and product-specific basis, and because Koyo's reporting did not permit the Department to determine whether the billing adjustments related solely to subject merchandise, the Department should deny these adjustments entirely instead of allowing them as indirect selling expenses.

Koyo responds that it reported its post-sale price adjustments as indirect selling expenses in accordance with the Department's policy as explained in the final results for the fourth administrative review.

Department's Position: We agree with Torrington and have disallowed Koyo's post-sale price adjustments because Koyo did not demonstrate that the allocated price adjustments pertained to subject merchandise only. See Torrington I. Although we verified that Koyo's billing adjustments were reported on a customer-specific basis, Koyo provided no means of identifying and segregating price adjustments paid to those customers on out-of-scope merchandise.

Comment 8: Torrington argues that the Department should disallow several of Nachi's HM rebate claims, classified as rebates 3, 5, 6, and 7, because the Department cannot use rebates paid on out-of-scope merchandise to adjust FMV. Torrington contends that it is not clear from Nachi's responses or from the Department's verification report that these rebates were calculated only on the basis of sales of in-scope merchandise.

Nachi responds that it reported all rebates on a customer-specific basis for eligible products only. Furthermore, Nachi contends that the Department thoroughly verified all Nachi's HM rebate programs and found no discrepancies. Therefore, Nachi concludes that, as in past reviews, the Department should continue to allow Nachi's rebate claims.

Department's Position: We agree with Nachi with respect to rebates 3, 6, and 7. We thoroughly verified each of these rebate programs. Rebate 3 was granted as a fixed percentage of price and reported on a transaction-specific basis. Rebates 6 and 7 were granted as fixed percentages of price. We found no rebates reported on sales that did not incur rebates, and no rebates incurred on sales of out-of-scope merchandise allocated to sales of scope products. See Nachi-Fujikoshi Home Market Sales Verification Report, February 28, 1994.

We agree with Torrington with respect to Rebate 5. This rebate was reported on a monthly- and customerspecific basis (rather than a transaction-specific basis) by dividing the total amount of that customer's rebate by the

total customer-specific shipments, including shipments of out-of-scope merchandise. Therefore, we have disallowed this rebate. See *Torrington I*.

Comment 9: Torrington argues that if the Department allows Nachi's rebates 3, 6, and 7 as adjustments to FMV, then the Department should at least treat these rebates as indirect expenses. In addition, Torrington asserts that the Department should treat rebate 4 as an indirect expense. Torrington states that the Department only treats rebates as direct adjustments to price if they were calculated on a transaction-specific basis or if they were granted as a fixed percentage of sales on all transactions for which they were reported. Torrington contends that rebates 3, 4, 6, and 7 do not meet the Department's standards for direct adjustments to FMV. Finally, Torrington notes that the Department treated rebates 3, 6, and 7 as indirect expenses in the previous review.

Nachi argues that the Department correctly treated rebates 3, 4, 6, and 7 as direct adjustments to price. With regard to rebate 3, Nachi points out that the Department's verification report described the rebate as "a fixed percentage of price and * * * reported on a transaction-specific basis." See Nachi Verification Report, at 7 (February 28, 1994). With regard to rebate 4. Nachi states that the rebate was paid on sales of specific models and allocated over all sales of a specific model to the same customer in a given month. Nachi claims that it had to perform this minor allocation because there was no way to determine which particular sales of a specific model were subject to the rebate. However, the rebate was not allocated across different models, different customers, or different months. Therefore, Nachi argues that, at a minimum, if rebate 4 does not qualify as direct adjustment to price, it should qualify as a direct selling expense because it was directly related to sales.

With regard to rebate 6, Nachi argues that the Department has verified that the rebate was granted as a contractually fixed percentage of sales covered by the agreement. With regard to rebate 7, Nachi also argues that it was granted as a fixed percentage of invoice price. Therefore, Nachi believes that the Department should continue to classify all four rebate programs as direct adjustments to price.

Department's Position: We agree with Nachi that rebates 3, 6, and 7 were reported, as they were granted, either on a transaction-specific basis, or as a fixed percentage of price. We verified that rebate 4 was paid on sales of specific models and allocated over all sales of a

specific model to the same customer in a given month. The rebate was not allocated across different models, different customers, or different months. We have accepted this rebate as a direct adjustment to price because the limited allocation Nachi performed has no distortive effect on FMV because HM prices are weight-averaged by month and model.

Comment 10: Torrington argues that the Department should disallow entirely SKF-Germany's reported HM billing adjustment number two, which is "not associated with a specific transaction.' While it was proper, according to Torrington, for the Department not to treat the adjustment as direct, Torrington holds that the Department must disregard these billing adjustments entirely because they may not be exclusively associated with subject merchandise. Torrington maintains that SKF has had ample opportunity to demonstrate the sale-specific nature of this claimed adjustment, yet has failed to do so. Alternatively, Torrington asserts that if the Department treats billing adjustment number two as an indirect selling expense, the Department should reduce the pool of the billing adjustments by a factor representing the ratio of in-scope to out-of-scope merchandise during the POR.

SKF-Germany holds that its HM billing adjustment number two should be treated as a direct adjustment to price. If the Department does not agree with this categorization, SKF-Germany argues that HM billing adjustment number two should be treated as an indirect selling expense, as the Department has done in the preliminary results of this review and in the final results of the past two administrative reviews.

SKF specifically argues that Torrington's arguments are contradictory. Having acknowledged that billing adjustment number two captures adjustments concerning multiple invoices, Torrington then complains that SKF-Germany has not reported this adjustment on a salespecific basis. SKF-Germany, as it has held since the inception of this review, argues that it cannot report this adjustment on a sale-specific basis, and has therefore reported it on a customerspecific basis. SKF-Germany states also that the Department verified this adjustment to its satisfaction and found no discrepancies. SKF-Germany concludes that Torrington's arguments ignore Koyo Seiko Co. v. United States, 796 F. Supp. 1526 (CIT 1992) (Koyo Seiko), in which the CIT specifically affirmed the Department's methodology of including customer-specific