

# 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.

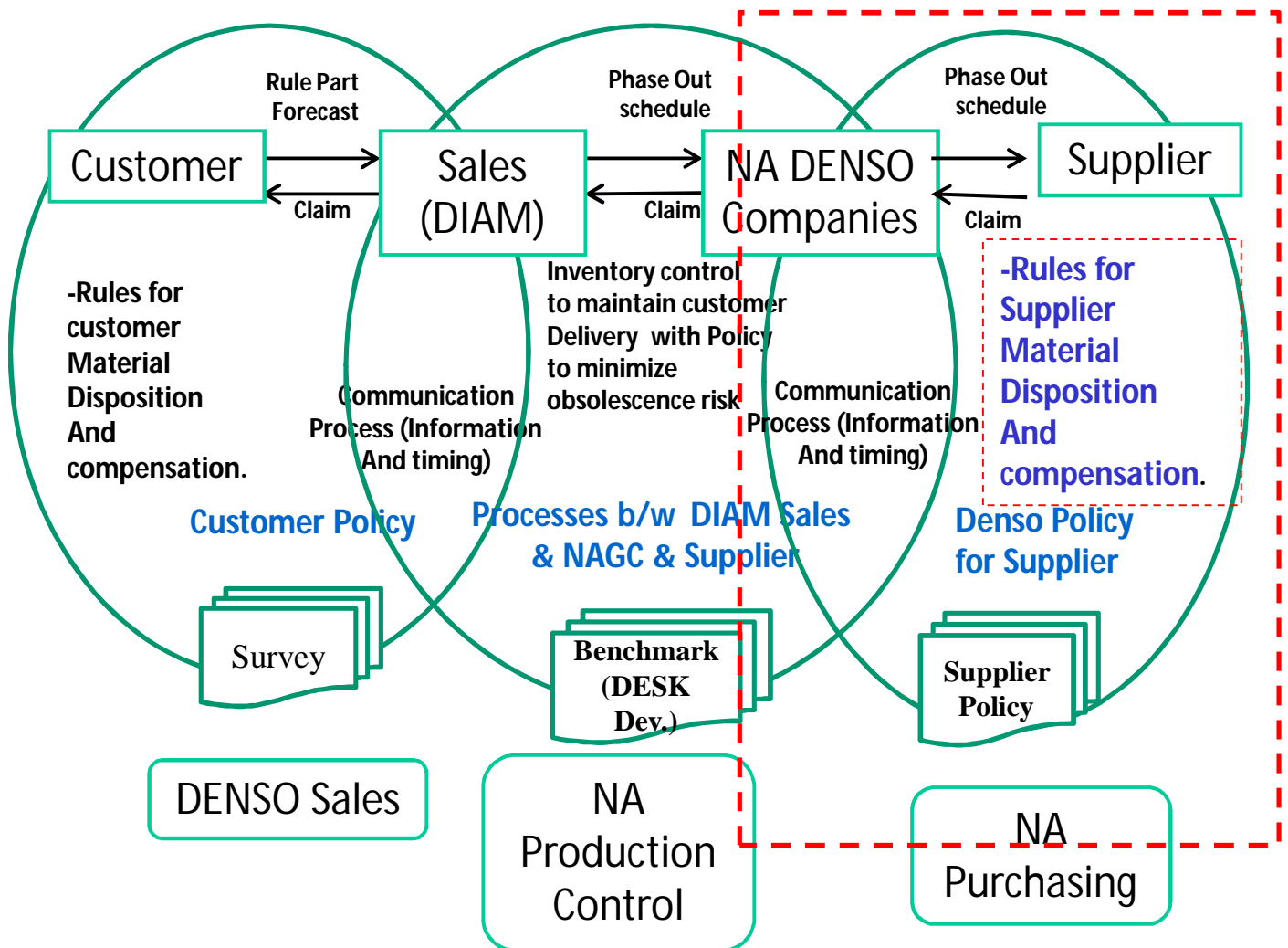
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## Obsolescence-Definition

### 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 phaseout (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 final shipment.

### **<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  $\rightarrow 0+7=7$



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## Obsolescence- Submitting a Claim <FORM>

Complete the top portion of the below form and attach waterfall analysis with actual forecasts before submitting to your DENSO PC or Purchasing contact to begin the obsolescence process.

### Denso Supplier Obsolete Material Claim Sheet

Supplier Name:		Part Number:		Finished Parts Obsolete	
Date Submitted:		Contract Lead Time:		Finished Parts Cost:	
Denso Contract:		High Fab/Raw Auth. Forecast:		Total Claim Amount:	
Supplier Contact:		Raw Material Quantity Obsolete:			
Supplier Phone #:		Raw Material Cost			

**Instructions:**

1. Print out copy of Forecast and include with claim. **(Submit within 3 weeks of last shipment or the claim will be rejected)**
2. Input Forecast quantity and shipping results below in the sheet below.

wK	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Date																								
Forecast Quantity																								
CUM Quantity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shipping Result																								
CUM Quantity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forecast vs Shipping	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**Denso Use Only:**

1. What is Contact for Raw/Fab	PU	
2. Does this part have future Service Requirements?	PC	
3. What is the estimated future Service amount for the next 10 years?	PC	
4. Customer Name and Raw/Fab Authorization	PC	
5. Will Denso file claim to Customer?	PC	
6. Does Forecast Qty and Shipping Result match Supplier Information?	PC	
7. Subtract the estimated service requirement for the next 10 years to the Claim:	PC	
8. Claim Approved or Rejected	PC/PL	
9. Adjusted Claim Amount	PU	

**\*\*DENSO PC should use COF Report in Yellowfin to confirm waterfall analysis\*\***