Department's Position: We agree with NTN. The record contains no evidence that these expenses are directly related to specific U.S. sales. Therefore, we have continued to treat them as indirect selling expenses for these final results.

*Comment 43:* Torrington maintains that NPBS' allocation of export selling expenses based on the number of personnel responsible for export sales is unreliable. Torrington argues that the Department should reallocate these expenses based on the relative value of U.S. sales to total export sales, as it did in the final results of *AFBs III* (at 39749).

NPBS responds that its allocation method is reasonable. According to NPBS, it allocates expenses incurred in Japan to all export sales based on the number of personnel responsible for export sales, and then allocates the export selling expenses to U.S. sales based on the ratio of U.S. sales to total export sales. Therefore, NPBS contends that its allocation method is reasonable and consistent with the Department's position in the final results of AFBs III. As a result, NPBS concludes that the Department should not reallocate its export selling expenses for these final results.

Department's Position: We agree with NPBS. To the extent that NPBS is able to identify specific employees who are responsible for export sales, it is acceptable for NPBS to determine that portion of its total pool of indirect selling expenses attributable to export sales based on the ratio of export-related employees to total employees because it provides a reasonable measure of the selling effort that NPBS devotes to export sales. Further, because NPBS used the ratio of U.S. export sales to total export sales to allocate export selling expenses to U.S. sales, we find that NPBS' allocation method is reasonable and consistent with AFBs III. Therefore, we have used NPBS' reported export selling expenses in our calculations for these final results.

Comment 44: Federal-Mogul questions NSK's classification of warehouse expenses" incurred in the United States as indirect selling expenses. Citing Nihon Cement Co., Ltd. v. United States, Slip. Op. 93-80 (May 25, 1993), Federal-Mogul contends that warehouse expenses may be movement expenses under certain circumstances. In this context, Federal-Mogul argues that although warehouse expenses may be indirect selling expenses, NSK failed to provide any evidence to substantiate its claim that these expenses were not movement expenses. Accordingly, Federal-Mogul requests that the Department treat these expenses as

movement expenses for the final results of this review.

NSK responds that the Department has no obligation to presume that warehouse expenses are movement expenses. NSK further argues that the Department never challenged NSK's claim that the warehouse expenses at issue were indirect selling expenses. Therefore, NSK concludes that the Department should continue to treat warehouse expenses as indirect selling expenses for these final results.

Department's Position: We agree with NSK. The record contains no evidence that NSK incurred the warehouse expenses in question for storage of merchandise in transit from one location to another, as was the case in Nihon. Moreover, Federal-Mogul has provided no evidence that any other circumstances are present that would warrant treating the warehouse expenses in question as movement expenses. As a result, we cannot conclude that these expenses are movement expenses. Accordingly, we have continued to treat them as indirect selling expenses for these final results.

Comment 45: Torrington challenges two aspects of NSK's claimed HM indirect selling expenses. First, Torrington argues that NSK improperly claimed deductions from FMV for indirect selling expenses incurred by NSK's HM subsidiaries as well as by NSK. Citing AFBs I, Torrington argues that the Department previously has rejected respondents' attempts to claim deductions from FMV for indirect expenses incurred by both the parent company and its sales subsidiary. Torrington further argues that NSK has not demonstrated that the research and development (R&D) expenses that comprise a significant portion of NSK's HM indirect selling expenses are actually related to NSK's selling functions. Therefore, Torrington concludes that the Department should eliminate R&D expenses from NSK's claimed HM indirect selling expenses or, at a minimum, allow as a HM indirect selling expense only that portion of R&D expenses attributable to HM sales.

NSK responds that because the Department considers NSK and its related distributors to be one entity, the indirect selling expenses of both NSK and its related distributors are properly attributed to the HM sales subject to this review. NSK further argues that the Department has accepted NSK's method of reporting indirect selling expenses in previous AFB reviews, and that the Department verified NSK's reported indirect selling expense data in this review. Moreover, NSK argues that it reported its general R&D expenses in accordance with the statute and the Department's instructions. According to NSK, it incurs general R&D expenses in analyzing domestic customers' intended uses of bearings or in assisting them in identifying the appropriate product for a particular application; because of the need to work directly with customers in providing general R&D services, NSK states that it does not provide such services to export customers. Thus, because NSK incurs general R&D expenses for domestic customers only, and because the expenses are related to NSK's selling function, NSK concludes that the Department should deduct them as indirect selling expenses from FMV for these final results.

Department's Position: We agree with NSK. We consider NSK and its related distributors to be one company for purposes of this review and, therefore, consider all indirect selling expenses incurred by NSK and its related distributors for the distributors' sales to unrelated customers to be related to these sales. Further, we verified that NSK incurs general R&D expenses to support NSK's overall sales and marketing efforts, and that NSK does not incur general R&D expenditures for export customers. Accordingly, we have included all expenses that NSK incurred in making sales to its related sales companies in Japan, and all of NSK's claimed general R&D expenses, among NSK's HM indirect selling expenses for these final results.

Comment 46: Torrington asserts that NSK should not allocate indirect selling expenses and G&A expenses for ESP sales on the basis of resale prices. According to Torrington, NSK's reallocation was not in compliance with the Department's instructions in its supplemental questionnaire to NSK. Torrington further argues that NSK's allocation method distorts the Department's calculations by assigning the highest deductions for such expenses to sales with the highest perunit resale prices. Therefore, Torrington believes that the Department should use the highest amount deducted for any U.S. sale to make these adjustments for all U.S. sales. Alternatively, Torrington argues that the Department should reallocate indirect selling expenses and G&A over the cost of goods sold, in order to ensure that the expenses in question are allocated to each part number without distortion.

Citing *Nacco Materials Handling Group, Inc.* v. *U.S.,* Slip Op. 94–34 (March 1, 1994), NSK argues that the Department should continue to accept its method of reporting these expenses because, as explained in NSK's