The U.S.-Japan Business Council and the Japan-U.S. Business Council ("the Councils") believe it is imperative to accelerate digital transformation by creating innovation and services that contribute to new value creation to realize both economic growth and job creation. The Councils will steadfastly approach these challenges and commit to playing a proactive role in tackling them, in close cooperation with the U.S. and Japanese governments. With this in mind, we present the following recommendations to both governments.

1. Strengthen and promote a rules-based global trading system. The Councils acknowledge the importance of U.S. and Japanese government leadership in promoting global economic growth, particularly given the substantial efforts made by businesses to develop extensive value chains. We call on the U.S. and Japanese governments to advance and strengthen a rules-based global trading system that promotes economic growth and integration based on the high standards of the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade Agreement. These agreements serve as models for the expansion of the digital economy in a region that is expected to be the largest contributor to global economic growth in the coming decades.

The Councils also believe that rejoining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") would be the straightest and best path for realizing the U.S. administration's economic and strategic ambitions in the Indo-Pacific. We further recognize the Indo-Pacific Economic Framework ("IPEF") can be an effective framework for the region, provided it includes enforceable commitments, in addition to high standards, that build on the U.S.-Japan Digital Trade Agreement and digital trade chapter of the United States-Mexico-Canada Agreement ("USMCA").

The Councils also encourage both governments to cooperate on reform efforts at the WTO to improve and clarify the body's discussion processes and procedures to strengthen the rules-based global trading system.

2. Promote the free flow of data across borders. To establish a trustworthy digital economy, we believe it is essential to promote reliable and free data flow by ensuring international interoperability in terms of rules, architecture and trust anchors, while also enabling data usage.

We appreciate the efforts by both governments to promote policy frameworks that facilitate cross-border data flow, including through Data Free Flow with Trust ("DFFT") and robust digital trade disciplines, such as the U.S.-Japan Digital Trade Agreement. We also recognize the importance of removing the regulatory and operational barriers to data flows in parallel with the development and

implementation of trade rules. Japan's 2023 G7 presidency offers a key opportunity to expand upon the promise of DFFT and promote its implementation.

Meanwhile, digital protectionism, which restricts the free flow of data, has proliferated in some countries and regions. We strongly encourage the two governments to continue working closely to promote trust and the free flow of data in other multilateral fora such as the G20, OECD, APEC and the WTO. The Councils encourage both governments to collaborate further to achieve a high standard and commercially meaningful outcome in the WTO Joint Statement Initiative on e-commerce, including provisions, such as a prohibition of data localization and a permanent elimination of customs duties on electronic transmissions, that enable and promote the cross-border flow of data as early as possible.

3. Strengthen privacy, data protection, and innovation. The Councils are committed to policy frameworks that facilitate privacy, data protection and innovation. We encourage both governments to embrace high-standard privacy protection and open digital markets in multilateral fora. We also urge the United States and Japan to promote these principles through established mechanisms such as the APEC Cross-Border Privacy Rules ("CBPR") System, the Global CBPR Forum and the OECD's discussions on government access to personal data. We are committed to working with government leads toward a robust OECD agreement before the end of the year. As countries pursue frameworks that protect personal information and support innovation, it is also important that governments ensure any new regulation, both in design and implementation, is not discriminatory.

The Councils understand that the free flow and utilization of data, such as healthcare and financial sector information, are key to addressing pandemics and disasters and to promoting e-commerce and the digital economy respectively. We urge both governments to continue to lead discussions aimed at establishing international norms through multilateral meetings and/or fora.

4. Develop and promote secure and trusted next-generation telecommunications infrastructure. The Councils believe that secure and trusted next-generation telecommunications infrastructure, including 5G, 6G and Beyond 5G technology will enable innovation and new opportunities across all industries. We also believe that an open, interoperable architecture is key to enhancing economic security by expanding options for selecting trusted vendors and diversifying supply chains. Based on the U.S.-Japan Global Digital Connectivity Partnership launched in May 2021, we urge both governments to continue to establish clear, secure, and trusted Information and Communications Technology ("ICT") 5G technology public policies to accelerate development and voluntary adoption, as well as the use of virtual, open and interoperable 5G technologies and solutions both domestically and internationally. Open Radio Access Networks ("Open RAN") are an important part of this strategy and are in the early stages of maturation. We encourage the two governments to take initiative in accelerating the adoption of these technologies by implementing their respective $2.5 billion and the $2 billion commitments to invest in research, development, testing and deployment. In the area of license-exempt spectrum, we welcome Japan's recent release of a portion of the 6 GHz band (5.925-7.125 GHz) as license-exempt spectrum and expect further releases in the future. License-exempt technologies such as Wi-Fi are important not only to Japanese

consumers and enterprise for on-premises networking and cellular offloading, but also to Japanese manufacturers of consumer goods whose Wi-Fi equipped products require global access to 6 GHz. We also believe that further research and development investments in 6G and Beyond 5G technologies by the two governments will be imperative to increasing opportunities to use those solutions in the future.

We urge the U.S. and Japanese governments to continue to cooperate and play a key role in encouraging the adoption of similar policies, such as those that promote the development and implementation of 5G, adoption of Open RAN, and investment in 6G and Beyond 5G, by like-minded countries. This includes through the Partnership for Global Infrastructure and Investment ("PGII"), a new framework announced by the G7 in June 2022 to provide support through the allocation of $600 billion by 2027, including private funding in infrastructure investment in developing countries. With private sector cooperation, the Councils hope it will be possible to accelerate the adoption of open, interoperable architecture from trusted vendors and the deployment of trusted 5G networks in other markets.

5. Strive to promote the use of Artificial Intelligence ("AI").
The Councils call on the two governments to play a leading role in the promotion of the development and utilization of AI technology based on the U.S.-Japan Competitiveness and Resilience ("CoRe") Partnership to reinforce collaboration and partnerships between research institutions on science and technology through joint research and the exchange of researchers.

The Councils encourage the two governments to promote AI technologies through the development and adoption of consensus-based, industry-led, and global-based AI standards and to build and promote governance frameworks that are flexible, risk-based, and driven by a transparent, voluntary and multi-stakeholder process. We believe that both governments should encourage private companies to invest in and maximize social benefits by using innovative AI technologies.

We encourage the two governments to work closely with industry and civil society to play a global. leadership role to formulate ethical standards and principles that are focused on human-centered values, fairness, explainability, transparency, security and safety, and accountability. We look forward to support from both governments for multilateral discussions at meetings such as the OECD Network of Experts on AI ("ONE AI") and the Global Partnership on Artificial Intelligence ("GPAI").

We hope both governments will cooperate with industry to manage and equitably classify AI systems on risk and to carefully consider the optimal balance between the costs and benefits arising from the responsibilities placed on stakeholders.

6. Promote the use of quantum information science and technology. We urge the two governments to accelerate the implementation of cutting-edge solutions, such as useful and global standard-based quantum information and computing, through the implementation of demonstration schemes and joint development based on the U.S.-Japan CoRe Partnership. We also appreciate

bilateral efforts to promote the development of cryptography communication capable of ensuring security based on quantum technology.

We support the intent of both governments to conduct joint research and development projects of these critical and emerging technologies foreseeing the potential future acquisition and utilization of such technologies, not only between the two countries but also together with like-minded countries.

In addition, it is critical that both countries identify and protect fair and rules-based standards development processes and implement approaches to bolster the participation and capacity of industry in critical standards setting processes for emerging and critical technologies, such as quantum computing.

7. Promote best practices and international standards for managing increasing cyber risks. The Councils recognize that managing cyber risk, especially regarding critical infrastructure, is essential to the economic and national security of the U.S. and Japan and important for our bilateral partnership on digital trade. Given the evolution of cybersecurity threats, the Councils recognize that a risk-based approach is more effective for managing cyber risk than prescriptive regulation.

We are aware that a collective defense mechanism capable of sharing in real time the traces of attacks detected by companies and organizations is especially important, in light of our constant exposure to threats targeting critical infrastructure.

Approaches to cybersecurity should adhere to industry-vetted actions that businesses can take to assess and enhance their security over time. Allowing industry to combat evolving cyber threats with evolving best practices and globally recognized standards permits a more flexible, current and risk-based cybersecurity approach.

Private industry greatly benefits when governments leverage existing cybersecurity framework best practices as a starting point, such as the NIST Cybersecurity Framework or the International Organization for Standardization/International Electrotechnical Commission ("ISO/IEC") 27103:2018 (information technology – security techniques – leverage existing standards in a cybersecurity framework) for any future policy enactments.

8. Establish "Trustworthy" principles for ICT suppliers. Given the importance of trustworthiness in ICT for businesses around the world in addressing international threats, the two Councils reaffirm the Recommended Principles for Establishing Trust in ICT Suppliers in the "Annex to the Joint Statement Supplement of the Digital Economy Working Group for the 58th U.S.-Japan Business Conference" and hope these principles will serve as a useful framework for establishing best practices across the Indo-Pacific region.