there is no basis to deny its reported offset.

Department's Position: We agree with SNR. The interest earned on short-term deposits, on advance payments to suppliers and on late payments is derived from manufacturing and sales operations. The Department's practice is to accept a reduction of total interest expense by such short-term interest income because such income is earned from working capital, which by definition is related to manufacturing and sales operations. Therefore, we accepted the interest offset as reported by SNR.

Comment 13: Federal-Mogul claims SKF's interest income offset should be disallowed because the source of this offset was not provided. Federal-Mogul asserts that the interest income qualifying as an offset to interest expense must be derived from bearing manufacturing operations.

SKF argues that total interest expense was reduced by interest income earned solely on short-term investments (cash and marketable securities). In addition, SKF argues that it illustrated its interest calculation and the details were verified by the Department. SKF asserts the Department's practice is to require a respondent to show that interest income used to offset interest expense in the calculation of COP relates to a firm's general operations, and that this practice was affirmed by the CIT in *The Timken Co. v. United States*, Slip Op. 94–1 at 12–20 (January 3, 1994).

Department's Position: We agree with SKF. The Department verified that the interest income offset was attributed to short-term investments of its working capital. Therefore, interest expense was appropriately reduced by this amount.

Comment 14: Torrington observes that NPBS reported interest expenses for COP net of interest income. Torrington claims, however, that NPBS failed to demonstrate that the interest income in question was derived from short-term investments directly related to production of merchandise. Accordingly, Torrington asserts that the Department should recalculate NPBS' interest-expense factor without including interest income.

NPBS responds that its interest income offset includes income derived from short-term investments related to the production of subject merchandise and income from investments of working capital. Accordingly, NPBS argues that its offset is properly supported.

Department's Position: We agree with NPBS. NPBS reported that it has investments in several types of securities and real estate, but has not reported any interest income from these activities. Therefore, we are satisfied that the interest income is related to production activities and the investment of working capital.

## 5F. Other Issues

Comment 15: NMB/Pelmec Thailand argues that the Department improperly recalculated the G&A expenses portion of the reported COP and CV data to include additional Minebea Japan headquarters expenses. According to NMB/Pelmec, some of these expenses were unrelated to the production of the subject merchandise. Accordingly, these expenses should not be included in the COP and CV calculations.

Torrington rebuts NMB/Pelmec's argument by stating that the Department found at verification that Minebea Japan's G&A expenses incurred were not fully allocated to the Thai operations. Torrington asserts that the evidence on the record does not support NMB/Pelmec's contention and that the Department has improperly allocated G&A expenses to the Thai operations.

Department's Position: It is appropriate to allocate a portion of the total headquarters expenses to NMB/Pelmec Thailand. NMB/Pelmec lists headquarters expense as a general expense, which are period costs that relate to the operation as a whole. We agree with Torrington that the record evidence does not support the respondent's contention that some of the accounts that make up headquarters expense should not be allocated to the Thai operations.

Comment 16: NMB/Pelmec Thailand argues that the Department incorrectly adjusted G&A expenses for certain extraordinary expenses which were unrelated to the ordinary operations and should not be included in the COP and CV calculations. According to NMB/Pelmec, these extraordinary expenses consisted primarily of expenses related to the company's 10th anniversary celebrations in Thailand and should not have been added.

Torrington asserts that NMB/Pelmec's argument that the firm's 10th anniversary celebration was an extraordinary loss is incorrect since by the nature of the expense, it will recur in the future. In addition, such events are typically an occasion to promote products and develop customer relationships. Thus, this expense does not constitute an extraordinary item and, at the very least, should be deemed a selling cost.

Department's Position: We agree with Torrington that these expenses are not extraordinary expenses. We find no merit to NMB/Pelmec's arguments that these expenses do not relate to the ordinary operations of the company. Since such activities and related expenses at a minimum promote NMB/Pelmec's name, we have revised NMB/Pelmec's calculation of G&A expenses to include these costs.

Comment 17: Torrington argues that the Department found at verification that certain expenses, *i.e.*, bonus for directors, bonus for auditors, exchange loss and miscellaneous expenses, were not included in the costs submitted by Koyo. Torrington contends that the Department should make the appropriate adjustments to COP and CV for the final results.

Koyo argues that the Department improperly reclassified its nonoperating expenses and payments out of retained earnings as production expenses. Specifically, the Department incorrectly reclassified bonus payments to auditors and directors paid out of retained earnings, exchange losses, and all expenses booked as "miscellaneous non-operating." The reclassification of bonuses for directors and auditors contradicts prior Department treatment of these expenses. Koyo states that the Department in four previous tapered roller bearing (TRB) reviews found that bonuses for directors and statutory auditors' fees were similar to a dividend payment and, accordingly, not a production cost. Koyo also argues that the Department erroneously reclassified the exchange losses included in Koyo's non-operating expense account as production costs. Koyo contends that its exchange losses are related to international sales operations, not domestic production. Since all production expenses are incurred and paid in yen, there can be no productionrelated exchange losses.

Department's Position: During verification, Koyo's management provided explanations of the costs that were included as certain non-operating expenses on the financial statements. Based on the discussions, we found that certain general expenses were not included in the submission. These costs included miscellaneous expenses and bonuses for the board of directors and auditors which are normal costs incurred by companies. With respect to foreign exchange losses, these costs were also considered to be a general expense because they did not relate to sales.

Comment 18: Torrington argues that the Department noted at verification that Koyo under-reported certain other expenses when it individually adjusted factory overhead expenses allocated through its cost centers based on an efficiency variance. Torrington contends