supplemental questionnaire response, it is accurate and reliable. NSK further argues that the Department accepted NSK's allocation method in previous AFB reviews, and verified the expenses in question in this review. Therefore, NSK concludes that the Department should not reallocate NSK's indirect selling expenses and G&A for these final results.

Department Position: We agree with NSK. In its response to our supplemental questionnaire, NSK explained in full the sales price-based method that it used to allocate the expenses in question. As in previous reviews, we find that NSK's allocation method is reasonable. Further, there is no evidence that an allocation of indirect selling expenses based on cost of goods sold, as proposed by Torrington, is any more accurate or reasonable than a sales price-based allocation. Therefore, consistent with past AFB reviews, for these final results we have accepted NSK's indirect selling expenses as NSK reported them in its questionnaire responses.

## 4H. Miscellaneous Charges

Comment 47: RHP contends that the Department erred in using Federal Reserve exchange rates rather than RHP's reported exchange rate in recalculating RHP's claimed currency hedging adjustment. RHP states it provided all the information that the Department requested regarding RHP's hedging adjustment, and that RHP's reported exchange rates accurately reflect the rates that RHP received. RHP further argues that the Department provided no justification for its determination not to use RHP's actual exchange rates. Therefore, RHP asserts that the Department should use the data that RHP submitted concerning its actual corporate exchange rates to calculate its currency hedging adjustment for these final results.

Torrington and Federal-Mogul argue in rebuttal that the Department must apply the exchange rate specified by the Department's regulations. Torrington continues that it is the respondents' burden to demonstrate their entitlement to an adjustment. In this context, Torrington argues that the Department did not verify RHP's corporate exchange rates, and that RHP did not explain how its reported corporate rates would result in a more precise adjustment than those that the Department used in its calculations. Therefore, Torrington and Federal-Mogul conclude that the Department should not modify its calculation of RHP's currency hedging adjustment for these final results.

Department's Position: We agree with Torrington and Federal-Mogul. The Department is required by 19 CFR 353.60 to make currency conversions in accordance with Customs procedures established by section 522 of the Tariff Act. This section states that "(t)he Federal Reserve Bank of New York shall decide the buying rate and certify the rate to the Secretary (of the Treasury)." Therefore, we have used the Federal Reserve Bank's exchange rates as the basis for RHP's currency hedging adjustment for these final results.

## 5. Cost of Production and Constructed Value

## 5A. Research and Development

Comment 1: Torrington contends that, although RHP treated all R&D as G&A expenses, these expenses were at least in part product-specific. Torrington references two response exhibits listing product R&D expenses for new products to support its view that the Department should reject RHP's argument that it was unable to report product-specific R&D. Torrington notes that developing new products is clearly a product-specific activity and should have been reported as such. Torrington concludes that the Department should reclassify all R&D expenses and include them in the total for the COM for the final results.

RHP explains that while its R&D facility was responsible for developing new products, no new products were sold during the POR, and thus, there is no basis for adjusting RHP's reported R&D costs.

Department's Position: We disagree with Torrington. The exhibits in RHP's cost section show general areas of R&D directed at the development of new bearings and general improvements to certain aspects of all bearings. The exhibits do not indicate that R&D costs were incurred for any specific bearing.

Comment 2: NMB/Pelmec argues that the R&D expenses that are not related to the subject merchandise should not be added to the COP and CV. In its Section D response to the Department's questionnaire, NMB/Pelmec explained that R&D expenses were reported as part of factory overhead. The only R&D activities noted in the 1992 Minebea Co.'s annual report relate to "Rod-End, Spherical and Journal Bearings." These types of bearings are manufactured at facilities in the United Kingdom, the United States and Japan, and are not manufactured by the same facilities that produce the subject merchandise. Therefore, these expenses should not be included in the COP and CV.

Torrington rebuts NMB/Pelmec's argument by stating that R&D expenses

incurred by the parent company in Japan should be allocated to the Thai operations. According to Torrington, there is no merit to NMB/Pelmec's argument that the R&D expenses identified by the Department at verification are not related to the subject merchandise and should not be added to COP and CV. The record does not support NMB/Pelmec's contention that the unreported R&D costs were incurred solely for rod-end, spherical and journal bearings.

Torrington further contends that, even if NMB/Pelmec's unsubstantiated factual contention were correct, it is irrelevant whether or not these types of bearings are presently being manufactured in the Thai facilities. It is recognized that the same basic technology and production processes are utilized for the various types of bearings. For the final results, Torrington argues that the Department should include the allocated portion of the R&D expenses in question.

Department's Position: The Department agrees with Torrington's argument that the respondent failed to demonstrate that the benefits of Minebea Japan's R&D efforts are limited to nonsubject merchandise. NMB/ Pelmec's argument that the financial report only discusses R&D that relates to nonsubject products is flawed. The same report discusses how the Minebea Group developed a new washing system for ball bearings that it intends to have installed in all their plants worldwide by the end of March 1993. Furthermore, we find irrelevant NMB/Pelmec's argument that the list of current R&D projects that the Department reviewed did not contain R&D specifically related to bearings. We verified through Minebea Japan's financial statements that it amortizes the cost of its R&D over a 5-year period. Accordingly, the current list of R&D projects does not reflect the capitalized costs of prior year projects currently being expended as an operating cost. Therefore, it is appropriate to allocate R&D costs to NMB/Pelmec and we have included these expenses in the COP and CV.

## 5B. Profit for Constructed Value

Comment 3: Torrington argues that sales to related parties that are not at arm's length should be excluded for purposes of calculating statutory profits. Torrington cites Final Determination of Sales at Less Than Fair Value; Certain Stainless Steel Wire Rods from France, 58 FR 68865 (December 29, 1993), where the Department held that "all home market sales to related parties that fail the arm's-length test" should be excluded from the profit calculation.