

Section 7

<Obsolescence>

Purpose: Explains procedure to be followed for parts obsolescence notification from DENSO. Mainly focuses on material commitment and last time buy procedure.

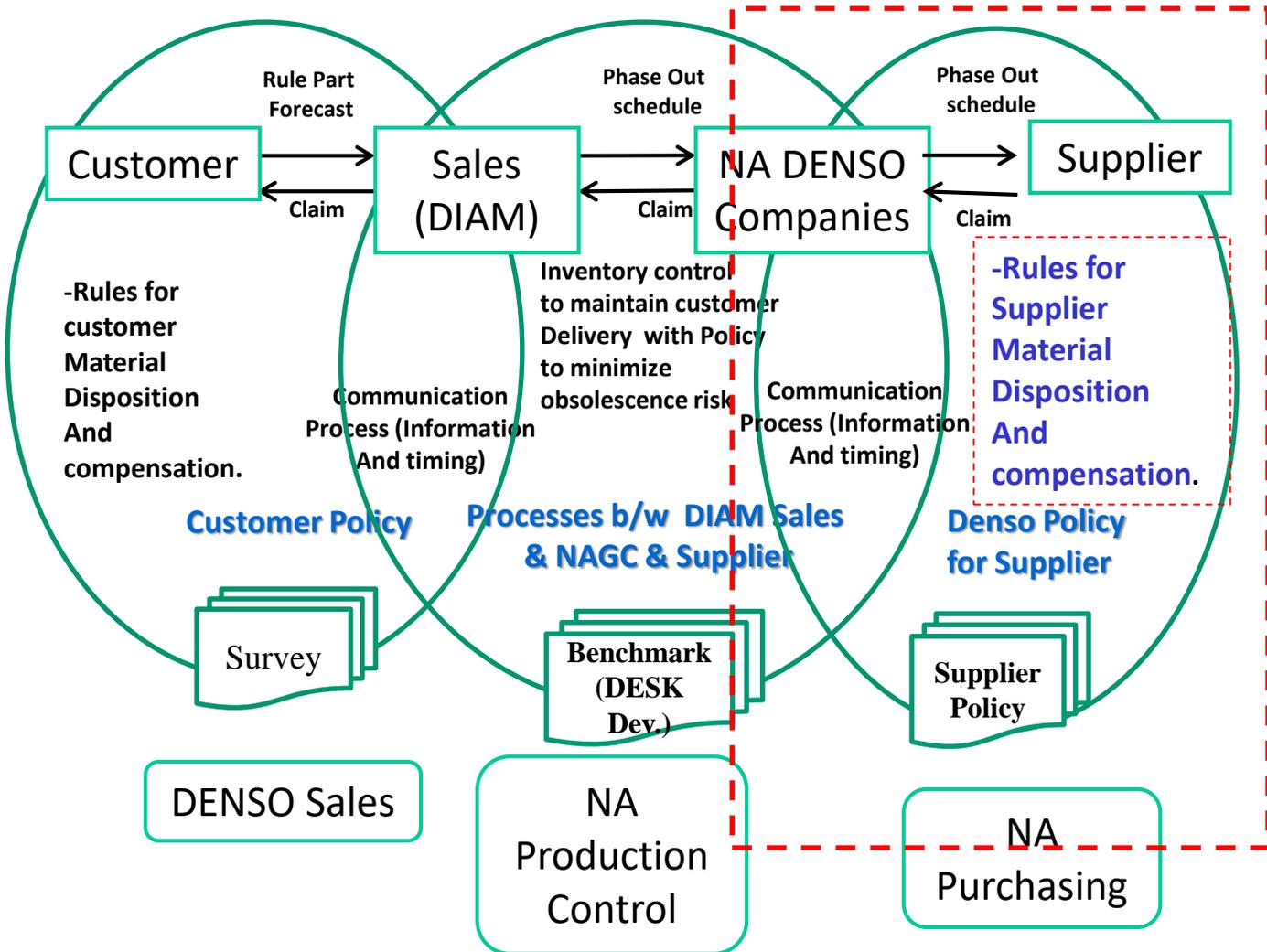
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Obsolescence-Definition

Obsolescence

Obsolete materials are parts that have been scheduled to be purchased by DENSO that can no longer be used due to phasing out. These materials include finished parts, raw material, and sub components.



Material Commitment

Purpose:

The Material Commitment explains DENSO's responsibility to the supplier for leftover finished goods and/or raw materials.

MATERIAL COMMITMENT (MAY CHANGE FROM SUPPLIER TO SUPPLIER)

THE FOLLOWING ARE TERMS BASED ON THE WEEKLY ORDERING SYSTEM:

Unless otherwise stated, adhere to the following timing for Obsolescence scenarios:

2 WEEKS FINISHED PARTS

4 WEEKS RAW MATERIAL AND SUB COMPONENTS IF LOCAL

6 WEEKS RAW MATERIAL AND SUB COMPONENTS IF IMPORTED

****NOTE:** FG and/or raw material claim amount must add up to the total difference in EDI transmission.

ex.) EDI transmission difference=100. Supplier can claim 50 FG and raw materials to make 50 FG: 50 FG+50 Raw Materials=100.

****For any part numbers with special arrangement to cover Strategic Safety Stock requirements, please properly document and work with DENSO North America Purchasing on overall material commitment.****

Obsolescence- Submitting a Claim <RESPONSIBILITY/TIMING>

<Supplier Responsibility>

1. Suppliers are responsible for adjusting material flow as it relates to DENSO's requirements in an effort to minimize obsolescence.
2. Suppliers are responsible for filling out the Obsolescence Claim form with ALL required information and submitting timely.

<Timing>

DENSO should notify supplier in advance to begin planning for phase-out (see section 4-Phaseout for details).

Claims must be submitted by supplier within 3 weeks of final shipment. Claims submitted later than this will not be accepted.

All claims should be submitted to DENSO PC & Purchasing Contacts. Claims will be reviewed within 4 weeks of Obsolete Claim Submission.

<Accepted Claims>

1. After submission, your DENSO PC contact will conduct an audit to determine if the claim is valid
 - a. Take inventory at supplier location via DENSO visit to supplier
 - b. –OR-photo of inventory sent from supplier to DENSO PC
2. After audit is complete, the supplier must keep material on-hand until scrap disposition is provided by DENSO Purchasing
3. Final claim results will be communicated to DENSO Purchasing and processed for payment

<Unacceptable Claims>

Claims will not be processed under the following conditions:

1. All information on the Obsolescence form is not provided
2. Obsolescence form has been altered in any way (removal of formulas, format changed, etc.)
3. There are no recognizable contracted, scheduled, finished part numbers in the claim
4. Claim generates less than \$500 USD
5. Parts have already been disposed

Obsolescence- Submitting a Claim <WATERFALL ANALYSIS>

- Based on RAW/FAB authorization, if forecasts are suddenly cut in the Authorization period an obsolescence claim can be submitted.
- When submitting the claim to DENSO it is required to show the releases and attach to obsolescence form. All claims will be immediately rejected without said releases.
- Below is an example of how to track your forecast in a waterfall chart. (see previous page for Material Commitment):

EDI Transmission Date	Ship Date							Total EDI	
	4/10/2017	4/17/2017	4/24/2017	5/1/2017	5/8/2017	5/15/2017	5/22/2017		
4/7/2017	5	5	15	6	11	8	1	51	
4/14/2017	5	5	10	8	10	9	4	51	
4/21/2017	5	10	10	5	14	12	3	59	
4/28/2017	5	10	10	5	5	13	2	50	
5/5/2017	5	10	10	5	5	0	4	39	
5/12/2017	5	10	10	5	10	4	0	44	
5/19/2017	5	10	10	5	10	0	0	40	
5/26/2017	5	10	10	5	10	4	0	44	
Results	5	10	10	5	10	4	0	44	

Obsolescence Claim Calculation:

(a.) Difference between final Total EDI and EDI from 2 weeks prior

$$44 - 44 = 0$$

(b.) Difference between final Total EDI and EDI from 4 weeks prior

$$50 - 44 = 6$$

(c.) Difference between final Total EDI and EDI from 6 weeks prior

$$51 - 44 = 7$$

Obsolescence- Submitting a Claim <EXAMPLES>

The following examples use the waterfall chart from the previous page. They show calculations that reference the material commitments specified on page 3.

2 WEEKS FINISHED PARTS

4 WEEKS RAW MATERIAL AND SUB COMPONENTS IF LOCAL

6 WEEKS RAW MATERIAL AND SUB COMPONENTS IF IMPORTED

Scenario 1 (Local Raw Material/sub component):

(a.)+(b.)=CLAIM Amount $\rightarrow 0+6=6$

Scenario 2 (Imported Raw Material/sub component):

(a.)+(c.)=CLAIM Amount $\rightarrow 0+7=7$



DENSO International America, Inc and related subsidiaries

Obsolescence- Submitting a Claim <FORM>

Complete the Obsolete Claim and attach waterfall analysis with actual forecasts and submit to your DENSO PC or Purchasing contact to begin the obsolescence process.

- The Obsolete Claim Form is in [DENSO Collaboration Center](#)
- Once the Last Shipment information is known, Suppliers must issue an Obsolete Claim Form **within 3 weeks of the last ship date.**

<Obsolete Claim Form>

Phase Out Ref # PM-000013 **Phase Out Date** 9/1/2022

Obsolete Claim Info

Obsolete Claim Number OC-000006 **Status** Issued **Created On** 5/24/2022

DN Company Name DMMI **Supplier** GDC_INC **Supplier Code** CS1 **Primary Supplier Contact** Innovator Admin

DENSO Phase Out Initiator SFocuser **Primary DENSO Buyer** NA_DESP_NAPG_Admin@15 **Service Requirement (Years)**

Schedule

Supplier Issued Date **Requested Approval Date** **Approved / Rejected On Date**

Material Cost	WIP Material Qty	Finished Goods Cost	Finished Goods Qty Obsolete	Total Claim Amount (USD)	Attach Forecast Fluctuation File [...]	Comments [...]
	30.00	0.42	3000	1.74	Supplier Order Fluctuation.docx	Orders dropped off 2 months earlier than original pl...

Supplier Part #	Last DO# Shipped	Last DO# Qty	Last Ship Date [...]	Total Authorization (Weeks)	Raw Material Cost	Raw Material Qty Obsolete ↑	WIP Material Cost	WIP Material Qty	Finished Goods Cost	Finished Goods Qty Obsolete	Total Claim Amount (USD)
DNAA146686...	DN888666-003	10000	5/28/2022	8	1.10	50000	0.22	30.00	0.42	3000	1.74

==Link to Collaboration Center → [DENSO NA Collaboration Center \(nadenso.com\)](https://nadenso.com)

****DENSO PC should use Waterfall Reports in DOMO to confirm waterfall analysis****

Obsolescence