3. For the purposes of this Annex, "year" means:

(a) in the case of Part 2, with respect to the first year, the 12-month period from the date of entry into force of this Agreement and, with respect to each subsequent year, the 12-month period after the end of the previous year; and

(b) in the case of Part 3, with respect to the first year, the period from the date of entry into force of this Agreement until the following 31 March and, with respect to each subsequent year, the 12-month period starting on 1 April of that year.

4. The base rate of customs duty and the category for determining the interim rate of customs duty at each stage of reduction for a tariff line are specified for that tariff line in the Schedules of the European Union in Section B of Part 2 and of Japan in Section D of Part 3.

5. For the purposes of this Annex, unless otherwise provided for in Parts 2 and 3, "base rate" means the starting point of elimination or reduction of customs duties.

6. Unless otherwise provided for in this Annex, for the purposes of the elimination or reduction of customs duties in accordance with this Annex, in the case of *ad valorem* duties any fraction less than 0.1 of a percentage point shall be rounded to the nearest one decimal place (in the case of 0.05 per cent, the fraction shall be rounded to 0.1 per cent), and in the case of specific duties any fraction smaller than 0.01 of one euro or one Japanese yen shall be rounded to the nearest two decimal places (in the case of 0.005, the fraction shall be rounded to 0.01).

7. This Annex is based on the Harmonized System, as amended on 1 January 2017 and:

(a) in the case of Part 2, the eight-digit code of the tariff classification numbers of the European Union and the corresponding description for each tariff line referred to in the Schedule of the European Union are based on the combined nomenclature of the European Union (Combined Nomenclature of 1 January 2017); and

(b) in the case of Part 3, the nine-digit code of the tariff classification numbers of Japan and the corresponding description for each tariff line referred to in the Schedule of Japan are based on the national nomenclature of Japan (Statistical Code Lists for Imports as of 1 April 2017).