bearing components, it determined that related-party transfer prices "may not be reflective of fair value." As such, the Department increased NMB/Pelmec's COP and CV data by the amount by which it determined that the bearings component transfer prices were below cost. NMB/Pelmec Thailand argues that before comparing transfer prices to costs, the Department increased the reported costs for four items: interest, R&D, headquarters expense, and Karuizawa's G&A expenses.

NMB/Pelmec Thailand argues that its Karuizawa plant's G&A costs and its Minebea headquarters expenses should not be added to the component costs because these expenses have already been taken into account. Since the Department adds the headquarters expenses when calculating CV value, a downward adjustment needs to be made at this stage to account for the fact that some of the component costs have already been increased by this amount. Similarly, NMB/Pelmec Thailand argues that if the Karuizawa plant's G&A expenses are added to component costs, then the markup should be deducted from the reported costs. NMB/Pelmec further argues that since the Department increased the reported costs for bearing components by the amount of Minebea Japan's consolidated interest costs, the Department has double-counted this expense because these costs were already included in the reported CV figures. Finally, NMB/Pelmec states that R&D has also been double-counted since these costs were included in CV.

Torrington states that the Department properly concluded that transfer prices for NMB/Pelmec's bearing components are below cost. Torrington states that there is no merit to NMB/Pelmec's contention that the Department committed numerous errors. The verification team determined that as Kuruizawa is involved with these purchases, its G&A costs must be included in the COP along with the additional general expenses incurred by Minebea. According to Torrington, the respondents failed to provide calculations to illustrate that the Department's methodology results in double-counting and that adding R&D expenses was unjustified.

Department's Position: We found at verification that related parties supply the majority of materials used by NMB/ Pelmec Thailand in its production of the subject merchandise. It was also shown at verification that a sample of relatedparty transfers either did not match the price from an unrelated party or were below the COP. Additionally, Minebea Japan purchases NMB/Pelmec Thailand's finished bearings for sale to

the United States. As a consequence of the Minebea Group's practice of purchasing and reselling materials and bearings for the benefit of NMB/Pelmec Thailand, Minebea's reported sales and cost of sales account for the cost of these related-party material purchases twice. When Minebea Japan sells component parts to NMB/Pelmec Thailand. it records a sale and cost of sale in its financial statements. Then, correspondingly, when Minebea Japan repurchases and sells the finished bearings which include the previously transferred components, it records a sale and cost of sale in its financial statement. This sequence of events constitutes double-counting in Minebea Japan's own financial statements, i.e., sales of components and finished bearings. Such double-counting occurs because Minebea Japan does not consolidate its financial statements with those of NMB/Pelmec Thailand. Therefore, the Department has adopted a similar methodology in applying its adjustments to rectify the transfer price deficiencies it found during verification.

Comment 10: Torrington argues that certain related-party transfer prices that NTN reported in its CV questionnaire response do not constitute a permissible basis for calculating CV. For the final results, Torrington urges the Department to calculate "arm's-length" prices for certain inputs using information that NTN provided or, if the Department is unable to do so, to reject NTN's CV data in favor of BIA.

NTN responds that it provided all the information that the Department requested regarding related-party inputs, and that it indicated the products that contained inputs purchased from parties related to NTN. Therefore, NTN concludes that the Department should not use BIA to determine the dumping margins for any U.S. sales that are matched to CV for these final results.

Department's Position: We agree with NTN. NTN provided the data that we requested for related-party inputs and the information necessary to make any adjustments to related-party prices. Further, we find that adjustments to NTN's related-party prices are unnecessary. Although certain purchases that NTN made from relatedparties were not at arm's-length prices, these inputs represent a small fraction of NTN's total inputs and, therefore, have an insignificant effect on the submitted CV data. As a result, we have used NTN's related-party prices in our CV calculations for these final results.

5D. Inventory Write-Off

Comment 11: Torrington states that RHP had write-offs and write-downs during the POR, and that the company charged these costs to all RHP stock instead of to the particular models involved. Torrington suggests that writeoffs and write-downs of ball bearing models may have been charged to nonscope merchandise. Torrington notes that write-downs and write-offs are by nature model-specific and should be charged to specific models. Torrington argues that the Department should reallocate these costs by charging all costs to the bearing model with the highest sales revenue in the United States during the POR for which CV serves as FMV.

RHP agrees with Torrington that inventory write-offs and write-downs occurred during the POR. RHP states, however, that it acceptably charged these write-offs and write-downs against a reserve on its financial reports.

Department's Position: We agree with RHP. RHP accounted for the writedowns and write-offs in accordance with GAAP in the United Kingdom. GAAP does not require that companies write down or write off inventory on a model-specific basis. RHP appropriately off-set the reserve rather than recognize an additional expense. In addition, RHP realized a miscellaneous gain due to an overaccrual for write-downs and writeoffs in previous periods.

5E. Interest Expense Offset

Comment 12: Federal-Mogul argues that SNR's claim for an interest income offset to financing expenses in the CV and COP calculations should be disallowed because SNR failed to distinguish between interest income from bearing manufacturing and interest income from investments. In this respect, Federal-Mogul argues that SNR's interest earned from "late payment for goods" is properly classified as "interest revenue" and should thus be used to adjust sales price upwards or to offset credit expenses. Further, Federal-Mogul asserts that SNR's claim for interest on advance payments to suppliers is not interest earned from bearing manufacturing operations.

SNR responds that its reported interest income was all derived from operations, specifically short-term deposits, interest on late payment for bearings, and interest on advance payments to suppliers. SNR states that it did not derive any of its interest income from non-operational activities such as the sale of land or negotiable securities. Accordingly, SNR claims