



Japan: Telecommunications Market

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Summary

For 2007, the total market size projected for Japan's telecommunication equipment market is significant at approximately \$32 billion even though this would be a decrease from the previous year. In Japan, while the mobile phone market matures, the Next Generation Network (NGN) related market continues to develop. The demand for optical access equipment and routers/LAN switches and other IP network related equipment is expected to increase steadily because of development of Fiber-to-the-Home (FTTH) and NGN. This, along with developments in wireless broadband, a Japanese Government strategy to promote wider use of broadband, and a new Mutual Recognition Agreement (MRA), should lead to interesting export opportunities for U.S. firms.

Market Demand

According to the Communications and Information Network Association of Japan (CIAJ) the total market size projected for Japan's telecommunication equipment market in 2007 is significant at approximately \$32 billion. In this market, the broadband sub-sector is an attractive prospect for U.S. companies with innovative technologies and business models. Broadband infrastructure is well developed in Japan. Currently 94% of all households are equipped for access to the internet through broadband connections. As a result, telecommunication service providers face strong competition and, therefore, seek new applications and technologies to differentiate their services. In fact, as "triple play" service (voice/data/video over the same line) using Fiber-to-the-Home (FTTH) and DSL networks has become more commonplace, service providers are actively seeking ever more attractive services to improve their "average revenue per user" (ARPU). Next, "quatro play" ("triple play" plus wireless) service will emerge in the medium-term span.

Japan's Ministry of Internal Affairs and Communications (MIC) has been actively promoting broadband use under its "Next Generation Broadband Strategy 2010" initiative. The strategy includes a target list of services that could benefit from more efficient use of broadband, such as medical, welfare, tourism, education and employment services.

Regarding wireless broadband, WiMax, is currently not available in Japan but will be commercially available by the 2nd quarter of 2009. According to the ESP Research Institute, the WiMax market will reach \$758 million by 2010.

Given these developments, there are interesting opportunities for U.S. firms to sell new applications and solutions to Japan as its telecommunication market evolves.

Market Data

Since 2002, Japan's telecommunication equipment market has been driven by strong demand for Internet related equipment and wireless. In 2006, the introduction Mobile Number Portability (MNP) stimulated the market further. For 2007, the total market size of Japan's telecommunication equipment market decreased from the previous year as the mobile phone market matured (this downward trend may continue with the continued lowering of mobile handset prices). The NGN (Next Generation Network) related segment of the market, however, is emerging and will drive the market in the future (see **Best Prospects**).

Table 1. Telecommunication Equipment Market Size

<i>(millions of U.S. \$)</i>	2005	2006	2007 estimated
Total Market Size	34,096	34,415	31,995
Total Local Production	34,200	33,681	31,244
Total Exports	4,489	4,474	4,575
Total Imports	4,385	5,208	5,326
Imports from the U.S.	481	532	544

(Source: Communications and Information Network Association of Japan (CIAJ); unofficial FCS estimates)

Best Prospects

Best prospects include wireless broadband, and IP network related equipment and optic access equipment for NGN and FTTH.

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

Key Suppliers

Japan's network equipment market is very competitive. Telecommunications providers, ISPs and system integrators tend to favor 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

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. According to MIC, NTT's share for fixed line is still dominant, 88.2% as of the 2nd quarter of 2007.

NTT is also strong in the wireless market. NTT DoCoMo's share is 51.1%, followed by KDDI (28.0%) and Softbank Mobile (16.4%).

For Internet connection services, NTT has 44.9% share, 0.9% up from the same period last year. Softbank and eAccess decreased their share to 18.5% and 6.8% respectively.

Market Entry

There are two basic ways to enter the market: (1) through a distributor - most of the telecom equipment suppliers prefer working through local distributors since local support and language are important considerations. Distributors may operate on an exclusive basis or carry several companies; and (2) through a cooperative arrangement or joint venture - a company can partner with other telecom equipment vendors who already have a strong presence in Japan.

Market Issues & Obstacles

The Japanese telecom market is very competitive. Traditional trade barriers, however, are nearly 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

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) took 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)

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: 9/30-10/4, 2008

Venue: Makuhari Messe

Organizer: CEATEC Japan Organizing Committee

Exhibition website: http://www.ceatec.com/2008_pre/en/index_en.html

Resources & Contacts

Ministry of Internal Affairs and Communications (MIC)

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

Communications and Information Network Association of Japan (CIAJ)

<http://www.ciaj.or.jp/e.htm>

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

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