UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from______ to ______

Commission File number 1-4982

PARKER-HANNIFIN CORPORATION
(Exact name of registrant as specified in its charter)

Ohio	**34-0451060**
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
6035 Parkland Boulevard, Cleveland, Ohio	**44124-4141**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (216) 896-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Shares, $.50 par value	PH	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Number of Common Shares outstanding at March 31, 2024: 128,540,990

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net sales	$ 5,074,356	$ 5,061,665	$ 14,742,791	$ 13,969,251
Cost of sales	3,279,650	3,340,764	9,478,961	9,373,032
Selling, general and administrative expenses	816,337	868,393	2,496,830	2,519,163
Interest expense	123,732	151,993	387,229	416,718
Other income, net	(65,406)	(55,866)	(228,872)	(116,131)
Income before income taxes	920,043	756,381	2,608,643	1,776,469
Income taxes	193,309	165,421	548,780	402,011
Net income	726,734	590,960	2,059,863	1,374,458
Less: Noncontrolling interest in subsidiaries' earnings	160	71	611	478
Net income attributable to common shareholders	$ 726,574	$ 590,889	$ 2,059,252	$ 1,373,980
Earnings per share attributable to common shareholders:				
Basic	$ 5.65	$ 4.61	$ 16.03	$ 10.71
Diluted	$ 5.56	$ 4.54	$ 15.82	$ 10.58

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net income	$ 726,734	$ 590,960	$ 2,059,863	$ 1,374,458
Less: Noncontrolling interests in subsidiaries' earnings	160	71	611	478
Net income attributable to common shareholders	726,574	590,889	2,059,252	1,373,980
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustment	(168,919)	92,106	(119,216)	145,997
Retirement benefits plan activity	1,369	(1,364)	4,098	8,397
Other comprehensive (loss) income	(167,550)	90,742	(115,118)	154,394
Less: Other comprehensive (loss) income for noncontrolling interests	(392)	(299)	384	(176)
Other comprehensive (loss) income attributable to common shareholders	(167,158)	91,041	(115,502)	154,570
Total comprehensive income attributable to common shareholders	$ 559,416	$ 681,930	$ 1,943,750	$ 1,528,550

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	March 31, 2024	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 405,484	$ 475,182
Marketable securities and other investments	9,968	8,390
Trade accounts receivable, net	2,913,357	2,827,297
Non-trade and notes receivable	310,355	309,167
Inventories	2,966,336	2,907,879
Prepaid expenses and other	337,055	306,314
Total current assets	6,942,555	6,834,229
Property, plant and equipment	7,033,187	6,865,545
Less: Accumulated depreciation	4,162,268	4,000,515
Property, plant and equipment, net	2,870,919	2,865,030
Deferred income taxes	72,808	81,429
Investments and other assets	1,150,784	1,104,576
Intangible assets, net	7,961,957	8,450,614
Goodwill	10,579,307	10,628,594
Total assets	$ 29,578,330	$ 29,964,472
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	$ 4,080,759	$ 3,763,175
Accounts payable, trade	1,964,211	2,050,934
Accrued payrolls and other compensation	514,021	651,319
Accrued domestic and foreign taxes	358,061	374,571
Other accrued liabilities	1,077,318	895,371
Total current liabilities	7,994,370	7,735,370
Long-term debt	7,290,208	8,796,284
Pensions and other postretirement benefits	455,254	551,510
Deferred income taxes	1,528,529	1,649,674
Other liabilities	709,548	893,355
Total liabilities	17,977,909	19,626,193
EQUITY		
Shareholders' equity:		
Serial preferred stock, $.50 par value; authorized 3,000,000 shares; none issued	—	—
Common stock, $.50 par value; authorized 600,000,000 shares; issued 181,046,128 shares at March 31 and June 30	90,523	90,523
Additional capital	295,730	305,522
Retained earnings	18,529,559	17,041,502
Accumulated other comprehensive (loss)	(1,408,374)	(1,292,872)
Treasury shares, at cost; 52,505,138 shares at March 31 and 52,613,046 shares at June 30	(5,916,586)	(5,817,787)
Total shareholders' equity	11,590,852	10,326,888
Noncontrolling interests	9,569	11,391
Total equity	11,600,421	10,338,279
Total liabilities and equity	$ 29,578,330	$ 29,964,472

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,059,863	$ 1,374,458
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	257,700	234,649
Amortization	438,763	374,417
Stock incentive plan compensation	128,682	117,536
Deferred income taxes	(37,682)	89,805
Foreign currency transaction (gain) loss	(27,034)	54,927
Loss (gain) on property, plant and equipment and intangible assets	5,847	(1,270)
Gain on sale of businesses	(23,667)	(366,345)
Gain on marketable securities	(55)	(1,391)
Gain on investments	(2,555)	(4,341)
Other	18,992	18,890
Changes in assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable, net	(96,390)	(110,317)
Inventories	(69,426)	(27,491)
Prepaid expenses and other	(10,698)	(64,350)
Other assets	(67,354)	(194,069)
Accounts payable, trade	(78,452)	118,756
Accrued payrolls and other compensation	(134,459)	(19,357)
Accrued domestic and foreign taxes	(13,123)	36,208
Other accrued liabilities	23,380	141,891
Pensions and other postretirement benefits	(87,911)	46,681
Other liabilities	(137,344)	(24,393)
Net cash provided by operating activities	2,147,077	1,794,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (net of cash of $89,704 in 2023)	—	(7,146,110)
Capital expenditures	(283,328)	(272,603)
Proceeds from sale of property, plant and equipment	8,905	11,821
Proceeds from sale of businesses	75,561	471,720
Purchases of marketable securities and other investments	(10,091)	(31,275)
Maturities and sales of marketable securities and other investments	8,664	35,075
Payments of deal-contingent forward contracts	—	(1,405,418)
Other	5,988	251,875
Net cash used in investing activities	(194,301)	(8,084,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	3,196	2,820
Payments for common shares	(240,885)	(202,731)
Acquisition of noncontrolling interests	(2,883)	—
(Payments for) proceeds from notes payable, net	(941,135)	258,458
Proceeds from long-term borrowings	12,173	2,011,949
Payments for long-term borrowings	(264,411)	(1,363,596)
Financing fees paid	—	(8,911)
Dividends paid	(571,583)	(513,232)
Net cash (used in) provided by financing activities	(2,005,528)	184,757
Effect of exchange rate changes on cash	(16,946)	(7,781)
Net decrease in cash, cash equivalents and restricted cash	(69,698)	(6,113,045)
Cash, cash equivalents and restricted cash at beginning of year	475,182	6,647,876
Cash and cash equivalents at end of period	$ 405,484	$ 534,831

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts or as otherwise noted)

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries.

1. Management representation

In the opinion of the management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position as of March 31, 2024, the results of operations for the three and nine months ended March 31, 2024 and 2023 and cash flows for the nine months then ended. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s 2023 Annual Report on Form 10-K.

Subsequent Events

The Company has evaluated subsequent events that occurred through the date these financial statements were issued. No subsequent events have occurred that required adjustment to or disclosure in these financial statements.

2. New accounting pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which enhances the disclosure requirements for income taxes primarily related to the rate reconciliation and income taxes paid information. The amendments are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendment should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on the Company's disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact this guidance will have on the Company's disclosures.

In September 2022, the FASB issued ASU 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations," which requires a buyer in a supplier finance program to disclose information about the program’s nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs, including the outstanding amount under the program, the balance sheet presentation of the outstanding amount, and a rollforward of the obligations in the program. This ASU should be adopted retrospectively for each balance sheet period presented; however, the rollforward information should be provided prospectively. The amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company adopted the guidance on July 1, 2023, except for the rollforward requirement, which becomes effective July 1, 2024. The adoption did not have a material impact on the Company's consolidated financial statements.

3. Revenue recognition

Revenue is derived primarily from the sale of products in a variety of mobile, industrial and aerospace markets. A majority of the Company's revenues are recognized at a point in time. However, a portion of the Company's revenues are recognized over time.

Diversified Industrial Segment revenues by technology platform:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Motion Systems	$ 942,667	$ 1,017,974	$ 2,802,947	$ 2,837,403
Flow and Process Control	1,185,622	1,298,204	3,489,483	3,675,928
Filtration and Engineered Materials	1,537,354	1,550,927	4,506,214	4,378,931
Total	$ 3,665,643	$ 3,867,105	$ 10,798,644	$ 10,892,262

Aerospace Systems Segment revenues by primary market:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Commercial original equipment manufacturer ("OEM")	$ 471,870	$ 398,502	$ 1,315,254	$ 1,045,850
Commercial aftermarket	482,477	381,883	1,311,445	938,129
Military OEM	260,818	244,451	787,196	649,179
Military aftermarket	193,548	169,724	530,252	443,831
Total	$ 1,408,713	$ 1,194,560	$ 3,944,147	$ 3,076,989

Total Company revenues by geographic region based on the Company's selling operation's location:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
North America	$ 3,438,587	$ 3,364,157	$ 9,965,836	$ 9,278,815
Europe	1,026,035	1,054,157	2,915,334	2,750,159
Asia Pacific	554,991	590,017	1,693,316	1,777,550
Latin America	54,743	53,334	168,305	162,727
Total	$ 5,074,356	$ 5,061,665	$ 14,742,791	$ 13,969,251

The majority of revenues from the Aerospace Systems Segment are generated from sales to customers within North America.

Contract balances

Contract assets and contract liabilities are reported on a contract-by-contract basis. Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. Payments from customers are received based on the terms established in the contract with the customer.

Total contract assets and contract liabilities are as follows:

	March 31, 2024	June 30, 2023
Contract assets, current (included within Prepaid expenses and other)	$ 132,237	$ 123,705
Contract assets, noncurrent (included within Investments and other assets)	17,976	23,708
Total contract assets	150,213	147,413
Contract liabilities, current (included within Other accrued liabilities)	(211,777)	(244,799)
Contract liabilities, noncurrent (included within Other liabilities)	(72,306)	(78,239)
Total contract liabilities	(284,083)	(323,038)
Net contract liabilities	$ (133,870)	$ (175,625)

Net contract liabilities at March 31, 2024 decreased from the June 30, 2023 amount primarily due to timing differences between when revenue was recognized and the receipt of advance payments. During the nine months ended March 31, 2024, approximately $169 million of revenue was recognized that was included in the contract liabilities at June 30, 2023.

Remaining performance obligations

Our backlog represents written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release has been agreed to with the customer. We believe our backlog represents our unsatisfied or partially unsatisfied performance obligations. Backlog at March 31, 2024 was $10.8 billion, of which approximately 76 percent is expected to be recognized as revenue within the next12 months and the balance thereafter.

4. Acquisitions and divestitures

Acquisitions

On September 12, 2022, we completed the acquisition (the "Acquisition") of all the outstanding ordinary shares of Meggitt plc ("Meggitt") for 800 pence per share, resulting in an aggregate cash purchase price of $7.2 billion, including the assumption of debt.

Meggitt is a leader in design, manufacturing and aftermarket support of technologically differentiated systems and equipment in aerospace, defense and selected energy markets with annual sales of approximately $2.1 billion for the year ended December 31, 2021. For segment reporting purposes, approximately 82 percent of Meggitt's sales are included in the Aerospace Systems Segment, while the remaining 18 percent are included in the Diversified Industrial Segment.

Assets acquired and liabilities assumed are recognized at their respective fair values as of the Acquisition date. The process of estimating the fair values of certain tangible assets, identifiable intangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. During the measurement period which ended in September 2023, adjustments did not have a material impact on the Consolidated Statement of Income. The following table presents the final estimated fair values of Meggitt's assets acquired and liabilities assumed on the Acquisition date.

	June 30, 2023 (previously reported)	Measurement Period Adjustments	September 12, 2022 (Final)
Assets:			
Cash and cash equivalents	$ 89,704	$ —	$ 89,704
Accounts receivable	409,642	1,181	410,823
Inventories	739,304	13,580	752,884
Prepaid expenses and other	102,032	20,673	122,705
Property, plant and equipment	658,997	(1,428)	657,569
Deferred income taxes	34,198	(18,730)	15,468
Other assets	180,991	(647)	180,344
Intangible assets	5,679,200	(28,000)	5,651,200
Goodwill	2,789,080	10,891	2,799,971
Total assets acquired	$ 10,683,148	$ (2,480)	$ 10,680,668
Liabilities:			
Notes payable and long-term debt payable within one year	$ 308,176	$ —	$ 308,176
Accounts payable, trade	219,842	(705)	219,137
Accrued payrolls and other compensation	87,074	(1)	87,073
Accrued domestic and foreign taxes	21,068	(818)	20,250
Other accrued liabilities	322,040	158,137	480,177
Long-term debt	711,703	—	711,703
Pensions and other postretirement benefits	99,553	(2,028)	97,525
Deferred income taxes	1,259,417	(19,700)	1,239,717
Other liabilities	418,461	(137,365)	281,096
Total liabilities assumed	3,447,334	(2,480)	3,444,854
Net assets acquired	$ 7,235,814	$ —	$ 7,235,814

Goodwill is calculated as the excess of the purchase price over the net assets acquired and represents cost synergies and enhancements to our existing technologies. For tax purposes, Meggitt's goodwill is not deductible. Based upon a final acquisition valuation, we acquired $4.2 billion of customer-related intangible assets, $1.1 billion of technology and $303 million of trade names, each with weighted-average estimated useful lives of21, 22, and 18 years, respectively. These intangible assets were valued using the income approach, which includes significant assumptions around future revenue growth, earnings before interest, taxes, depreciation and amortization, royalty rates and discount rates. Such assumptions are classified as level 3 inputs within the fair value hierarchy.

The following table presents unaudited pro forma information for the three and nine months ended March 31, 2023 as if the Acquisition had occurred on July 1, 2021.

(Unaudited)	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2023
Net sales	$ 5,061,665	$ 14,350,581
Net income attributable to common shareholders	612,049	1,244,907

The historical consolidated financial information of Parker and Meggitt has been adjusted in the pro forma information in the table above to give effect to events that are directly attributable to the Acquisition and factually supportable. To reflect the occurrence of the Acquisition on July 1, 2021, the unaudited pro forma information includes adjustments for the amortization of the step-up of inventory to fair value and incremental depreciation and amortization expense resulting from the fair value adjustments to property, plant and equipment and intangible assets. These adjustments were based upon a preliminary purchase price allocation. Additionally, adjustments to financing costs and income tax expense were also made to reflect the capital structure and anticipated effective tax rate of the combined entity. Additionally, the pro forma information includes adjustments for nonrecurring transactions directly related to the Acquisition, including the gain on the divestiture of the aircraft wheel and brake business, loss on deal-contingent forward contracts, and transaction costs. These non-recurring adjustments totaled $(1) million and $197 million during the three and nine months ended March 31, 2023, respectively. The resulting pro forma amounts are not necessarily indicative of the results that would have been obtained if the Acquisition had occurred as of the beginning of the period presented or that may occur in the future, and do not reflect future synergies, integration costs or other such costs or savings.

Divestitures

During December 2023, we divested our Filter Resources business, which was part of the Diversified Industrial Segment, for proceeds of $17 million. The resulting pre-tax gain of $12 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the Filter Resources business were immaterial to the Company's consolidated results of operations and financial position.

During September 2023, we divested the MicroStrain sensing systems business, which was part of the Diversified Industrial Segment, for proceeds of $37 million. The resulting pre-tax gain of $13 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the MicroStrain sensing systems business were immaterial to the Company's consolidated results of operations and financial position.

During March 2023, we divested a French aerospace business, which was part of the Aerospace Systems Segment, for proceeds of $27 million. The resulting pre-tax loss of $12 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the French aerospace business were immaterial to the Company's consolidated results of operations and financial position.

During September 2022, we divested our aircraft wheel and brake business, which was part of the Aerospace Systems Segment, for proceeds of $443 million. The resulting pre-tax gain of $374 million is included in other income, net in the Consolidated Statement of Income. The operating results and net assets of the aircraft wheel and brake business were immaterial to the Company's consolidated results of operations and financial position.

5. Earnings per share

The following table presents a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three and nine months ended March 31, 2024 and 2023.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Numerator:				
Net income attributable to common shareholders	$ 726,574	$ 590,889	$ 2,059,252	$ 1,373,980
Denominator:				
Basic - weighted average common shares	128,502,829	128,293,039	128,467,209	128,343,788
Increase in weighted average common shares from dilutive effect of equity-based awards	2,090,197	1,858,448	1,702,122	1,488,201
Diluted - weighted average common shares, assuming exercise of equity-based awards	130,593,026	130,151,487	130,169,331	129,831,989
Basic earnings per share	$ 5.65	$ 4.61	$ 16.03	$ 10.71
Diluted earnings per share	$ 5.56	$ 4.54	$ 15.82	$ 10.58

For the three months ended March 31, 2024 and 2023,113,956 and 124,025 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

For the nine months ended March 31, 2024 and 2023,400,506 and 1,011,006 common shares subject to equity-based awards, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

6. Share repurchase program

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized for repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a fiscal year. There is no expiration date for this program. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. During the three months ended March 31, 2024, we repurchased 97,900 shares at an average price, including commissions, of $502.22 per share. During the nine months ended March 31, 2024, we repurchased 343,539 shares at an average price, including commissions, of $434.21 per share.

7. Trade accounts receivable, net

Trade accounts receivable are initially recorded at their net collectible amount and are generally recorded at the time the revenue from the sales transaction is recorded. We evaluate the collectibility of our receivables based on historical experience and current and forecasted economic conditions based on management's judgment. Additionally, receivables are written off to bad debt when management makes a final determination of uncollectibility. Allowance for credit losses was $21 million and $32 million at March 31, 2024 and June 30, 2023, respectively.

8. Non-trade and notes receivable

The non-trade and notes receivable caption in the Consolidated Balance Sheet is comprised of the following components:

	March 31, 2024	June 30, 2023
Notes receivable	$ 87,475	$ 102,288
Accounts receivable, other	222,880	206,879
Total	$ 310,355	$ 309,167

9. Inventories

The inventories caption in the Consolidated Balance Sheet is comprised of the following components:

	March 31, 2024	June 30, 2023
Finished products	$ 821,422	$ 794,128
Work in process	1,526,113	1,488,665
Raw materials	618,801	625,086
Total	$ 2,966,336	$ 2,907,879

10. Supply chain financing

We have supply chain financing ("SCF") programs with financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. We are not a party to the agreements between the participating financial intermediaries and the suppliers in connection with the programs. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the SCF programs. We do not reimburse suppliers for any costs they incur for participation in the SCF programs and their participation is voluntary.

Amounts due to our suppliers that elected to participate in the SCF programs are included in accounts payable, trade on the Consolidated Balance Sheet and payments made under the SCF programs are included within operating activities on the Consolidated Statement of Cash Flows. Accounts payable, trade included approximately $103 million and $85 million payable to suppliers who have elected to participate in the SCF programs as of March 31, 2024 and June 30, 2023, respectively. The amounts settled through the SCF programs and paid to the participating financial intermediaries totaled $221 million and $184 million during the first nine months of fiscal 2024 and 2023, respectively.

11. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first nine months of fiscal 2024 and 2023, which included severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. In fiscal 2024 and 2023, a majority of the business realignment charges were incurred in Europe. We believe the realignment actions will positively impact future results of operations, but will not have a material effect on liquidity and sources and uses of capital.

Business realignment charges by business segment are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Diversified Industrial	$ 6,953	$ 8,075	$ 32,877	$ 14,464
Aerospace Systems	(12)	166	318	3,016
Other (income) expense, net	1,527	—	2,719	—

Reductions to our workforce made in connection with such business realignment charges by business segment are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Diversified Industrial	143	282	658	499
Aerospace Systems	(1)	14	1	30

The business realignment charges are presented in the Consolidated Statement of Income as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Cost of sales	$ 3,014	$ 5,033	$ 18,465	$ 10,746
Selling, general and administrative expenses	3,927	3,208	14,730	6,734
Other income, net	1,527	—	2,719	—

During the first nine months of fiscal 2024, approximately $33 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately $15 million, a majority of which are expected to be paid by June 30, 2024, are primarily reflected within the other accrued liabilities caption in the Consolidated Balance Sheet. Additional charges may be recognized in future periods related to the business realignment actions described above, the timing and amount of which are not known at this time.

We also incurred the following acquisition integration charges:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Diversified Industrial	$ 1,292	$ 5,395	$ 3,302	$ 7,276
Aerospace Systems	11,964	25,849	26,374	69,377

Charges incurred in fiscal 2024 and 2023 relate to the Acquisition. In both fiscal 2024 and 2023, these charges were primarily included in selling, general and administrative expenses ("SG&A") within the Consolidated Statement of Income.

12. Equity

Changes in equity for the three months ended March 31, 2024 and 2023 are as follows:

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at December 31, 2023	$ 90,523	$ 352,817	$ 17,993,453	$ (1,241,216)	$ (5,892,999)	$ 9,801	$ 11,312,379
Net income			726,574			160	726,734
Other comprehensive (loss)				(167,158)		(392)	(167,550)
Dividends paid ($1.48 per share)			(190,468)				(190,468)
Stock incentive plan activity		(57,087)			25,579		(31,508)
Shares purchased at cost					(49,166)		(49,166)
Balance at March 31, 2024	$ 90,523	$ 295,730	$ 18,529,559	$ (1,408,374)	$ (5,916,586)	$ 9,569	$ 11,600,421

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at December 31, 2022	$ 90,523	$ 377,871	$ 16,102,883	$ (1,479,669)	$ (5,769,228)	$ 12,096	$ 9,334,476
Net income			590,889			71	590,960
Other comprehensive income (loss)				91,041		(299)	90,742
Dividends paid ($1.33 per share)			(170,872)				(170,872)
Stock incentive plan activity		(22,117)			19,976		(2,141)
Shares purchased at cost					(50,000)		(50,000)
Balance at March 31, 2023	$ 90,523	$ 355,754	$ 16,522,900	$ (1,388,628)	$ (5,799,252)	$ 11,868	$ 9,793,165

Changes in equity for the nine months endedMarch 31, 2024 and 2023 are as follows:

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at June 30, 2023	$ 90,523	$ 305,522	$ 17,041,502	$ (1,292,872)	$ (5,817,787)	$ 11,391	$ 10,338,279
Net income			2,059,252			611	2,059,863
Other comprehensive (loss) income				(115,502)		384	(115,118)
Dividends paid ($4.44 per share)			(571,195)			(388)	(571,583)
Stock incentive plan activity		(10,207)			50,368		40,161
Acquisition activity		415				(2,429)	(2,014)
Shares purchased at cost					(149,167)		(149,167)
Balance at March 31, 2024	$ 90,523	$ 295,730	$ 18,529,559	$ (1,408,374)	$ (5,916,586)	$ 9,569	$ 11,600,421

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at June 30, 2022	$ 90,523	$ 327,307	$ 15,661,808	$ (1,543,198)	$ (5,688,429)	$ 11,909	$ 8,859,920
Net income			1,373,980			478	1,374,458
Other comprehensive income (loss)				154,570		(176)	154,394
Dividends paid ($3.99 per share)			(512,888)			(343)	(513,231)
Stock incentive plan activity		28,447			39,177		67,624
Shares purchased at cost					(150,000)		(150,000)
Balance at March 31, 2023	$ 90,523	$ 355,754	$ 16,522,900	$ (1,388,628)	$ (5,799,252)	$ 11,868	$ 9,793,165

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the nine months ended March 31, 2024 and 2023 are as follows:

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Total
Balance at June 30, 2023	$ (962,044)	$ (330,828)	$ (1,292,872)
Other comprehensive income before reclassifications	(119,600)	—	(119,600)
Amounts reclassified from accumulated other comprehensive (loss)	—	4,098	4,098
Balance at March 31, 2024	$ (1,081,644)	$ (326,730)	$ (1,408,374)

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Total
Balance at June 30, 2022	$ (1,149,071)	$ (394,127)	$ (1,543,198)
Other comprehensive income before reclassifications	146,173	—	146,173
Amounts reclassified from accumulated other comprehensive (loss)	—	8,397	8,397
Balance at March 31, 2023	$ (1,002,898)	$ (385,730)	$ (1,388,628)

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three and nine months ended March 31, 2024 and 2023 are as follows:

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended March 31, 2024	Nine Months Ended March 31, 2024	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	$ (319)	$ (955)	Other income, net
Recognized actuarial loss	(1,555)	(4,656)	Other income, net
Total before tax	(1,874)	(5,611)	
Tax benefit	505	1,513	
Net of tax	$ (1,369)	$ (4,098)	

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2023	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	$ (227)	$ (679)	Other income, net
Recognized actuarial gain (loss)	1,057	(11,422)	Other income, net
Divestiture activity	587	587	Other income, net
Total before tax	1,417	(11,514)	
Tax benefit	(53)	3,117	
Net of tax	$ 1,364	$ (8,397)	

13. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the nine months ended March 31, 2024 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2023	$ 7,682,755	$ 2,945,839	$ 10,628,594
Acquisition	1,113	9,778	10,891
Divestitures	(25,387)	—	(25,387)
Foreign currency translation	(29,859)	(4,932)	(34,791)
Balance at March 31, 2024	$ 7,628,622	$ 2,950,685	$ 10,579,307

Acquisition represents goodwill resulting from the purchase price allocation for the Acquisition during the measurement period. Divestitures represents goodwill associated with the sale of the businesses. Refer to Note 4 for further discussion.

Goodwill is tested for impairment at the reporting unit level annually and between annual tests whenever events or circumstances indicate that the carrying value of a reporting unit may exceed its fair value. At December 31, 2023, the Company performed its fiscal 2024 annual goodwill impairment test, which indicated no impairment existed.

Intangible assets are amortized using the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets:

	March 31, 2024		June 30, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and technology	$ 2,117,511	$ 426,869	$ 2,128,847	$ 352,040
Trade names	1,042,091	428,015	1,047,678	390,737
Customer relationships and other	8,054,085	2,396,846	8,109,063	2,092,197
Total	$ 11,213,687	$ 3,251,730	$ 11,285,588	$ 2,834,974

Total intangible asset amortization expense for the nine months ended March 31, 2024 and 2023 was $439 million and $374 million, respectively. The estimated amortization expense for the five years ending June 30, 2024 through 2028 is $580 million, $551 million, $546 million, $541 million and $531 million, respectively.

Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No material intangible asset impairments occurred during the nine months ended March 31, 2024 and 2023.

14. Retirement benefits

Net pension (benefit) expense recognized included the following components:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Service cost	$ 12,646	$ 14,599	$ 38,593	$ 42,534
Interest cost	67,644	59,021	202,077	166,456
Expected return on plan assets	(88,381)	(80,137)	(264,862)	(228,695)
Amortization of prior service cost	319	227	955	679
Amortization of net actuarial loss (gain)	1,992	(657)	5,967	12,625
Net pension (benefit) expense	$ (5,780)	$ (6,947)	$ (17,270)	$ (6,401)

We recognized $0.5 million and $0.5 million in expense related to other postretirement benefits during the three months ended March 31, 2024 and 2023, respectively. During the nine months ended March 31, 2024 and 2023, we recognized $1.6 million and $1.2 million, respectively, in expense related to other postretirement benefits. Components of retirement benefits expense, other than service cost, are included in other income, net in the Consolidated Statement of Income.

15. Debt

Our debt portfolio includes a term loan facility (the "Term Loan Facility"). Interest rates reset every one, three or six months at the discretion of the Company. At March 31, 2024, the Term Loan Facility had an interest rate of Secured Overnight Financing Rate plus 122.5 bps. Additionally, the provisions of the Term Loan Facility allow for prepayments at the Company's discretion. During the nine months ended March 31, 2024, we made principal payments totaling $250 million related to the Term Loan Facility. Refer to the Company's 2023 Annual Report on Form 10-K for further discussion.

Commercial paper notes outstanding at March 31, 2024 and June 30, 2023 were $0.8 billion and $1.8 billion, respectively.

Based on the Company's rating level at March 31, 2024, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At March 31, 2024, our debt to debt-shareholders' equity ratio was 0.50 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreement and indentures governing certain debt securities.

16. Income taxes

We file income tax returns in the United States and in various foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world. We are open to assessment on our U.S. federal income tax returns by the Internal Revenue Service for fiscal years after 2013, and our state and local returns for fiscal years after 2016. We are also open to assessment for significant foreign jurisdictions for fiscal years after 2011. Unrecognized tax benefits reflect the difference between positions taken or expected to be taken on income tax returns and the amounts reflected in the financial statements.

As of March 31, 2024, we had gross unrecognized tax benefits of $99 million, all of which, if recognized, would impact the effective tax rate. The accrued interest and accrued penalties related to the gross unrecognized tax benefits, excluded from the amount above, is $26 million and $2 million, respectively. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately $40 million as a result of the revaluation of existing uncertain tax positions arising from developments in the examination process or the closure of tax statutes. Any increase in the amount of gross unrecognized tax benefits within the next 12 months is expected to be insignificant.

17. Financial instruments

Our financial instruments consist primarily of cash and cash equivalents, marketable securities and other investments, accounts receivable and long-term investments, as well as obligations under accounts payable, trade, notes payable and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, accounts payable, trade and notes payable approximate fair value.

The carrying value of long-term debt, which excludes the impact of net unamortized debt issuance costs, and estimated fair value of long-term debt are as follows:

	March 31, 2024	June 30, 2023
Carrying value of long-term debt	$ 10,585,086	$ 10,845,359
Estimated fair value of long-term debt	10,086,962	10,221,563

The fair value of long-term debt is classified within level 2 of the fair value hierarchy.

We utilize derivative and non-derivative financial instruments, including forward exchange contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. The derivative financial instrument contracts are with major investment grade financial institutions, and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

The Company's €700 million aggregate principal amount of Senior Notes due 2025 have been designated as a hedge of the Company's net investment in certain foreign subsidiaries. The translation of the Senior Notes due 2025 into U.S. dollars is recorded in accumulated other comprehensive (loss) and remains there until the underlying net investment is sold or substantially liquidated.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value.

The location and fair value of derivative financial instruments reported in the Consolidated Balance Sheet are as follows:

	Balance Sheet Caption	March 31, 2024	June 30, 2023
Net investment hedges			
Cross-currency swap contracts	Investments and other assets	$ 8,005	$ 21,578
Cross-currency swap contracts	Other liabilities	1,584	—
Other derivative contracts			
Forward exchange contracts	Non-trade and notes receivable	6,269	—
Forward exchange contracts	Other accrued liabilities	24	—

The cross-currency swap and forward exchange contracts are reflected on a gross basis in the Consolidated Balance Sheet. We have not entered into any master netting arrangements.

The €69 million, €290 million and ¥2.1 billion of cross-currency swap contracts have been designated as hedging instruments. The forward exchange contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange, costless collar, and deal-contingent forward contracts, as well as cross-currency swap contracts acquired as part of the Acquisition, are adjusted to fair value by recording gains and losses in other income, net in the Consolidated Statement of Income.

Derivatives designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive (loss) on the Consolidated Balance Sheet until the hedged item is recognized in earnings. We assess the effectiveness of the €69 million, €290 million and ¥2.1 billion of cross-currency swap contracts designated as hedging instruments using the spot method. Under this method, the periodic interest settlements are recognized directly in earnings through interest expense.

Gains (losses) on derivative financial instruments that were recorded in the Consolidated Statement of Income are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Deal-contingent forward contracts	$ —	$ —	$ —	$ (389,992)
Forward exchange contracts	9,192	7,378	7,379	(7,425)
Costless collar contracts	—	4,308	—	9,632
Cross-currency swap contracts	—	(2,976)	—	(18,739)

Gains (losses) on derivative and non-derivative financial instruments that were recorded in accumulated other comprehensive (loss) on the Consolidated Balance Sheet are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Cross-currency swap contracts	$ 2,519	$ 16,085	$ (12,798)	$ 17,196
Foreign currency denominated debt	13,237	(7,391)	6,536	(18,880)

During the nine months ended March 31, 2024 and 2023, the periodic interest settlements related to the cross-currency swap contracts were not material.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at March 31, 2024 and June 30, 2023 are as follows:

	Fair Value at March 31, 2024	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	$ 14,274	$ —	$ 14,274	$ —
Liabilities:				
Derivatives	1,608	—	1,608	—

	Fair Value at June 30, 2023	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	$ 21,578	$ —	$ 21,578	$ —

Derivatives consist of forward exchange and cross-currency swap contracts, the fair values of which are calculated using market observable inputs including both spot and forward prices for the same underlying currencies. The calculation of the fair value of the cross-currency swap contracts also utilizes a present value cash flow model.

The primary objective for all derivatives is to manage foreign currency transaction and translation risk.

There are no other financial assets or financial liabilities that are marked to market on a recurring basis.

18. Business segment information

The Company operates in two reportable business segments: Diversified Industrial and Aerospace Systems. Both segments utilize eight core technologies, including hydraulics, pneumatics, electromechanical, filtration, fluid and gas handling, process control, engineered materials and climate control, to drive superior customer problem solving and value creation.

Diversified Industrial - This segment produces a broad range of motion-control and fluid systems and components used in all kinds of manufacturing, packaging, processing, transportation, mobile construction, refrigeration and air conditioning, agricultural, and military machinery and equipment and has significant international operations. Sales are made directly to major OEMs and through a broad distribution network to smaller OEMs and the aftermarket.

Aerospace Systems - This segment designs and manufactures products and provides aftermarket support for commercial and regional transport, business jet, military, and helicopter markets. The Aerospace Systems Segment provides a full range of systems and components for hydraulic, pneumatic, fuel, oil, actuation, sensing, braking, thermal management, and electric power applications.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
Net sales				
Diversified Industrial:				
North America	$ 2,231,478	$ 2,342,590	$ 6,571,587	$ 6,615,035
International	1,434,165	1,524,515	4,227,057	4,277,227
Aerospace Systems	1,408,713	1,194,560	3,944,147	3,076,989
Total net sales	$ 5,074,356	$ 5,061,665	$ 14,742,791	$ 13,969,251
Segment operating income				
Diversified Industrial:				
North America	$ 490,452	$ 489,349	$ 1,458,355	$ 1,362,256
International	309,759	329,498	900,944	908,958
Aerospace Systems	289,339	133,905	778,711	234,849
Total segment operating income	1,089,550	952,752	3,138,010	2,506,063
Corporate general and administrative expenses	56,782	45,780	162,340	146,341
Income before interest expense and other (income) expense, net	1,032,768	906,972	2,975,670	2,359,722
Interest expense	123,732	151,993	387,229	416,718
Other (income) expense, net	(11,007)	(1,402)	(20,202)	166,535
Income before income taxes	$ 920,043	$ 756,381	$ 2,608,643	$ 1,776,469

OVERVIEW

The Company is a global leader in motion and control technologies. For more than a century, the Company has engineered the success of its customers in a wide range of diversified industrial and aerospace markets.

By aligning around our purpose, Enabling Engineering Breakthroughs that Lead to a Better Tomorrow, Parker is better positioned for the challenges and opportunities of tomorrow.

The Win Strategy 3.0 is Parker's business system that defines the goals and initiatives that create responsible, sustainable growth and enable Parker's long-term success. It works with our purpose, which is a foundational element of The Win Strategy, to engage team members and create responsible and sustainable growth. Our shared values shape our culture and our interactions with stakeholders and the communities in which we operate and live.

We believe many opportunities for profitable growth are available. The Company intends to focus primarily on business opportunities in the areas of energy, water, food, environment, defense, life sciences, infrastructure and transportation. We believe we can meet our strategic objectives by:

- serving the customer and continuously enhancing its experience with the Company;
- successfully executing The Win Strategy initiatives relating to engaged people, premier customer experience, profitable growth and financial performance;
- maintaining a decentralized division and sales company structure;
- fostering a safety-first and entrepreneurial culture;
- engineering innovative systems and products to provide superior customer value through improved service, efficiency and productivity;
- delivering products, systems and services that have demonstrable savings to customers and are priced by the value they deliver;
- enabling a sustainable future by providing innovative technology solutions that make our world safer, smarter and cleaner and operating responsibly by minimizing our environmental impact and conserving natural resources;
- acquiring strategic businesses;
- organizing around targeted regions, technologies and markets;
- driving efficiency by implementing lean enterprise principles; and
- creating a culture of empowerment through our values, inclusion and diversity, accountability and teamwork.

Our order rates provide a near-term perspective of the Company's outlook particularly when viewed in the context of prior and future order rates. The Company publishes its order rates on a quarterly basis. The lead time between the time an order is received and revenue is realized generally ranges from one day to 12 weeks for mobile and industrial orders and from one day to 18 months for aerospace orders.

We continue to manage the challenging supply chain environment through our "local for local" manufacturing strategy, ongoing supplier management process, and broadened supply base. We continue to monitor inflation and manage its impact through a variety of cost and pricing measures, including continuous improvement and lean initiatives. Additionally, we strategically manage our workforce and discretionary spending. At the same time, we are appropriately addressing the ongoing needs of our business so that we continue to serve our customers.

Over the long term, the extent to which our business and results of operations will be impacted by economic and political uncertainty, geopolitical risks and public health crises depends on future developments that remain uncertain. We will continue to monitor the global environment and manage our business with the goal to minimize unfavorable impacts on operations and financial results.

The discussion below is structured to separately discuss the Consolidated Statement of Income, Business Segment Information, and Liquidity and Capital Resources. As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms "Company", "Parker", "we" or "us" refer to Parker-Hannifin Corporation and its subsidiaries.

CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	2024	2023	2024	2023
Net sales	$ 5,074	$ 5,062	$ 14,743	$ 13,969
Gross profit margin	35.4 %	34.0 %	35.7 %	32.9 %
Selling, general and administrative expenses	$ 816	$ 868	$ 2,497	$ 2,519
Selling, general and administrative expenses, as a percent of sales	16.1 %	17.2 %	16.9 %	18.0 %
Interest expense	$ 124	$ 152	$ 387	$ 417
Other income, net	$ (65)	$ (56)	$ (229)	$ (116)
Effective tax rate	21.0 %	21.9 %	21.0 %	22.6 %
Net income	$ 727	$ 591	$ 2,060	$ 1,374
Net income, as a percent of sales	14.3 %	11.7 %	14.0 %	9.8 %

Net sales increased for the current-year quarter due to higher sales in the Aerospace Systems Segment, partially offset by lower sales in the Diversified Industrial Segment. The effect of currency exchange rate changes decreased net sales during the current-year quarter by approximately $31 million. The change was driven by a decrease of approximately $37 million in the Diversified Industrial Segment, partially offset by an increase of approximately $6 million within the Aerospace Systems Segment. The impact of divestiture activity decreased sales by approximately $16 million during the current-year quarter.

Net sales increased for the first nine months of fiscal 2024 due to higher sales in the Aerospace Systems Segment, partially offset by lower sales in the Diversified Industrial Segment. The acquisition (the "Acquisition") of Meggitt plc ("Meggitt") increased sales by approximately $501 million during the first nine months of fiscal 2024. The effect of currency exchange rate changes increased net sales during the first nine months of fiscal 2024 by approximately $33 million, of which $19 million and $14 million were attributable to the Aerospace Systems and Diversified Industrial Segments, respectively. The impact of divestiture activity decreased sales by approximately $54 million during the first nine months of fiscal 2024.

Gross profit margin (calculated as net sales minus cost of sales, divided by net sales) increased in both the current-year quarter and first nine months of fiscal 2024 due to higher margins in both segments resulting from price increases, favorable product mix, moderating material costs, cost containment initiatives and operational efficiencies. In addition, cost of sales in the prior-year quarter and first nine months of fiscal 2023 included $38 million and $168 million, respectively, of amortization expense related to the step-up in inventory to fair value resulting from the Acquisition.

Cost of sales also included business realignment and acquisition integration charges of $4 million and $9 million for the current and prior-year quarter, respectively, and $21 million and $18 million for the first nine months of fiscal 2024 and 2023, respectively.

Selling, general and administrative expenses ("SG&A") decreased in the current-year quarter due to lower intangible asset amortization and research and development expenses. SG&A decreased during the first nine months of fiscal 2024 primarily due to a decrease in acquisition related expenses of $112 million, partially offset by higher intangible asset amortization and stock-based compensation expense, as well as an increase in general administrative expenses resulting from the Acquisition. In both the current-year quarter and first nine months of fiscal 2024, SG&A benefited from savings related to prior-year restructuring and acquisition-integration activities.

SG&A also included business realignment and acquisition integration charges of $16 million and $31 million for the current and prior-year quarter, respectively, and $42 million and $76 million for the first nine months of fiscal 2024 and 2023, respectively.

Interest expense decreased during the current-year quarter and the first nine months of fiscal 2024 primarily due to lower average debt outstanding and lower average interest rates.

Other income, net included the following:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2024**	**2023**	**2024**	**2023**
Expense (income)				
Foreign currency transaction (gain) loss	$ (11)	$ (4)	$ (27)	$ 55
Income related to equity method investments	(39)	(35)	(114)	(89)
Non-service components of retirement benefit cost	(18)	(21)	(53)	(48)
Loss (gain) on disposal of assets and divestitures	3	12	(18)	(368)
Interest income	(3)	(7)	(8)	(39)
Loss on deal-contingent forward contracts	—	—	—	390
Other items, net	3	(1)	(9)	(17)
	$ (65)	$ (56)	$ (229)	$ (116)

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on cash, forward contracts, certain cross-currency swap contracts and intercompany transactions. The first nine months of fiscal 2023 also includes a foreign currency transaction loss associated with completing the Acquisition.

Loss (gain) on disposal of assets and divestitures for the first nine months of fiscal 2023 includes a gain on the sale of the aircraft wheel and brake business within the Aerospace Systems Segment of $374 million. Refer to Note 4 to the Consolidated Financial Statements for further discussion.

Loss on deal-contingent forward contracts includes a loss on the deal-contingent forward contracts related to the Acquisition. Refer to the Company's 2023 Annual Report on Form 10-K for further discussion.

Effective tax rate for the current-year quarter and first nine months of fiscal 2024 was lower than the comparable prior-year periods primarily due to a net increase in discrete tax benefits. The fiscal 2024 effective tax rate is expected to be approximately 22 percent.

BUSINESS SEGMENT INFORMATION

Diversified Industrial Segment

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2024**	**2023**	**2024**	**2023**
Net sales				
North America	$ 2,231	$ 2,343	$ 6,572	$ 6,615
International	1,434	1,525	4,227	4,277
Operating income				
North America	490	489	1,458	1,362
International	$ 310	$ 329	$ 901	$ 909
Operating margin				
North America	22.0 %	20.9 %	22.2 %	20.6 %
International	21.6 %	21.6 %	21.3 %	21.3 %
Backlog	$ 4,364	$ 5,090	$ 4,364	$ 5,090

The Diversified Industrial Segment operations experienced the following percentage changes in net sales in the current-year periods versus the comparable prior-year periods:

	Period Ending March 31, 2024	
	Three Months	Nine Months
Diversified Industrial North America – as reported	(4.7)%	(0.7)%
Acquisitions	— %	1.2 %
Divestitures	(0.4)%	(0.2)%
Currency	0.3 %	0.3 %
Diversified Industrial North America – without acquisitions, divestitures and currency[1]	(4.6)%	(2.0)%
Diversified Industrial International – as reported	(5.9)%	(1.2)%
Acquisitions	— %	0.9 %
Currency	(2.8)%	(0.3)%
Diversified Industrial International – without acquisitions and currency[1]	(3.1)%	(1.8)%
Total Diversified Industrial Segment – as reported	(5.2)%	(0.9)%
Acquisitions	— %	1.1 %
Divestitures	(0.2)%	(0.1)%
Currency	(1.0)%	— %
Total Diversified Industrial Segment – without acquisitions, divestitures and currency[1]	(4.0)%	(1.9)%

[1]This table reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with accounting principles generally accepted in the United States of America ("GAAP") to percentage changes in net sales adjusted to remove the effects of acquisitions and divestitures for 12 months after their completion as well as changes in currency exchange rates (a non-GAAP measure). The effects of acquisitions, divestitures and changes in currency exchange rates are removed to allow investors and the Company to meaningfully evaluate the percentage changes in net sales on a comparable basis from period to period.

Net Sales

Diversified Industrial North America - Sales decreased 4.7 percent and 0.7 percent during the current-year quarter and first nine months of fiscal 2024, respectively. The effect of changes in currency exchange rates increased sales by approximately $6 million and $24 million in the current-year quarter and first nine months of fiscal 2024, respectively. The effects of divestiture activity decreased sales by approximately $9 million and $14 million in the current-year quarter and first nine months of fiscal 2024, respectively. The Acquisition increased sales by approximately $77 million during the first nine months of fiscal 2024.
Excluding the effects of the Acquisition, divestitures and changes in the currency exchange rates, sales in the Diversified Industrial North American businesses decreased 4.6 percent and 2.0 percent in the current-year quarter and first nine months of fiscal 2024, respectively.

In the current-year quarter, the decrease in sales is primarily due to lower demand from distributors and end users across the refrigeration, cars and light trucks and turf markets, partially offset by higher end-user demand in the aerospace and heavy-duty truck markets.

In the first nine months of fiscal 2024, sales decreased primarily due to lower end-user demand in the refrigeration, turf and cars and light trucks markets, partially offset by higher end-user demand in the aerospace, oil and gas, and material handling markets. In the first nine months of fiscal 2024, we also experienced lower demand from distributors.

Diversified Industrial International - Sales decreased 5.9 percent and 1.2 percent from the prior-year quarter and first nine months of fiscal 2023, respectively. The effect of changes in currency exchange rates decreased sales by approximately $44 million and $10 million in the current-year quarter and first nine months of fiscal 2024, respectively. The effect of the Acquisition increased sales by approximately $38 million during the first nine months of fiscal 2024. Excluding the effects of the Acquisition and changes in the currency exchange rates, Diversified Industrial International sales decreased 3.1 percent and 1.8 percent in the current-year quarter and first nine months of fiscal 2024, respectively. In the current-year quarter and first nine months of fiscal 2024, the decreases in sales were attributed to Europe and the Asia Pacific region, partially offset by an increase in sales in Latin America.

Within Europe, sales in the current-year quarter and first nine months of fiscal 2024 decreased primarily due to lower demand from end users across the construction equipment, power generation, industrial machinery, life sciences, and farm and agriculture markets, as well as lower demand from distributors. The decreases in sales were partially offset by higher end-user demand in the aerospace, semiconductor and rubber and plastics markets.

Within the Asia Pacific region, sales in the current-year quarter and first nine months of fiscal 2024 decreased primarily due to lower demand from distributors and end-users in the semiconductor, construction equipment, industrial machinery, metal fabrication and marine markets, partially offset by higher end-user demand in the oil and gas and railroad equipment markets.

Within Latin America, sales in the current-year quarter increased primarily due to higher demand from distributors and end users in the cars and light trucks, marine and construction equipment markets, partially offset by lower end-user demand in the rubber and plastics, railroad equipment and industrial machinery markets. In the first nine months of fiscal 2024, sales increased primarily due to higher demand from distributors and end users in the marine, oil and gas, and life sciences markets, partially offset by lower end-user demand in the farm and agriculture, heavy-duty truck, industrial machinery and metal fabrication markets.

Operating Margin

Operating margin increased in the North American businesses and remained flat in the International businesses during both the current-year quarter and first nine months of fiscal 2024, primarily due to price increases, cost containment initiatives, moderating material costs and operational efficiencies, partially offset by lower volume. Additionally, during the first nine months of fiscal 2024 operating margins in the North American and International businesses benefited from favorable product mix. International businesses also experienced higher business realignment charges during the first nine months of fiscal 2024.

Business Realignment

The following business realignment and acquisition integration charges are included in Diversified Industrial North American and Diversified Industrial International operating income:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2024**	**2023**	**2024**	**2023**
Diversified Industrial North America	$ 4	$ 3	$ 11	$ 6
Diversified Industrial International	4	10	25	16

The business realignment charges primarily consist of severance costs related to actions taken under the Company's simplification initiative aimed at reducing organizational and process complexity, as well as plant closures. Acquisition integration charges relate to the acquisition of Meggitt. Business realignment and acquisition integration charges within the Diversified Industrial International businesses were primarily incurred in Europe.

We anticipate that cost savings realized from the workforce reduction measures taken in the first nine months of fiscal 2024 will not materially impact operating income in fiscal 2024 and will increase operating income by approximately one percent in fiscal 2025 for both the Diversified Industrial North American and International businesses. We expect to continue to take actions necessary to integrate acquisitions and appropriately structure the operations of the Diversified Industrial Segment. We currently anticipate incurring approximately $27 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2024. However, continually changing business conditions could impact the ultimate costs we incur.

Backlog

Diversified Industrial Segment backlog, as of March 31, 2024, decreased from the prior-year quarter and June 30, 2023 amount of $4.8 billion due to shipments exceeding orders in both the North American and International businesses. The decrease in backlog was split evenly between the North American and International businesses from both the prior-year quarter and June 30, 2023.

Within the International businesses, Europe and the Asia Pacific region accounted for approximately 60 percent and 40 percent, respectively, of the decrease from the prior-year quarter. Europe, the Asia Pacific region and Latin America accounted for approximately 70 percent, 25 percent and five percent, respectively, of the decrease from June 30, 2023.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

Aerospace Systems Segment

(dollars in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Net sales	$ 1,409	$ 1,195	$ 3,944	$ 3,077
Operating income	$ 289	$ 134	$ 779	$ 235
Operating margin	20.5 %	11.2 %	19.7 %	7.6 %
Backlog	$ 6,465	$ 5,766	$ 6,465	$ 5,766

Net Sales

Aerospace Systems Segment sales increased in the current-year quarter and first nine months of fiscal 2024 primarily due to higher volume across all businesses, especially the commercial aftermarket business. Sales also increased by $386 million during the first nine months of fiscal 2024 due to the Acquisition.

Operating Margin

Aerospace Systems Segment operating margin increased during the current-year quarter and first nine months of fiscal 2024 due to higher sales volume, favorable aftermarket mix and lower acquisition-integration charges, as well as benefits of cost containment initiatives and prior-year business realignment and acquisition integration activities. In addition, operating income in the prior-year quarter and first nine months of fiscal 2023 included $38 million and $168 million, respectively, of amortization expense related to the step-up in inventory to fair value resulting from the Acquisition. Favorable contract settlements also contributed to the increase in operating margin during the first nine months of fiscal 2024.

Business Realignment

Within the Aerospace Systems Segment, we incurred acquisition integration and business realignment charges of $12 million and $26 million in the current and prior-year quarter, respectively, and $27 million and $72 million in the first nine months of fiscal 2024 and 2023, respectively. We do not expect to incur material business realignment and acquisition integration charges in the remainder of fiscal 2024. However, continually changing business conditions could impact the ultimate costs we incur.

Backlog

Aerospace Systems Segment backlog, as of March 31, 2024, increased from the prior-year quarter and the June 30, 2023 amount of $6.2 billion due to orders exceeding shipments in all businesses, especially the commercial and military aftermarket businesses.

Backlog consists of written firm orders from a customer to deliver products and, in the case of blanket purchase orders, only includes the portion of the order for which a schedule or release date has been agreed to with the customer. The dollar value of backlog is equal to the amount that is expected to be billed to the customer and reported as a sale.

Corporate general & administrative expenses

(dollars in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Expense				
Corporate general and administrative expense	$ 57	$ 46	$ 162	$ 146
Corporate general and administrative expense, as a percent of sales	1.1 %	0.9 %	1.1 %	1.0 %

Corporate general and administrative expenses increased in the current-year quarter and first nine months of fiscal 2024 primarily due to an increase in net expense associated with the Company's deferred compensation plan and related investments and charitable contributions, partially offset by a decrease in professional service fees. In addition, salaries, benefits, and incentive compensation expense increased during the first nine months of fiscal 2024.

Other (income) expense, net (in Business Segments) included the following:

(dollars in millions)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Expense (income)				
Foreign currency transaction (gain) loss	$ (11)	$ (4)	$ (27)	$ 55
Stock-based compensation	11	9	84	69
Non-service components of retirement benefit cost	(18)	(21)	(53)	(48)
Acquisition-related expenses	—	1	—	112
Loss on deal-contingent forward contracts	—	—	—	390
Loss (gain) on disposal of assets and divestitures	3	12	(18)	(368)
Interest income	(3)	(7)	(8)	(39)
Other items, net	7	9	2	(4)
	$ (11)	$ (1)	$ (20)	$ 167

Foreign currency transaction (gain) loss primarily relates to the impact of exchange rates on cash, forward contracts, certain cross-currency swap contracts and intercompany transactions. Foreign currency transaction (gain) loss during the first nine months of fiscal 2023 also included foreign currency transaction loss associated with completing the Acquisition.

Loss on deal-contingent forward contracts includes a loss on the deal-contingent forward contracts related to the Acquisition. Refer to the Company's 2023 Annual Report on Form 10-K for further discussion.

Loss (gain) on disposal of assets and divestitures for the first nine months of fiscal 2023 includes a gain on the sale of the aircraft wheel and brake business within the Aerospace Systems Segment of approximately $374 million. Refer to Note 4 to the Consolidated Financial Statements for further discussion.

LIQUIDITY AND CAPITAL RESOURCES

We believe that we are great generators and deployers of cash. We assess our liquidity in terms of our ability to generate cash to fund our operations and meet our strategic capital deployment objectives, which include the following:

- Continuing our record annual dividend increases
- Investing in organic growth and productivity
- Strategic acquisitions that strengthen our portfolio
- Offset share dilution through 10b5-1 share repurchase program

Cash Flows

A summary of cash flows follows:

(dollars in millions)	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Cash provided by (used in):		
Operating activities	$ 2,147	$ 1,795
Investing activities	(194)	(8,085)
Financing activities	(2,006)	185
Effect of exchange rates	(17)	(8)
Net decrease in cash, cash equivalents and restricted cash	$ (70)	$ (6,113)

Cash flows from operating activities for the first nine months of fiscal 2024 were $2,147 million compared to $1,795 million for the first nine months of fiscal 2023. This increase of $352 million was primarily related to net changes in cash provided by working capital items. We continue to focus on managing inventory and other working capital requirements. Cash flows from operating activities for the first nine months of fiscal 2023 were negatively impacted by acquisition-related transaction expenses.

- Days sales outstanding relating to trade accounts receivable was 53 days at March 31, 2024, 51 days at June 30, 2023 and 52 days at March 31, 2023.
- Days supply of inventory on hand was 87 days at March 31, 2024, 85 days at June 30, 2023 and 90 days at March 31, 2023.

Cash flows from investing activities for the first nine months of fiscal 2024 and 2023 were impacted by the following factors:

- Payment for the Acquisition, net of cash acquired, of $7.1 billion in fiscal 2023.
- Payments to settle the deal-contingent forward contracts of $1.4 billion in fiscal 2023.
- Net proceeds from the sale of the aircraft wheel and brake business of approximately $443 million in fiscal 2023.
- Cash collateral received of $250 million in fiscal 2023 per the credit support annex attached to the deal-contingent forward contracts.
- Capital expenditures of $283 million in fiscal 2024 compared to $273 million in fiscal 2023.
- Net purchases of marketable securities of $1.4 million in fiscal 2024 compared to maturities of $3.8 million in fiscal 2023.

Cash flows from financing activities for the first nine months of fiscal 2024 and 2023 were impacted by the following factors:

- Proceeds of $2 billion from borrowings under the term loan facility (the "Term Loan Facility") in fiscal 2023.
- Payments to retire $300 million aggregate principal amount of private placement notes assumed in the Acquisition in fiscal 2023.
- Payments related to the maturity of $300 million aggregate principal amount of medium term notes in fiscal 2023.
- Repurchases of 0.3 million common shares for $149 million during fiscal 2024 compared to repurchases of 0.5 million common shares for $150 million during fiscal 2023.
- Net commercial paper repayments of $941 million in fiscal 2024 compared to net commercial paper borrowings of $258 million in fiscal 2023.
- Principal payments totaling $250 million related to the Term Loan Facility in fiscal 2024 compared to principal payments totaling $750 million related to the Term Loan Facility in fiscal 2023.

Cash Requirements

We are actively monitoring our liquidity position and remain focused on managing our inventory and other working capital requirements. We are continuing to target two percent of sales for capital expenditures and are prioritizing those related to safety and strategic investments. We believe that cash generated from operations and our commercial paper program will satisfy our operating needs for the foreseeable future.

Dividends

We declared a quarterly dividend of $1.48 per share on January 25, 2024, which was paid on March 1, 2024. Dividends have been paid for 295 consecutive quarters. Additionally, we declared a quarterly dividend of $1.63 per share on April 25, 2024, payable on June 7, 2024, increasing our annual dividend per share paid to shareholders for 68 consecutive fiscal years.

Share Repurchases

The Company has a program to repurchase its common shares. On October 22, 2014, the Board of Directors of the Company approved an increase in the overall number of shares authorized to repurchase under the program so that, beginning on such date, the aggregate number of shares authorized for repurchase was 35 million. There is no limitation on the number of shares that can be repurchased in a year. Repurchases may be funded primarily from operating cash flows and commercial paper borrowings and the shares are initially held as treasury shares. Refer to Note 6 to the Consolidated Financial Statements for further discussion of share repurchases.

Liquidity

Cash, comprised of cash and cash equivalents and marketable securities and other investments, includes $331 million and $422 million held by the Company's foreign subsidiaries at March 31, 2024 and June 30, 2023, respectively. The Company does not permanently reinvest certain foreign earnings. The distribution of these earnings could result in non-federal U.S. or foreign taxes. All other undistributed foreign earnings remain permanently reinvested.

We are currently authorized to sell up to $3.0 billion of short-term commercial paper notes. As of March 31, 2024, $0.8 billion of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was $1.2 billion.

The Company has a line of credit totaling $3.0 billion through a multi-currency revolving credit agreement with a group of banks, of which $2.2 billion was available as of March 31, 2024. Advances from the credit agreement can be used for general corporate purposes, including acquisitions, and for the refinancing of existing indebtedness. The credit agreement supports our commercial paper program, and issuances of commercial paper reduce the amount of credit available under the credit agreement. The credit agreement expires in June 2028; however, the Company has the right to request a one-year extension of the expiration date on an annual basis, which may result in changes to the current terms and conditions of the credit agreement. The credit agreement requires the payment of an annual facility fee, the amount of which is dependent upon the Company’s credit ratings. Although a lowering of the Company’s credit ratings would increase the cost of future debt, it would not limit the Company’s ability to use the credit agreement, nor would it accelerate the repayment of any outstanding borrowings.

We primarily utilize unsecured medium-term notes and senior notes to meet our financing needs and we expect to continue to borrow funds at reasonable rates over the long term. Refer to the Cash flows from financing activities section above and Note 15 to the Consolidated Financial Statements for further discussion.

Our debt portfolio includes the Term Loan Facility. During the nine months ended March 31, 2024, we made principal payments totaling $250 million related to the Term Loan Facility. Refer to Note 15 to the Consolidated Financial Statements for further discussion.

The Company’s credit agreement and indentures governing certain debt securities contain various covenants, the violation of which would limit or preclude the use of the credit agreements for future borrowings, or might accelerate the maturity of the related outstanding borrowings covered by the indentures. Based on the Company’s rating level at March 31, 2024, the most restrictive financial covenant provides that the ratio of debt to debt-shareholders' equity cannot exceed 0.65 to 1.0. At March 31, 2024, the Company's debt to debt-shareholders' equity ratio was 0.50 to 1.0. We are in compliance and expect to remain in compliance with all covenants set forth in the credit agreement and indentures.

Our goal is to maintain an investment-grade credit profile. The rating agencies periodically update our credit ratings as events occur. At March 31, 2024, the long-term credit ratings assigned to the Company's senior debt securities by the credit rating agencies engaged by the Company were as follows:

Fitch Ratings	BBB+
Moody's Investors Services, Inc.	Baa1
Standard & Poor's	BBB+

Supply Chain Financing

We continue to identify opportunities to improve our liquidity and working capital efficiency, which includes the extension of payment terms with our suppliers. We have supply chain financing programs with financial intermediaries, which provide certain suppliers the option to be paid by the financial intermediaries earlier than the due date on the applicable invoice. We do not believe that changes in the availability of supply chain financing will have a significant impact on our liquidity. Refer to Note 10 to the Consolidated Financial Statements for further discussion.

Forward-Looking Statements

Forward-looking statements contained in this and other written and oral reports are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. Often but not always, these statements may be identified from the use of forward-looking terminology such as “anticipates,” “believes,” “may,” “should,” “could,” “expects,” “targets,” “is likely,” “will,” or the negative of these terms and similar expressions, and include all statements regarding future performance, earnings projections, events or developments. Neither Parker nor any of its respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. Parker cautions readers not to place undue reliance on these statements. It is possible that the future performance and earnings projections of the company, including its individual segments, may differ materially from past performance or current expectations. A change in the economic conditions in individual markets may have a particularly volatile effect on segment performance.

Among other factors which may affect future performance are:

- changes in business relationships with and purchases by or from major customers, suppliers or distributors, including delays or cancellations in shipments;
- disputes regarding contract terms or significant changes in financial condition, changes in contract cost and revenue estimates for new development programs and changes in product mix;
- the impact of political, social and economic instability and disruptions;
- ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of Meggitt; and our ability to effectively manage expanded operations from acquisitions;
- the ability to successfully divest businesses planned for divestiture and realize the anticipated benefits of such divestitures;
- the determination to undertake business realignment activities and the expected costs thereof and, if undertaken, the ability to complete such activities and realize the anticipated cost savings from such activities;
- ability to implement successfully capital allocation initiatives, including timing, pricing and execution of share repurchases;
- availability, limitations or cost increases of raw materials, component products and/or commodities that cannot be recovered in product pricing;
- global economic factors, including manufacturing activity, air travel trends, currency exchange rates, difficulties entering new markets and general economic conditions such as inflation, deflation, interest rates, credit availability and changes in consumer habits and preferences;
- ability to manage costs related to insurance and employee retirement and health care benefits;
- legal and regulatory developments and changes;
- additional liabilities relating to changes in tax rates or exposure to additional income tax liabilities;
- ability to enter into, own, renew, protect and maintain intellectual property and know-how;
- leverage and future debt service obligations;
- potential impairment of goodwill;
- compliance costs associated with environmental laws and regulations;
- potential labor disruptions or shortages and the ability to attract and retain key personnel;
- uncertainties surrounding the ultimate resolution of outstanding legal proceedings, including the outcome of any appeals;
- global competitive market conditions, including U.S. trade policies and resulting effects on sales and pricing;
- local and global political and economic conditions, including the Russia-Ukraine war and other armed conflicts and their residual effects;
- inability to obtain, or meet conditions imposed for, required governmental and regulatory approvals;
- government actions and natural phenomena such as pandemics, floods, earthquakes, hurricanes or other natural phenomena that may be related to climate change;
- increased cyber security threats and sophisticated computer crime; and
- success of business and operating initiatives.

Readers should consider these forward-looking statements in light of risk factors discussed in Parker’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023 and other periodic filings made with the Securities and Exchange Commission.

The Company makes these statements as of the date of the filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, and undertakes no obligation to update them unless otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A substantial portion of our operations are conducted by our subsidiaries outside of the U.S. in currencies other than the U.S. dollar. Most of our non-U.S. subsidiaries conduct their business primarily in their local currencies, which are also their functional currencies. Foreign currency exposures arise from translation of foreign-denominated assets and liabilities into U.S. dollars and from transactions denominated in a currency other than the subsidiary's functional currency. We continue to manage the associated foreign currency transaction and translation risk using existing processes.

The Company manages foreign currency transaction and translation risk by utilizing derivative and non-derivative financial instruments, including forward exchange contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges. The derivative financial instrument contracts are with major investment grade financial institutions and we do not anticipate any material non-performance by any of the counterparties. We do not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized on the Consolidated Balance Sheet as either assets or liabilities and are measured at fair value. Further information on the fair value of these contracts is provided in Note 17 to the Consolidated Financial Statements. Derivatives that are not designated as hedges are adjusted to fair value by recording gains and losses through the Consolidated Statement of Income. Derivatives that are designated as hedges are adjusted to fair value by recording gains and losses through accumulated other comprehensive income (loss) in the Consolidated Balance Sheet until the hedged item is recognized in earnings. For cross-currency swap contracts measured using the spot method, the periodic interest settlements are recognized directly in earnings through interest expense. The translation of the foreign currency denominated debt that has been designated as a net investment hedge is recorded in accumulated other comprehensive income (loss) and remains there until the underlying net investment is sold or substantially liquidated.

The Company's debt portfolio contains variable rate debt, inherently exposing the Company to interest rate risk. Our objective is to maintain a 60/40 mix between fixed rate and variable rate debt thereby limiting our exposure to changes in near-term interest rates. At March 31, 2024, our debt portfolio included $625 million of variable rate debt, exclusive of commercial paper borrowings. A 100 basis point increase in near-term interest rates would increase annual interest expense on variable rate debt, including weighted-average commercial paper borrowings for the nine months ended March 31, 2024, by approximately $20 million.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2024. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of March 31, 2024, the Company's disclosure controls and procedures were effective.

PARKER-HANNIFIN CORPORATION

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

From time to time we are involved in matters that involve governmental authorities as a party under federal, state and local laws that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment. We will report such matters that exceed, or that we reasonably believe may exceed, $1.0 million or more in monetary sanctions.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) ***Unregistered Sales of Equity Securities.*** Not applicable.

(b) ***Use of Proceeds.*** Not applicable.

(c) ***Issuer Purchases of Equity Securities.***

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1, 2024 through January 31, 2024	36,300	$ 462.10	36,300	7,469,624
February 1, 2024 through February 29, 2024	31,700	$ 512.85	31,700	7,437,924
March 1, 2024 through March 31, 2024	29,900	$ 539.58	29,900	7,408,024
Total:	97,900		97,900	

(1) On October 22, 2014, the Company publicly announced that the Board of Directors increased the overall maximum number of shares authorized for repurchase under the Company's share repurchase program, first announced on August 16, 1990, so that, beginning on October 22, 2014, the maximum aggregate number of shares authorized for repurchase was 35 million shares. There is no limitation on the amount of shares that can be repurchased in a fiscal year. There is no expiration date for this program.

ITEM 5. Other Information

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended March 31, 2024.

ITEM 6. Exhibits.

The following documents are furnished as exhibits and are numbered pursuant to Item 601 of Regulation S-K:

Exhibit No.	Description of Exhibit
10(a)	Form of Notice of Award under the Parker-Hannifin Corporation Long-Term Incentive Plan Under the Performance Bonus Plan, as Amended and Restated, effective as of January 24, 2024.*
31(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
31(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002*
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three and nine months ended March 31, 2024 and 2023, (ii) Consolidated Statement of Comprehensive Income for the three and nine months ended March 31, 2024 and 2023, (iii) Consolidated Balance Sheet at March 31, 2024 and June 30, 2023, (iv) Consolidated Statement of Cash Flows for the nine months ended March 31, 2024 and 2023, and (v) Notes to Consolidated Financial Statements for the nine months ended March 31, 2024.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER-HANNIFIN CORPORATION
(Registrant)

/s/ Todd M. Leombruno

Todd M. Leombruno
Executive Vice President and Chief Financial Officer

Date: May 3, 2024

TO: [PARTICIPANT NAME]

PARKER-HANNIFIN CORPORATION
OFFICER LONG-TERM INCENTIVE PERFORMANCE PLAN (LTIP)

OFFICER AWARD AGREEMENT
(L32)

The Human Resources and Compensation Committee of the Board of Directors (the "Committee") of Parker-Hannifin Corporation (the "Company") has awarded to you the contingent right to receive the following number of common shares of the Company ("Maximum Shares") under the Company's Officer Long-Term Incentive Performance Plan (As Amended and Restated) (the "LTIP Plan"), which operates under the Parker-Hannifin Corporation 2023 Omnibus Stock Incentive Plan (as defined in the LTIP Plan):
Grant Date: [Grant Date]
Performance Period: CY 2024-2025-2026
Maximum Shares: [Number]
Target Shares: [Number Granted]

The number of Maximum Shares and Target Shares granted is based on your grade level at the Grant Date and your expected service in your position through the end of the Performance Period. The number of Maximum Shares and Target Shares granted is subject to adjustment in the event of a change in your grade level or your employment status with the Company during the Performance Period as provided in the LTIP Plan. Your award constitutes a performance-based Restricted Stock Unit Award for purposes of the Stock Incentive Plan.
Payout of Your Award. Your right to earn all or a portion of the Target Shares under your award will be based upon the Company's performance during the Performance Period in comparison to a defined peer group for certain key objective financial metrics described in the LTIP Plan, and the Committee's discretion to reduce the amount payable under your award (including for example, a possible reduction to the number of Target Shares set out above), based on the Company's performance in comparison to its peer group and otherwise as described in the LTIP Plan. Subject to your continued employment through the end of the Performance Period, any amount payable under your award will be paid in the form of Shares (as defined in the LTIP Plan), to be issued in April 2027 following the Committee's certification of performance results of the Company, subject to the Committee's exercise of any discretion to reduce the amount payable, and the Committee's authorization of payment.
Subject to your continued employment through the end of the Performance Period, any Shares earned hereunder will be issued after the end of the Performance Period following the Committee's certification of performance results, authorization of any Share issuance, and considerations of other appropriate factors as the Committee may determine.

Peer Group (as defined in the LTIP Plan):

- Caterpillar Inc.
- Cummins Inc.
- Deere & Company
- Dover Corporation
- Eaton Corporation plc
- Emerson Electric Co.
- Flowserve Corporation
- Fortive Corporation
- Honeywell International Inc.
- Illinois Tool Works Inc.
- Ingersoll Rand Inc.
- ITT Inc.
- Johnson Controls International plc
- Moog Inc.
- Raytheon Technologies Corp.
- Rockwell Automation Inc.
- Textron Inc.
- Trane Technologies plc
- 3M Co.

Clawback Provisions. By accepting this award, you acknowledge and agree that the terms and conditions set forth in the Claw-back Policy of Parker-Hannifin Corporation that applies to compensation granted or paid on or after July 1, 2009 (as may be amended and restated from time to time, the “Clawback Policy”) and the Parker-Hannifin Corporation Section 16 Officer Clawback Policy (as may be amended and restated from time to time, the “Dodd-Frank Policy”) are incorporated in this Award Agreement by reference. To the extent the Clawback Policy or the Dodd-Frank Policy is applicable to you, it creates additional rights for the Company with respect to the your award and other applicable compensation, including, without limitation, annual cash incentive compensation awards granted to you by the Company. Notwithstanding any provisions in this Award Agreement, the LTIP Plan or the Stock Incentive Plan to the contrary, any award granted under the Stock Incentive Plan and such other applicable compensation, including, without limitation, annual cash incentive compensation, will be subject to potential mandatory cancellation, forfeiture and/or repayment by you to the Company to the extent you are, or in the future become, subject to (a) any Company clawback or recoupment policy, including the Clawback Policy, the Dodd-Frank Policy, and any other policies that are adopted by the Company, whether to comply with the requirements of any applicable laws, rules, regulations, stock exchange listing standards or otherwise, or (b) any applicable laws that impose mandatory clawback or recoupment requirements under the circumstances set forth in such laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable laws, rules, regulations or stock exchange listing standards, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to awards and the recovery of amounts relating thereto. By accepting this award and pursuant to this Award Agreement, you consent to be bound by the terms of the Clawback Policy or the Dodd-Frank Policy, if applicable, and agree and acknowledge that you are obligated to cooperate with, and provide any and all assistance necessary to, the Company in its efforts to recover or recoup this award, any gains or earnings related to this award, or any other applicable compensation, including, without limitation, annual cash incentive compensation, that is subject to clawback or recoupment pursuant to such laws, rules, regulations, stock exchange listing standards or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to facilitate the recovery or recoupment by the Company from you of any such amounts, including from your accounts or from any other compensation, to the extent permissible under Section 409A of the Internal Revenue Code of 1986, as amended.

Your Action Items. Please take the following actions:
Accept your Awards by clicking on the "Accept" button below. In relation to the award described herein (your "Award"), attached below for your review and incorporated into this Award Agreement is the LTIP Plan. **Inform the Company of any change in address or contact information, as necessary.** Refer to the section of the LTIP Plan titled **"Notification of Change in Personal Data"** for instructions on how to provide notification to the Company.

Also available through your UBS One Source account are the following documents pertinent to your Award:

2023 Omnibus Stock Incentive Plan
2023 Omnibus Stock Incentive Plan Prospectus
Annual Report and Proxy Statement

Parker-Hannifin Corporation
Officer Long-Term Incentive Performance Plan (as Amended and Restated Effective January 24, 2024)

Summary and
Terms and Conditions

1 . Effective Date and Purpose. Parker-Hannifin Corporation, an Ohio corporation (the "Company"), adopted this Parker-Hannifin Corporation Long-Term Incentive Performance Plan as Amended and Restated Under the Performance Bonus Plan effective as of January 20, 2016, as further amended and restated effective as of January 27, 2022, and as most recently amended and restated as of January 24, 2024, including to rename this Plan to be titled the Parker-Hannifin Corporation Officer Long-Term Incentive Performance Plan. The purpose of this Plan is to attract and retain key executives for the Company and to provide such persons with incentives for superior performance in the form of an opportunity to earn a long-term incentive award structured as a performance-based Restricted Stock Unit Award under the Stock Incentive Plan and payable in Common Shares ("Shares"). This Plan and each Award Opportunity hereunder shall be subject to the terms and conditions of this Plan and the applicable Award Agreement and the terms and conditions of the Stock Incentive Plan. Capitalized terms not defined in this Plan shall have the meanings set forth in the Stock Incentive Plan.

2. Eligibility. The Committee shall designate the Participants, if any, for each Performance Period. An Eligible Officer who is designated as a Participant for a given Performance Period is not guaranteed of being selected as a Participant for any other Performance Period.

3. Establishment of Award Opportunities. Not later than the 90th day of each Performance Period, the Committee shall establish the Maximum Shares and Target Shares for each Participant's Award Opportunity for the Performance Period. The Committee shall provide an Award Agreement to each Participant as soon as practical following the establishment of the Maximum Shares and Target Shares under the Participant's Award Opportunity for the Performance Period.

4. Dividend Equivalent Units; Voting and Other Rights.

A. Shareholder Rights Generally. A Participant shall have no rights of ownership in the Shares underlying an Award Opportunity and no right to vote the Shares underlying an Award Opportunity until the date on which the Shares underlying such Award Opportunity are issued or transferred to the Participant pursuant to Section 6 or Section 8 hereof.

B. Dividend Equivalent Units. With respect to each Award Opportunity, from and after the applicable Grant Date and until the earlier of (i) the time when the Award Opportunity is paid in accordance with Section 6 or Section 8 hereof or (ii) the time when the applicable Participant's right to payment of the Award Opportunity is forfeited in accordance with Section 7 hereof or otherwise, on the date that the Company pays a cash dividend (if any) to holders of Shares generally, such Participant shall be credited with a number of additional Target Shares (the "Dividend Equivalent Units") determined by dividing the aggregate amount of the cash dividend that would be payable on such date to a holder of a number of Shares equal to the number of such Participant's unpaid Target Shares with respect to such Award Opportunity by the closing price per Share on the New York Stock Exchange on the last trading day preceding the dividend payment date. Any such Dividend Equivalent Units will be considered Target Shares for purposes of the applicable Award Opportunity and this Plan, and will be subject to all of the terms, conditions and restrictions set forth herein.

5. Determination of Amount Payable Under Award Opportunities.

A. Committee Certification of Management Objectives. Subject to potential reduction as set forth in Section 5.B and further subject to the other terms and conditions of this Plan, the full number of Maximum Shares granted to a Participant with respect to a Performance Period shall be earned as of the last day of such Performance Period, provided that (i) following the end of the Performance Period, the Committee has certified that the Company has achieved either (a) average Return on Average Equity of 4% during the Performance Period, or (b) average Free Cash Flow Margin of 4% during the Performance Period; and (ii) the Participant has been continuously employed by the Company and its Affiliates through the last day of the Performance Period.

B. Committee Discretion to Reduce Long-Term Incentive Awards. Notwithstanding Section 5.A, the actual number of Shares payable to a Participant with respect to a Performance Period may be reduced (including a reduction to zero) by the Committee in its sole and absolute discretion based on such factors as the Committee determines to be appropriate including, without limitation, the Company's performance with respect to the performance measures (the "Peer Performance Measures") set out below, with the number of a Participant's Target Shares under an Award Opportunity allocated to each of the Peer Performance Measures in proportion to the percentages set out below. Achievement with respect to the Peer Performance Measures shall be determined for the Company at the conclusion of the Performance Period, in comparison to the performance of the members of the Company's Peer Group, determined for each member of the Peer Group based on its performance at the conclusion of the three fiscal year period of such company ending with or immediately prior to the conclusion of the Performance Period.

Peer Performance Measure:	**Weight:**
Revenue Growth	40%
Earnings Per Share Growth	40%
Average Return on Invested Capital	20%

It is the intention of the Committee that the Committee will exercise its discretion as it deems appropriate to reduce the number of Shares that may be delivered to a Participant with respect to each Performance Period based on the Company's percentile ranking among the members of the Peer Group with respect to each Peer Performance Measure in accordance with the following table; provided, however, that the Committee reserves the right to deviate from such approach and may exercise its discretion to reduce the number of Shares that may be delivered to a Participant with respect to each Performance Period, if any, based on such other factors as the Committee in its sole and absolute discretion determines to be appropriate:

Company Percentile Ranking Among Peer Group:	**% of Allocable Target Shares Earned:**
75th percentile or higher	200%
50th percentile	100% (Target Shares)
25th percentile	50%
lower than 25th percentile	0%

To the extent that the Company's percentile ranking among the members of the Peer Group with respect to a Peer Performance Measure is between the 25th and the 50th percentile, or between the 50th and the 75th percentile, it is currently intended that the Committee will exercise its discretion to determine the appropriate percentage of the allocable Target Shares that are earned by straight-line interpolation between the percentages set out in the table above.

6. Payment of Awards. Except as otherwise provided in this Plan, during the fourth month following the end of the applicable Performance Period, the Company shall deliver to each Participant the Shares, if any, that the Committee has determined (in accordance with Section 5) to be payable with respect to any Award Opportunity.

7. Terminations. Except as otherwise provided in this Section 7 or Section 8, a Participant must remain continuously employed by the Company and its Affiliates through the last day of a Performance Period in order to be entitled to receive payment with respect to any Award Opportunity pursuant to this Plan for such Performance Period.

A. Qualifying Retirement. Notwithstanding the foregoing, in the event of a Participant's termination of employment during a Performance Period due to a Qualifying Retirement with respect to such Performance Period, the Participant will be entitled to receive the Shares, if any, that the Committee determines (in accordance with Section 5) to be payable with respect to the Award Opportunity for such Performance Period, as if the Participant had remained continuously employed through the end of the Performance Period. Any such Shares will be payable at the time provided in Section 6, following the certification of the achievement of the management objectives by the Committee in accordance with Section 5.A.

B. Death, Disability, Termination Without Cause, Other Retirement. Notwithstanding the foregoing, in the event of a Participant's termination of employment during a Performance Period due to death, Disability, termination of employment by the Company without Cause, or Other Retirement, the Participant will be entitled to receive prorated Shares with respect to the Award Opportunity for that Performance Period equal to the product of the number of Shares, if any, determined to be payable with respect to such Award Opportunity by the Committee (pursuant to Section 5) multiplied by a fraction, the numerator of which is the number of full months of continuous employment during the Performance Period and the denominator of which is 36. Any such prorated amount will be payable at the time provided in

Section 6, following the certification of the achievement of the management objectives by the Committee in accordance with Section 5.A.

C. Other Terminations. Except as otherwise provided pursuant to Section 8, in the event of a Participant's termination of employment during a Performance Period for any reason other than Qualifying Retirement, Other Retirement, death, Disability, or termination of employment by the Company without Cause, the Participant will forfeit his or her Award Opportunity for such Performance Period, without any further action or notice.

8. Change in Control. In the event of a Change in Control (as defined in the Stock Incentive Plan and including the date immediately prior to an "Anticipatory Termination" as defined therein) of the Company during a Performance Period, each Participant then holding an outstanding Award Opportunity granted under this Plan for such Performance Period shall receive payment of his or her Award Opportunity as follows: (a) within fifteen (15) days following the date of the Change in Control, each such Participant shall receive a number of Shares equal to the number of Target Shares subject to such Award Opportunity; and (b) within forty-five (45) days after the date of such Change in Control, each such Participant shall receive a number of Shares equal to the excess, if any, of (i) the number of Shares that would be payable in accordance with Section 5 if the Company had achieved the management objectives described in Section 5.A for the Performance Period, the Committee had exercised its discretion to reduce the number of Shares payable in accordance with Section 5.B based on the Company's percentile ranking among the Peer Group with respect to the Peer Performance Measures as described therein, and the Company's percentile ranking among the Peer Group for each of those Peer Performance Measures during the Performance Period through the end of the fiscal quarter immediately preceding the date of the Change in Control continued throughout the Performance Period at the same level; over (ii) the number of Target Shares subject to such Award Opportunity.

9. Promotions and New Hires. With respect to a Participant who is newly hired or is promoted by the Company during a Performance Period, the Committee shall grant an Award Opportunity, or adjust an Award Opportunity previously granted, to such Participant for such Performance Period pursuant to the provisions of this Section 9.

A. Pro-Rated Award Opportunities for Newly-Eligible Executives. A Participant who is granted an Award Opportunity more than 90 days after the beginning of the Performance Period, either because the Participant is a newly hired Eligible Officer or is promoted into an Eligible Officer position, will be granted an Award Opportunity under this Plan for such Performance Period based on the number of Maximum Shares and Target Shares established by the Committee during the first 90 days of the Performance Period for the Participant's grade level, with the number of Maximum Shares and Target Shares pro-rated based on the ratio of the number of full months remaining in the Performance Period on and after the date of hire or promotion (as applicable) to the total number of months in the Performance Period. For any salary grade created between the salary grades for which the Committee has established the number of Maximum Shares and Target Shares as described above, straight-line interpolation shall be used to determine the pro-rated number of Maximum Shares and Target Shares in accordance with this Section 9.A.

B. Adjustments to Outstanding Award Opportunities. If a Participant is promoted after the beginning of a Performance Period, the Participant's outstanding Award Opportunity granted for such Performance Period will be adjusted, effective as of the date of such promotion, based on the number of Maximum Shares and Target Shares established by the Committee during the first 90 days of the Performance Period for the Participant's grade level.

The adjustments to each such Participant's Award Opportunity shall be pro-rated on a monthly basis, with the number of Maximum Shares and Target Shares for the Participant's original position applicable for the number of full months preceding the effective date of the promotion and the number of Maximum Shares and Target Shares for the Participant's new position applicable for the remaining number of months in the Performance Period. For any salary grade created between the salary grades for which the Committee has established the number of Maximum Shares and Target Shares as described above, straight-line interpolation shall be used to determine the pro-rated number of Maximum Shares and Target Shares in accordance with this Section 9.B.

C. Negative Discretion. Notwithstanding any other provision of this Section 9, the Committee retains the discretion to reduce the amount of any Award Opportunity, including a reduction of such amount to zero. By way of illustration, and not in limitation of the foregoing, the Committee may, in its discretion, determine (i) not to grant a pro-rated Award Opportunity pursuant to Section 9.A above, (ii) not to adjust an outstanding Award Opportunity pursuant to Section 9.B above, (iii) to grant a pro-rated Award Opportunity in a smaller amount than would otherwise be provided by Section 9.A above, or (iv) to adjust an outstanding Award Opportunity to produce a smaller Award Opportunity than would otherwise be provided by Section 9.B above.

10. Plan Administration. The Committee shall be responsible for administration of this Plan. The Committee is authorized to interpret this Plan, to prescribe, amend and rescind regulations relating to this Plan, and to make all other determinations necessary or advisable for the administration of this Plan, but only to the extent not contrary to the express provisions of this Plan and the Stock Incentive Plan. Determinations, interpretations or other actions made or taken by the Committee pursuant to the provisions of this Plan shall be final, binding and conclusive for all purposes and upon all Participants, Eligible Officers, Beneficiaries and all other persons who have or claim an interest herein. Subject to the terms of the Stock Incentive Plan and applicable law and stock exchange requirements, the Committee may, in its discretion, delegate to one or more directors or employees of the Company any of the Committee's authority under this Plan. The acts of any such delegates shall be treated under this Plan as acts of the Committee with respect to any matters so delegated, and any reference to the Committee in this Plan shall be deemed a reference to any such delegates with respect to any matters so delegated.

11. Tax Withholding. Each Participant is responsible for any federal, state, local, foreign or other taxes with respect to any amount payable under this Plan. To the extent the Company is required to withhold any federal, state, local, foreign or other taxes in connection with the delivery of Shares or any other payment or vesting event under this Plan, then the Company may, in its sole discretion, (a) retain a number of Shares otherwise deliverable hereunder with a value equal to the required withholding (based on the Fair Market Value (as defined in the Stock Incentive Plan) of the Shares on the applicable date), (b) facilitate a sale of Shares payable pursuant to the Award Opportunity to cover such tax withholding obligation, or (c) apply any other withholding method determined by the Company; provided that in no event shall the value of the Shares retained or sold exceed the minimum amount of taxes required to be withheld or such other amount that will not result in a negative accounting impact.

12. Unfunded Plan. Each Award Opportunity granted under this Plan represents only a contingent right to receive all or a portion of the number of Maximum Shares subject to the terms and conditions of the Award Agreement, this Plan, and the Stock Incentive Plan. Nothing in this

Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of an Award Opportunity earned under this Plan other than as an unsecured general creditor with respect to any payment to which he or she may be entitled under this Plan.

13. Rights of Employer; No Right to Future Awards. Neither anything contained in this Plan nor any action taken under this Plan or the Award Agreement shall be construed as a contract of employment or as giving any Participant or Eligible Officer any right to continued employment with the Company or any Affiliate. Each Award Opportunity granted under this Plan to a Participant is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of an Award Opportunity and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law.

14. Nontransferability. Except as otherwise provided in this Plan or the Award Agreement, the benefits provided under this Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, except by will or the laws of descent and distribution, and these benefits shall be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law. Notwithstanding the foregoing, to the extent permitted by the Company, a Participant may designate a Beneficiary or Beneficiaries (both primary and contingent) to receive, in the event of the Participant's death, any Shares remaining to be delivered with respect to the Participant under this Plan. The Participant shall have the right to revoke any such designation and to re-designate a Beneficiary or Beneficiaries in such manner as may be prescribed by the Company.

15. Successors. The rights and obligations of the Company under this Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

16. Governing Law. This Plan and all Award Opportunities shall be construed in accordance with and governed by the laws of the State of Ohio, but without regard to its conflict of law provisions.

17. Amendment or Termination. The Committee reserves the right, at any time, without either the consent of, or any prior notification to, any Participant, Eligible Officer or other person, to amend, suspend or terminate this Plan or any Award Opportunity granted thereunder, in whole or in part, in any manner, and for any reason; provided that any such amendment shall not, after the end of the 90-day period described in Section 3 of this Plan, cause the amount payable under an Award Opportunity to be increased as compared to the amount that would have been paid in accordance with the terms established as of the end of such period. Notwithstanding the foregoing, no amendment, suspension or termination of this Plan following a Change in Control (as defined in the Stock Incentive Plan) may adversely affect in a material way any Award Opportunity that was outstanding on the date of the Change in Control, without the consent of the affected Participant.

18. Claw-back Policy. Each Award Opportunity granted, and each Share paid, pursuant to this Plan shall be subject to the terms and conditions of the Claw-back Policy of Parker-Hannifin Corporation that applies to compensation granted or paid on or after July 1, 2009 (as may be amended and restated from time to time) and the Parker-Hannifin Corporation Section 16 Officer Clawback Policy (as may be amended and restated from time to time), to the extent provided under the terms of each such policy.

19. Section 409A of the Code. It is the Company's intent that each Award Opportunity payable under this Plan shall be compliant with or exempt from the requirements of Section 409A of the Code under the "short-term deferral" exception set out in Section 1.409A-1(b)(4) of the Treasury Regulations. This Plan and each Award Agreement hereunder shall be interpreted and administered in a manner consistent with such intent, and any provision that would cause an Award Agreement or this Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with or being exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of any Participant).

20. Plan Terms Control. In the event of a conflict between the terms and conditions of any Award Agreement and the terms and conditions of this Plan, the terms and conditions of this Plan shall prevail. In the event of a conflict between the terms and conditions of any Award Agreement or this Plan and the terms and conditions of the Stock Incentive Plan, the terms and conditions of the Stock Incentive Plan shall prevail.

21. Severability. If any provision of this Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of this Plan.

22. Waiver. The waiver by the Company of any breach of any provision of this Plan by a Participant shall not operate or be construed as a waiver of any subsequent breach.

23. Captions. The captions of the sections of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

24. Consent to Transfer Personal Data. By acknowledging an Award Opportunity, each Participant will voluntarily acknowledge and consent to the collection, use, processing and transfer of personal data as described in this Section 24. Participants are not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect the Participant's ability to participate in this Plan. The Company and its Affiliates hold certain personal information about each Participant, that may include name, home address and telephone number, fax number, email address, family size, marital status, sex, beneficiary information, emergency contacts, passport / visa information, age, language skills, drivers license information, date of birth, birth certificate, social security number or other employee identification number, nationality, C.V. (or resume), wage history, employment references, job title, employment or severance contract, current wage and benefit information, personal bank account number, tax related information, plan or benefit enrollment forms and elections, option or benefit statements, any shares of stock or directorships in the Company, details of all options or any other entitlements to Shares awarded, canceled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering this Plan ("Data"). The Company and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of each Participant's participation in this Plan, and may further transfer Data to any third parties assisting the Company and its Affiliates in the implementation, administration and management of this

Plan. These recipients may be located throughout the world, including the United States. By acknowledging an Award Opportunity, each Participant will authorize such third parties to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in this Plan, including any requisite transfer of such Data as may be required for the administration of this Plan and/or the subsequent holding of Shares on the Participant's behalf to a broker or other third party with whom the Participant may elect to deposit any Shares acquired pursuant to this Plan. A Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, withdrawing such consent may affect the Participant's ability to participate in this Plan.

25. Notification of Change in Personal Data. If a Participant's address or contact information changes prior to the delivery of any Shares pursuant to an Award Opportunity, the Company must be notified in order to administer this Plan and such Award Opportunity. Notification of such changes should be provided to the Company as follows:
A. U.S. and Canada Participants (employees who are on the U.S. or Canadian payroll system):

- Active employees: A Participant must update the Participant's address and contact information directly through the Participant's Personal Profile section in the Employee Self-Service site.

- Retired, terminated or family member of deceased Participant: A Participant must contact the Benefits Service Center at 1-800-992-5564.

B. Rest of World Participants (employees who are not on the U.S. or Canadian payroll system): A Participant' must contact the Participant's country Human Resources Manager.

26. Electronic Delivery. By acknowledging an Award Opportunity, each Participant consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with any Award Opportunity granted under this Plan. By acknowledging an Award Opportunity, each Participant consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and each Participant agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. By acknowledging an Award Opportunity, each Participant consents and agrees that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to this Plan.

27. Prospectus Notification. Copies of the Stock Incentive Plan, the plan summary and prospectus which describes the Stock Incentive Plan (the "Prospectus") and the most recent Annual Report and Proxy Statement issued by the Company (collectively, the "Prospectus Information") are available for review by Participants on the UBS One Source Web site. Each Participant shall have the right to receive a printed copy of the Prospectus Information, free of charge, upon request by either calling the third party Plan Administrator at 877-742-7471 or by sending a written request to the Company's Total Rewards Department.

28. Definitions. The following capitalized words as used in this Plan shall have the following meanings:

"Affiliate" means any corporation or other entity (including, but not limited to, partnerships, limited liability companies and joint ventures) controlled by the Company.

"Award Agreement" means a written or electronic communication to a Participant with respect to a Performance Period, which provides notice of the Participant's Maximum Shares and Target Shares for such Performance Period, subject to the terms and conditions of this Plan and the Stock Incentive Plan.

"Award Opportunity" means an opportunity granted by the Committee to a Participant to earn a long-term incentive award under this Plan with respect to a Performance Period (which opportunity constitutes a performance-based Restricted Stock Unit Award under the Stock Incentive Plan), with such opportunity subject to the terms and conditions of the Award Agreement, this Plan, and the Stock Incentive Plan.

"Beneficiary" means a person designated by a Participant in accordance with Section 14 of this Plan to receive, in the event of the Participant's death, any Shares remaining to be delivered with respect to the Participant under this Plan.

"Board" means the Board of Directors of the Company.

"Cause" means any conduct or activity, whether or not related to the business of the Company, that is determined in individual cases by the Committee to be detrimental to the interests of the Company, including without limitation (a) the rendering of services to an organization, or engaging in a business, that is, in the judgment of the Committee, in competition with the Company; (b) the disclosure to anyone outside of the Company, or the use for any purpose other than the Company's business, of confidential information or material related to the Company, whether acquired by the Participant during or after employment with the Company; (c) fraud, embezzlement, theft-in-office or other illegal activity; or (d) a violation of the Company's Code of Conduct or other policies.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Human Resources and Compensation Committee of the Board, or such other committee appointed by the Board to administer this Plan.

"Company" has the meaning given such term in Section 1 of this Plan.

"Disability" has the meaning set forth in the Parker-Hannifin Corporation Executive Long-Term Disability Plan or such other long-term disability program of the Company or an Affiliate in which the Participant participates.

"Eligible Officer" means any employee of the Company or an Affiliate, who is an executive officer of the Company, whether such person is so employed at the time this Plan is adopted or becomes so employed subsequent to the adoption of this Plan, who is eligible for awards under the Stock Incentive Plan.

"Free Cash Flow Margin" means the Company's net cash flow provided by operating activities less capital expenditures for a calendar year in the Performance Period, expressed as a percentage of the Company's net sales for such calendar year. Free Cash Flow Margin shall be determined in accordance with generally accepted accounting principles as in effect on the first day of the applicable Performance Period. Discretionary pension contributions by the Company during the Performance Period are not included in the calculation of Free Cash Flow Margin. For this purpose, a discretionary pension contribution means a contribution by the Company or one of its subsidiaries to a qualified pension plan for employees of the Company or its subsidiaries where absent actions taken by the Company to affect its funding level in a particular year, no minimum required contribution would have been required under applicable laws and regulations.

"Maximum Shares" means, with respect to an Award Opportunity granted to a Participant for a Performance Period, the notional number of Shares equal to 200% of the Participant's Target Shares for such Performance Period. Each Maximum Share shall represent the contingent right to receive one Share and shall at all times be equal in value to one Share.

"Other Retirement" means a termination of employment by a Participant during a Performance Period that constitutes "retirement" under the policy of the Company or an Affiliate applicable to the Participant at the time of such termination of employment, other than a Qualifying Retirement. For purposes of clarity, whether a Participant's termination of employment constitutes an Other Retirement will be determined separately with respect to each Performance Period for which such Participant has an outstanding Award Opportunity at the time of termination of employment.

"Participant" means an Eligible Officer who has been granted an Award Opportunity with respect to a Performance Period.

"Peer Group" means the group of peer companies established as such by the Committee for each Award Opportunity and set forth in the Award Agreement for such Award Opportunity.

"Performance Period" means a period of three consecutive calendar years.

"Plan" means the Parker-Hannifin Corporation Officer Long-Term Incentive Performance Plan, as amended from time to time.

"Qualifying Retirement" applies to participants in this Plan who receive their first Award Opportunity pursuant to this Plan on or before January 24, 2018, and means termination of employment by a Participant during a Performance Period (i) after attainment of age 65, or (ii) after attainment of age 60 with at least 10 years of service and after completion of at least 12 months of continuous employment during such Performance Period. For purposes of clarity, whether a Participant's termination of employment constitutes a Qualifying Retirement will be determined separately with respect to each Performance Period for which such Participant has an outstanding Award Opportunity at the time of termination of employment.

"Return on Average Equity" means the Company's net income for a calendar year in the Performance Period, divided by the average of shareholder's equity as of the first and last day of such calendar year. Return on Average Equity shall be determined in accordance with generally accepted accounting principles as in effect on the first day of the applicable Performance Period.

"Stock Incentive Plan" means the Parker-Hannifin Corporation 2023 Omnibus Stock Incentive Plan, as amended from time to time, or any successor plan.

"Target Shares" means the notional number of Shares specified as such in a Participant's Award Agreement for a Performance Period, which may be used by the Committee in the exercise of its discretion under Section 5.B of this Plan to reduce the amount otherwise payable pursuant to the Participant's Award Opportunity.

Exhibit 31(a)

CERTIFICATIONS

I, Jennifer A. Parmentier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ Jennifer A. Parmentier
Jennifer A. Parmentier
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Todd M. Leombruno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Parker-Hannifin Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ Todd M. Leombruno

Todd M. Leombruno

Executive Vice President and Chief Financial Officer

Exhibit 32

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the "Company") for the quarterly period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: May 3, 2024

/s/ Jennifer A. Parmentier
Name: Jennifer A. Parmentier
Title: Chief Executive Officer

/s/ Todd M. Leombruno
Name: Todd M. Leombruno
Title: Executive Vice President and Chief Financial Officer