advertising expenses, and the verifier considered not only the amount of the expenses incurred, but also their indirect nature.

Department's Position: At verification, we examined examples of Koyo's advertising and sales promotions, and conclude that these expenses were institutional in nature and correctly classified as indirect.

Comment 3: Torrington argues that the Department should reclassify Nachi's U.S. advertising expenses as direct expenses because Nachi has not demonstrated that its U.S. advertising was indirect in nature. Torrington states that, according to a Court decision (See Timken, 673 F. Supp., at 513), if respondents do not explain the exact nature of U.S. advertising expenses, the Department must treat them as direct.

Nachi argues that it submitted sample advertisements that satisfy the definition of indirect advertising in that they were general advertisements aimed at promoting the Nachi brand name as opposed to specific bearing products.

Department's Position: We agree with Nachi. The sample advertisements submitted by Nachi promote the Nachi brand name in trade publications and not specific bearing products. See Nachi Section B response, at attachment 20 (September 21, 1993). Therefore, we have treated Nachi's U.S. advertising expenses as indirect selling expenses.

Comment 4: Torrington maintains that the Department should reclassify NPBS' U.S. indirect advertising expenses as direct selling expenses. NPBS argues that it has documented its indirect selling expenses and that it has complied fully with all reporting requirements. NPBS argues that the Department should continue treating these expenses as indirect.

Department's Position: We agree with NPBS. NPBS has fully complied with all reporting requirements and has separated its direct and indirect advertising and promotional expenses. Furthermore, at verification we specifically examined NPBS' export selling expenses and verified their indirect nature. See Nippon Pillow Block Verification Report, at 10 (March 1, 1994).

Comment 5: Torrington argues that NTN-Germany improperly failed to report direct advertising expenses in the United States. According to Torrington, NTN-Germany's statement that most of its U.S. advertising expenses were indirect expenses implies that some of these expenses are directly related to the sales subject to this review. Therefore, Torrington concludes that the Department should draw an adverse inference and reclassify all of NTN-

Germany's U.S. advertising expenses as direct selling expenses for the final results

NTN-Germany refutes Torrington's arguments on the grounds that it provided evidence demonstrating that NTN-Germany's U.S. advertising expenses are indirect selling expenses. According to NTN-Germany, the sample advertisements that it submitted promote the company in general, rather than specific products. NTN-Germany further argues that under identical factual circumstances, the Department refuted Torrington's arguments in the final results of AFBs III. Accordingly, NTN-Germany concludes that the Department should treat NTN-Germany's U.S. advertising expenses as indirect selling expenses for the final results of this review.

Department's Position: We agree with Torrington. In stating that most of its U.S. advertising expenses were indirect in nature, NTN-Germany tacitly acknowledged that it incurred direct advertising expenses in the United States. Nonetheless, NTN-Germany chose not to provide data on its direct advertising expenses. Because NTN-Germany elected not to provide information that it possessed regarding direct advertising expenses, we have drawn the appropriate adverse inference and treated all NTN-Germany's reported U.S. advertising expenses as direct selling expenses for these final results.

Comment 6: Torrington argues that Koyo's HM advertising expenses must have been incurred on behalf of purchasers of the merchandise to be permitted as an adjustment for differences in COS, citing 19 CFR 353.56(a)(2). Torrington contends that Koyo should segregate such expenses between sales to OEMs and sales to the aftermarket. Torrington argues that it is implausible that a purchaser of an automobile or an appliance would be the target of an advertisement of Koyo's bearings and that only properly substantiated advertising expenses incurred with respect to aftermarket sales should be permitted as a COS adjustment.

In rebuttal, Koyo argues that the regulation cited by Torrington to support its argument governs direct expenses under the COS provision. Because the HM advertising expenses reported by Koyo are indirect, the Department properly deducts these expenses under the ESP offset provision, 19 CFR 353.56(b)(2), which contains no requirement that the expenses be incurred on behalf of the purchaser.

Department's Position: We agree with Koyo that the advertising expenses in

question were indirect in nature because the sample advertisements submitted by Koyo appeared in trade publications and were designed to promote the Koyo name. Therefore, because these expenses were used only to offset indirect selling expenses deducted from ESP transactions, there is no requirement that they be incurred on behalf of a customer.

Comment 7: Torrington states that the Department should not accept NMB/Pelmec Singapore's reported indirect sales promotion expenses because they were incurred in order to promote future sales. Torrington argues that expenses associated with future sales are not expenses incurred with respect to sales of subject merchandise during the POR and should not be accepted as an adjustment to FMV.

NMB/Pelmec Singapore argues that the expenses in question were incurred in bringing certain OEM clients from Singapore to Thailand on a tour of Minebea's facilities. NMB/Pelmec argues that these clients could have made additional purchases during the POR. Therefore, NMB/Pelmec concludes that its sales promotions did not relate exclusively to future sales.

Department's Position: We agree with NMB/Pelmec. Advertising and promotional expenses which are incurred during the POR are, by Department practice, associated with POR sales because they cannot be directly linked to particular sales. Also, as NMB/Pelmec explains, the expenses were incurred in promoting local sales and did relate to sales of subject merchandise during the POR. As a result, we have not changed our preliminary determination to make an adjustment to FMV for NMB/Pelmec Singapore's reported indirect sales promotion expenses.

Comment 8: Torrington argues that the Department failed to deduct from USP advertising expenses that INA incurred in Germany for export sales. Torrington notes that, in addition to U.S. advertising expenses, INA also identified certain indirect advertising expenses, incurred in Germany, that related to both domestic and export sales. Torrington states that the Department should allocate to U.S. sales a portion of the advertising expenses that INA incurred in Germany and deduct them from USP for the final results

INA responds that deducting the advertising expenses at issue from ESP would result in an overstatement of INA's advertising expenses. INA contends that it incurs the HM advertising expenses at issue for selling merchandise to customers for whom it