broadband subscribers in Japan reached over 26 million in 2007. Currently DSL is dominating the broadband market but its growth is in a downward trend. Instead, FTTH (fiber-to-the-home) is increasing. Also, wireless broadband offers potential opportunities for U.S. equipment and software suppliers.

## Market Demand

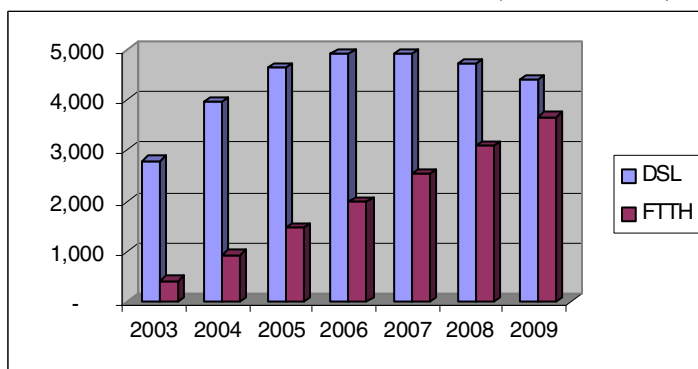
Equipment investment in the Japanese telecommunication market continues to show steady growth. In 2005, the value of this market was \$25.4 billion, an 8.8% increase from the previous year.

In the telecommunication market, the broadband subsector is an attractive prospect for U.S. companies with innovative technologies and business models. Broadband infrastructure is well developed in Japan. Currently 94% of total households are equipped to have access to the internet through broadband connections. As a result, telecommunication service providers face fierce competition to sell new lines and, therefore, seek new applications and technologies to differentiate their services. In fact, as "triple play" service (offering voice/data/video over the same line) using FTTH and DSL networks has become commonplace, service providers are actively seeking even more attractive services to improve their "average revenue per user" (ARPU).

MIC is promoting the penetration of broadband use under its "Next Generation Broadband Strategy 2010." The strategy includes a target list of services that could benefit from more efficient use of broadband, namely: medical: welfare, tourism, education and employment services.

Although the broadband market for home is leveling off, FTTH is still growing, according to the Nomura Research Institute, as broadband subscribers tend to shift from DSL to FTTH due to decreasing FTTH usage fees. Another trend is increasing demand for FTTH from narrowband subscribers. Accordingly, Nomura predicts that the FTTH market size will reach \$3.7 billion by 2009 (see Chart 1). The DSL market size, on the other hand, while projected to decrease, will still be considerable with a projected market size of \$4.4 billion by 2009 (see Chart 1).

Chart 1. DSL/FTTH Market Size Estimate (million dollars)



Source: Nomura Research Institute

Regarding wireless broadband, WiMax is currently not available in Japan but MIC is the process of launching this service. According to the ESP Research Institute, the WiMax market will reach \$758 million by 2010.

## Market Data

DSL is still a major part of the broadband market, but Table 1 shows its beginning downward trend. FTTH, on the other hand, is expanding significantly.

Table 1. Broadband subscribers

	2005	2006	2007
<b>FTTH</b>	2,896,936	5,457,697	8,803,898
<b>DSL</b>	13,675,840	14,517,859	14,013,248
<b>CATV</b>	2,959,712	3,309,481	3,609,625
<b>FWA (Fixed Wireless Access)</b>	24,658	16,068	11,632

Source: Ministry of Internal Affairs and Communications

## Best Prospects

As discussed in **Market Demand**, new service applications and technologies are in demand as the market for simple data transfer is reaching its saturation point. The current network infrastructure is required to manage data/voice/images over the same network, so service providers are seeking intelligent network solutions. Network equipment suppliers that can offer bandwidth control, security, and integrated management while not diminishing speed and reliability should find market opportunities.

## Key Suppliers

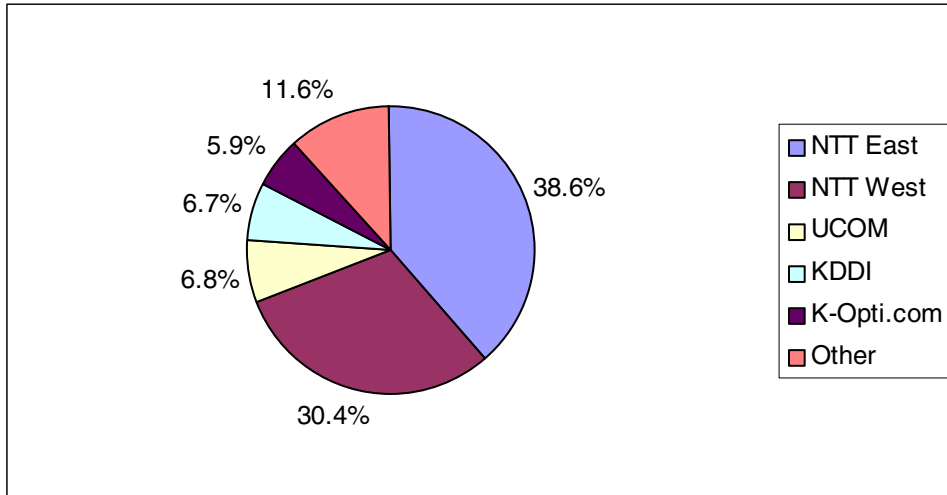
The Japanese network equipment market is very competitive and telecommunications providers, ISPs and system integrators prefer working with well-established brand name products. Major players in the LAN switch, router, and IP-PBX related markets are numerous: F5 networks; NTT-ME; Avaya; Allied-Telesis; Alaxala; Oki; Cisco; Juniper Networks; NEC; Nortel; Hitachi; HP; Foundry; Fujitsu; and Radware, among others.

## Prospective Buyers

In 2007, there are 145 service providers for FTTH and 47 for DSL in Japan. According to a survey from the MM Research Institute, NTT is dominating the FTTH market, reaching almost a 70% share (see Chart 2). For DSL, Softbank BB shares the market lead with NTT, both with an approximate 38% share (see Chart 3).

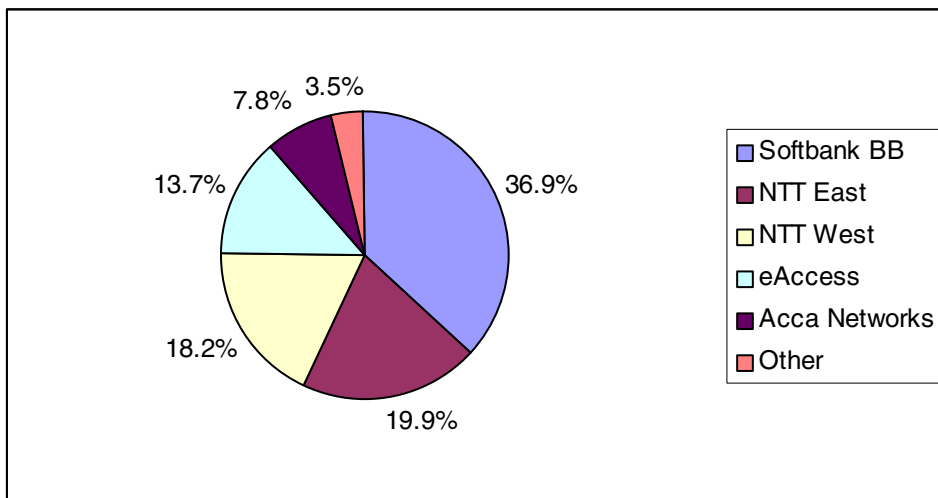
NTT is the Japan's largest telecommunication service group. Their networks cover the entire country. The strong position of NTT is based on its existing infrastructure and inter-regional coverage. There are secondary players in the FTTH market, such as UCOM, KDDI and K-Opti.com, but NTT's dominance is well established.

Chart 2. FTTH Subscribers Share (as of 3/2007)



Source: MM Research Institute

Chart 3. ADSL Subscribers Share (as of 3/2007)



Source: MM Research Institute

## Market Entry

There are three basic ways to enter the market: (1) find distributors - most of telecom equipment suppliers prefer working through local distributors since local support and language are their main concerns apart from product functionality. Distributors may operate on an exclusive basis or carry several companies. (2) establish cooperative arrangements or joint ventures – a company can partner with other telecom equipment vendors who already have a strong presence in Japan. (3) work directly with service providers - major telecom service providers often prefer working directly with foreign vendors who have innovative technologies to facilitate meeting their complex needs more efficiently.

## Market Issues & Obstacles

The Japanese telecom market is very competitive. Traditional trade barriers, such as tariffs, are almost non-existent for telecom equipment. A number of major telecom equipment suppliers, both foreign and local, already have a well-established presence in Japan. In the Japanese market, service providers' requirements for product functionality and quality management are quite high.

Regarding regulations, Japan has two regulations for technical standards of telecom equipment: (1) the Telecommunications Business Law (TBL); and (2) the Radio Law. The TBL is designed to ensure reliable and stable telecommunications services and covers the equipment owned by telecom carriers and terminal equipment to be connected with the line facilities owned by carriers. The Radio Law is designed to ensure fair and efficient utilization of radio frequencies and covers wireless equipment. Telecom carriers need to certify their compliance with the technical standards required by the TBL for their equipment. Major certification institutions in Japan are:

- Japan Approvals Institute for Telecom Equipment (JATE)  
<http://www.jate.or.jp/english/index.html>
- Telecom Engineering Center (TELEC)  
[http://www.telec.or.jp/eng/Index\\_e.htm](http://www.telec.or.jp/eng/Index_e.htm)

In February 2007, the U.S. and Japanese governments concluded an agreement on the "mutual recognition of results of conformity assessment procedures." This Mutual Recognition Agreement (MRA) will take effect from January 1, 2008. This MRA will help promote exports of U.S. telecommunication terminals and wireless equipment as the cost and time for necessary certifications will be reduced.

## Trade Events

### Interop

Date: 6/11-13, 2008

Venue: Makuhari Messe (Chiba prefecture)

Organizer: CMP Technology

Exhibition website: <http://www.interop.jp/index.html> (English page not available)

### Fiber Optics Expo

Date: 1/16-18, 2008

Venue: Tokyo Big Site

Organizer: Reed Exhibitions

Exhibition website: <http://www.foe.jp/english>

### Wireless Japan

Date: 7/22-24, 2008

Venue: Tokyo Big Site

Organizer: Ric Telecom

Exhibition website: <http://www8.ric.co.jp/expo/wj2007/en/index.html>

### CEATEC

Date: 2008 dates TBD

Venue: 2008 venue TBD

Organizer: Japan Electronics Show Association

Exhibition website: <http://www.ceatec.com/2007/en/visitor/>

## Resources & Contacts

### Ministry of Internal Affairs and Communications (MIC)

<http://www.soumu.go.jp/english/index.html>

### Japan External Trade Organization (JETRO)

JETRO is an independent administrative agency that provides information and support to foreign companies entering the Japanese market. The organization has six offices in the United States.

<http://www.jetro.org>

## For More Information

The U.S. Commercial Service in Tokyo, Japan can be contacted via e-mail at: [rika.saito@mail.doc.gov](mailto:rika.saito@mail.doc.gov); Phone: +81 3 3224 5057; Fax: +81 3 3589 4235; or visit our website: <http://www.csjapan.doc.gov>

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