

**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, 2023

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 (State or other jurisdiction of Incorporation or Organization)	34-0451060 (I.R.S. Employer Identification No.)
6035 Parkland Boulevard, Cleveland, Ohio (Address of Principal Executive Offices)	44124-4141 (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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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, 2023: 128,296,105

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		Nine Months Ended	
	March 31,		March 31,	
	2023	2022*	2023	2022*
Net sales	\$ 5,061,665	\$ 4,086,387	\$ 13,969,251	\$ 11,673,776
Cost of sales	3,340,764	2,709,407	9,373,032	7,781,384
Selling, general and administrative expenses	868,393	640,498	2,519,163	1,853,105
Interest expense	151,993	63,272	416,718	183,982
Other (income) expense, net	(55,866)	239,221	(116,131)	359,247
Income before income taxes	756,381	433,989	1,776,469	1,496,058
Income taxes	165,421	85,901	402,011	308,778
Net income	590,960	348,088	1,374,458	1,187,280
Less: Noncontrolling interest in subsidiaries' earnings	71	71	478	506
Net income attributable to common shareholders	\$ 590,889	\$ 348,017	\$ 1,373,980	\$ 1,186,774
Earnings per share attributable to common shareholders:				
Basic	\$ 4.61	\$ 2.71	\$ 10.71	\$ 9.23
Diluted	\$ 4.54	\$ 2.67	\$ 10.58	\$ 9.10

*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Net income	\$ 590,960	\$ 348,088	\$ 1,374,458	\$ 1,187,280
Less: Noncontrolling interests in subsidiaries' earnings	71	71	478	506
Net income attributable to common shareholders	590,889	348,017	1,373,980	1,186,774
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	92,106	(16,898)	145,997	(56,730)
Retirement benefits plan activity	(1,364)	30,455	8,397	91,335
Other comprehensive income	90,742	13,557	154,394	34,605
Less: Other comprehensive (loss) for noncontrolling interests	(299)	(276)	(176)	(862)
Other comprehensive income attributable to common shareholders	91,041	13,833	154,570	35,467
Total comprehensive income attributable to common shareholders	\$ 681,930	\$ 361,850	\$ 1,528,550	\$ 1,222,241

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	March 31, 2023	June 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 534,831	\$ 535,799
Marketable securities and other investments	23,466	27,862
Trade accounts receivable, net	2,881,534	2,341,504
Non-trade and notes receivable	349,903	543,757
Inventories	3,067,614	2,214,553
Prepaid expenses and other	376,066	6,383,169
Total current assets	7,233,414	12,046,644
Property, plant and equipment	6,807,734	5,897,955
Less: Accumulated depreciation	3,963,939	3,775,197
Property, plant and equipment, net	2,843,795	2,122,758
Deferred income taxes	131,782	110,585
Investments and other assets	1,188,671	788,057
Intangible assets, net	8,287,517	3,135,817
Goodwill	10,830,548	7,740,082
Total assets	<u>\$ 30,515,727</u>	<u>\$ 25,943,943</u>
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	\$ 1,992,919	\$ 1,724,310
Accounts payable, trade	2,080,147	1,731,925
Accrued payrolls and other compensation	543,527	470,132
Accrued domestic and foreign taxes	270,807	250,292
Other accrued liabilities	900,769	1,682,659
Total current liabilities	5,788,169	5,859,318
Long-term debt	11,412,304	9,755,825
Pensions and other postretirement benefits	781,139	639,939
Deferred income taxes	1,780,533	307,044
Other liabilities	960,417	521,897
Total liabilities	20,722,562	17,084,023
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	355,754	327,307
Retained earnings	16,522,900	15,661,808
Accumulated other comprehensive (loss)	(1,388,628)	(1,543,198)
Treasury shares, at cost; 52,750,023 shares at March 31 and 52,594,956 shares at June 30	(5,799,252)	(5,688,429)
Total shareholders' equity	9,781,297	8,848,011
Noncontrolling interests	11,868	11,909
Total equity	9,793,165	8,859,920
Total liabilities and equity	<u>\$ 30,515,727</u>	<u>\$ 25,943,943</u>

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,374,458	\$ 1,187,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	234,649	194,945
Amortization	374,417	237,377
Share incentive plan compensation	117,536	109,781
Deferred income taxes	89,805	(174,270)
Foreign currency transaction loss (gain)	54,927	(26,970)
Gain on disposal of property, plant and equipment	(1,270)	(6,782)
Gain on sale of businesses	(366,345)	(1,472)
(Gain) loss on marketable securities	(1,391)	2,280
Gain on investments	(4,341)	(2,024)
Other	18,890	66,386
Changes in assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable, net	(110,317)	(163,900)
Inventories	(27,491)	(274,717)
Prepaid expenses and other	(64,350)	24,061
Other assets	(194,069)	(17,317)
Accounts payable, trade	118,756	91,531
Accrued payrolls and other compensation	(19,357)	(80,483)
Accrued domestic and foreign taxes	36,208	44,266
Other accrued liabilities	141,891	372,491
Pensions and other postretirement benefits	46,681	(20,460)
Other liabilities	(24,393)	(13,565)
Net cash provided by operating activities	1,794,894	1,548,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions (net of cash of \$89,704 in 2023)	(7,146,110)	—
Capital expenditures	(272,603)	(158,864)
Proceeds from sale of property, plant and equipment	11,821	29,320
Proceeds from sale of businesses	471,720	3,366
Purchases of marketable securities and other investments	(31,275)	(20,012)
Maturities and sales of marketable securities and other investments	35,075	17,662
Payments of deal-contingent forward contracts	(1,405,418)	—
Other	251,875	2,766
Net cash used in investing activities	(8,084,915)	(125,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	2,820	2,566
Payments for common shares	(202,731)	(374,996)
Proceeds from notes payable, net	258,458	1,621,483
Proceeds from long-term borrowings	2,011,949	10,667
Payments for long-term borrowings	(1,363,596)	(9,708)
Financing fees paid	(8,911)	(52,655)
Dividends paid	(513,232)	(398,099)
Net cash provided by financing activities	184,757	799,258
Effect of exchange rate changes on cash	(7,781)	106
Net (decrease) increase in cash, cash equivalents and restricted cash	(6,113,045)	2,222,040
Cash, cash equivalents and restricted cash at beginning of year	6,647,876	733,117
Cash, cash equivalents and restricted cash at end of period	\$ 534,831	\$ 2,955,157

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION
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, 2023, the results of operations for the three and nine months ended March 31, 2023 and 2022 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 2022 Annual Report on Form 10-K.

The future impacts of the Russia-Ukraine war and the novel coronavirus ("COVID-19") pandemic and their residual effects, including economic uncertainty, inflationary environment and disruption within the global supply chain, labor markets and aerospace industry, on our business remain uncertain. Therefore, accounting estimates and assumptions may change over time in response to these impacts. Interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

Reclassification

Certain prior-year amounts in the Consolidated Statement of Income have been reclassified to conform to the current-year presentation. Effective July 1, 2022, we began classifying certain expenses, previously classified as cost of sales, as selling, general and administrative expenses ("SG&A") or within other (income) expense, net. During the integration of recently acquired businesses, the Company has seen diversity in practice of the classification of certain expenses, and the reclassification was made to better align the presentation of expenses on the Consolidated Statement of Income with management's internal reporting. The expenses reclassified from cost of sales to SG&A relate to certain administrative activities conducted in production facilities and research and development. Foreign currency transaction expense was also reclassified from cost of sales to other (income) expense, net on the Consolidated Statement of Income. These reclassifications had no impact on net income, earnings per share, cash flows, segment reporting or the financial position of the Company.

During the three months ended March 31, 2022, the reclassifications resulted in a \$219 million decrease to cost of sales, a \$228 million increase to SG&A and a \$9 million decrease to other (income) expense, net. During the nine months ended March 31, 2022, the reclassifications resulted in a \$625 million decrease to cost of sales, a \$652 million increase to SG&A and a \$27 million decrease to other (income) expense, net.

Subsequent Events

The Company has evaluated subsequent events that occurred through the date these financial statements were issued. On May 4, 2023, the Company called \$600 million aggregate principal amount of private placement notes assumed in the acquisition ("Acquisition") of Meggitt plc ("Meggitt") and will redeem them at par plus accrued and unpaid interest in June 2023.

2. New accounting pronouncements

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, "Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance," which requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. The new guidance is effective for all entities for annual reporting periods beginning after December 15, 2021; however, early adoption is permitted. The guidance may be applied either prospectively to all in-scope transactions that are reflected in the financial statements at the date of initial application and to new transactions that are entered into after the date of initial application, or retrospectively. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements and does not expect it to be material.

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 is currently evaluating the impact this guidance will have on its consolidated financial statements and does not expect it to be material.

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		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Motion Systems	\$ 1,017,974	\$ 895,839	\$ 2,837,403	\$ 2,568,166
Flow and Process Control	1,298,204	1,197,590	3,675,928	3,386,417
Filtration and Engineered Materials	1,550,927	1,360,643	4,378,931	3,875,843
Total	\$ 3,867,105	\$ 3,454,072	\$ 10,892,262	\$ 9,830,426

Aerospace Systems Segment revenues by primary market:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Commercial original equipment manufacturer ("OEM")	\$ 398,502	\$ 226,976	\$ 1,045,850	\$ 649,631
Commercial aftermarket	381,883	128,486	938,129	367,530
Military OEM	244,451	176,242	649,179	531,348
Military aftermarket	169,724	100,611	443,831	294,841
Total	\$ 1,194,560	\$ 632,315	\$ 3,076,989	\$ 1,843,350

Upon completing the Acquisition, we reviewed the disaggregation of revenue disclosure for the Aerospace Systems Segment and believe that disaggregation by primary market provides more meaningful information than disaggregation by product platform.

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
North America	\$ 3,364,157	\$ 2,645,106	\$ 9,278,815	\$ 7,451,153
Europe	1,054,157	829,392	2,750,159	2,344,533
Asia Pacific	590,017	560,250	1,777,550	1,735,574
Latin America	53,334	51,639	162,727	142,516
Total	\$ 5,061,665	\$ 4,086,387	\$ 13,969,251	\$ 11,673,776

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, 2023	June 30, 2022
Contract assets, current (included within Prepaid expenses and other)	\$ 116,516	\$ 28,546
Contract assets, noncurrent (included within Investments and other assets)	25,800	794
Total contract assets	<u>142,316</u>	<u>29,340</u>
Contract liabilities, current (included within Other accrued liabilities)	(235,206)	(60,472)
Contract liabilities, noncurrent (included within Other liabilities)	(105,195)	(2,225)
Total contract liabilities	<u>(340,401)</u>	<u>(62,697)</u>
Net contract liabilities	<u>\$ (198,085)</u>	<u>\$ (33,357)</u>

Net contract liabilities at March 31, 2023 increased from the June 30, 2022 amount primarily due to timing differences between when revenue was recognized and the receipt of advance payments as well as acquiring Meggitt's contract liabilities in excess of Meggitt's contract assets. During the nine months ended March 31, 2023, approximately \$39 million of revenue was recognized that was included in the contract liabilities at June 30, 2022.

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, 2023 was \$10.9 billion, of which approximately 84 percent is expected to be recognized as revenue within the next 12 months and the balance thereafter.

4. Acquisitions and divestitures

Acquisitions

On September 12, 2022, we completed the Acquisition of all the outstanding ordinary shares of 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. The following table presents the preliminary estimated fair values of Meggitt's assets acquired and liabilities assumed on the Acquisition date. These preliminary estimates are based on available information and will be revised during the measurement period, not to exceed 12 months from the Acquisition date, as third-party valuations are finalized, additional information becomes available and as additional analysis is performed. Such revisions may have a material impact on our results of operations and financial position within the measurement period. During the current-year quarter and nine months ended March 31, 2023, these revisions did not have a material impact on the Consolidated Statement of Income.

	September 12, 2022 (previously reported)	Measurement Period Adjustments	September 12, 2022 (revised)
Assets:			
Cash and cash equivalents	\$ 89,704	\$ —	\$ 89,704
Accounts receivable	427,255	(10,687)	416,568
Inventories	833,602	(16,472)	817,130
Prepaid expenses and other	125,763	(1,525)	124,238
Property, plant and equipment	675,232	(10,071)	665,161
Deferred income taxes	5,720	27,022	32,742
Other assets	219,472	(52,072)	167,400
Intangible assets	5,418,795	27,305	5,446,100
Goodwill	2,830,845	185,440	3,016,285
Total assets acquired	<u>\$ 10,626,388</u>	<u>\$ 148,940</u>	<u>\$ 10,775,328</u>
Liabilities:			
Notes payable and long-term debt payable within one year	\$ 306,266	\$ 3,288	\$ 309,554
Accounts payable, trade	219,780	(17)	219,763
Accrued payrolls and other compensation	89,226	(2,204)	87,022
Other accrued liabilities	367,605	(60,339)	307,266
Long-term debt	669,321	40,042	709,363
Pensions and other postretirement benefits	85,899	12,827	98,726
Deferred income taxes	1,274,726	95,626	1,370,352
Other liabilities	377,751	59,717	437,468
Total liabilities assumed	<u>3,390,574</u>	<u>148,940</u>	<u>3,539,514</u>
Net assets acquired	<u>\$ 7,235,814</u>	<u>\$ —</u>	<u>\$ 7,235,814</u>

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 preliminary acquisition valuation, we acquired \$4.0 billion of customer-related intangible assets, \$1.1 billion of patents and technology and \$332 million of trademarks, each with estimated useful lives of 20 years.

The fair value of the assets acquired includes \$89 million and \$86 million of operating and finance lease right-of-use assets, respectively. The fair value of liabilities assumed includes \$145 million and \$89 million of operating and finance lease liabilities, respectively, of which, \$19 million and \$3 million of operating and finance lease liabilities, respectively, are current liabilities.

Long-term debt assumed includes \$900 million aggregate principal amount of private placement notes with fixed interest rates ranging from 2.78 percent to 3.60 percent, and maturity dates ranging from July 2023 to July 2026. In October 2022, we paid off \$300 million aggregate principal amount of private placement notes in two tranches pursuant to an offer to noteholders according to change in control provisions. These notes carried fixed interest rates of 2.78 percent and 3.00 percent and had maturity dates of November 2023 and November 2025, respectively.

Upon acquiring Meggitt, we also assumed \$127 million of liabilities associated with environmental matters. The environmental matters primarily relate to known exposures arising from environmental litigation, investigations and remediation of certain sites for which Meggitt has been identified as a potentially responsible party. The liabilities are based on outcomes of litigation and estimates of the level and timing of remediation costs, including the period of operating and monitoring activities required.

Our consolidated financial statements for the three and nine months ended March 31, 2023 include the results of operations of Meggitt from the date of acquisition through March 31, 2023. Net sales and segment operating loss attributable to Meggitt during the three months ended March 31, 2023 was \$624 million and \$4 million, respectively. Net sales and segment operating loss attributable to Meggitt during the nine months ended March 31, 2023 was \$1.4 billion and \$120 million, respectively. Segment operating loss attributable to Meggitt includes estimated amortization and depreciation expense associated with the preliminary fair value estimates of intangible assets, plant and equipment, and inventory, as well as acquisition integration charges. Refer to Note 10 for further discussion of acquisition integration charges.

Acquisition-related transaction costs totaled \$112 million for the nine months ended March 31, 2023. These costs are included in SG&A in the Consolidated Statement of Income.

The following table presents unaudited pro forma information for the three and nine months ended March 31, 2023 and 2022 as if the Acquisition had occurred on July 1, 2021.

(Unaudited)	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Net sales	\$ 5,061,665	\$ 4,549,854	\$ 14,350,581	\$ 13,189,507
Net income attributable to common shareholders	612,049	424,025	1,244,907	977,102

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 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 \$196 million during the three months ended March 31, 2023 and 2022, respectively, and \$197 million and \$177 million during the nine months ended March 31, 2023 and 2022, 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 September 2022, we divested our aircraft wheel and brake business, which was part of the Aerospace Systems Segment, for proceeds of \$43 million. The resulting pre-tax gain of \$374 million is included in other (income) expense, 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. As of June 30, 2022, the aggregate carrying amount of aircraft wheel and brake assets held for sale was \$66 million. These assets primarily included goodwill and inventory and were recorded within prepaid expenses and other assets in the Consolidated Balance Sheet. Goodwill was allocated to the aircraft wheel and brake business using the relative fair value method.

During March 2023, we divested a French aerospace business, which was part of the Aerospace Systems Segment, for proceeds of \$7 million. The resulting pre-tax loss of \$12 million is included in other (income) expense, 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.

Restricted Cash

At June 30, 2022, prepaid expenses and other in the Consolidated Balance Sheet included a \$6.1 billion balance in an escrow account restricted to payments for the Acquisition. These funds were used to finance a portion of the Acquisition, and there was no restricted cash at March 31, 2023.

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, 2023 and 2022.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Numerator:				
Net income attributable to common shareholders	\$ 590,889	\$ 348,017	\$ 1,373,980	\$ 1,186,774
Denominator:				
Basic - weighted average common shares	128,293,039	128,426,675	128,343,788	128,549,040
Increase in weighted average common shares from dilutive effect of equity-based awards	1,858,448	1,916,906	1,488,201	1,889,553
Diluted - weighted average common shares, assuming exercise of equity-based awards	130,151,487	130,343,581	129,831,989	130,438,593
Basic earnings per share				
	\$ 4.61	\$ 2.71	\$ 10.71	\$ 9.23
Diluted earnings per share				
	\$ 4.54	\$ 2.67	\$ 10.58	\$ 9.10

For the three months ended March 31, 2023 and 2022, 124,025 and 493,609 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, 2023 and 2022, 1,011,006 and 384,955 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, 2023, we repurchased 152,388 shares at an average price, including commissions, of \$328.11 per share. During the nine months ended March 31, 2023, we repurchased 514,612 shares at an average price, including commissions, of \$291.48 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 \$33 million and \$10 million at March 31, 2023 and June 30, 2022, respectively. The increase in the allowance for credit losses from the June 30, 2022 amount is primarily due to the Acquisition.

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, 2023	June 30, 2022
Notes receivable	\$ 112,585	\$ 103,558
Cash collateral receivable ^(a)	—	250,000
Accounts receivable, other	237,318	190,199
Total	<u>\$ 349,903</u>	<u>\$ 543,757</u>

^(a) The cash collateral receivable at June 30, 2022 related to the deal-contingent forward contracts settled in the first three months of fiscal 2023.

9. Inventories

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

	March 31, 2023	June 30, 2022
Finished products	\$ 831,620	\$ 811,702
Work in process	1,569,885	1,128,501
Raw materials	666,109	274,350
Total	<u>\$ 3,067,614</u>	<u>\$ 2,214,553</u>

10. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first nine months of fiscal 2023 and 2022. In both the first nine months of fiscal 2023 and 2022, business realignment charges 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 2023, a majority of the business realignment charges were incurred in Europe. In fiscal 2022, a majority of the business realignment charges were incurred in North America and 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,	
	2023	2022	2023	2022
Diversified Industrial	\$ 8,075	\$ 2,771	\$ 14,464	\$ 8,835
Aerospace Systems	166	318	3,016	913
Other (income) expense, net	—	63	—	63

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,	
	2023	2022	2023	2022
Diversified Industrial	282	50	499	133
Aerospace Systems	14	4	30	9

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022*	2023	2022*
Cost of sales	\$ 5,033	\$ 1,178	\$ 10,746	\$ 2,311
Selling, general and administrative expenses	3,208	1,911	6,734	7,437
Other (income) expense, net	—	63	—	63

*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1.

During the first nine months of fiscal 2023, approximately \$15 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately \$11 million, a majority of which are expected to be paid by December 31, 2023, 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.

In addition to the business realignment charges discussed above, we also incurred \$20 million of expense in the prior-year quarter and first nine months of fiscal 2022 as a result of our exit of business operations in Russia. These charges primarily consisted of write-downs of inventory and other working capital items and \$8 million of foreign currency translation expense reclassified from accumulated other comprehensive income. Within the business segment information in Note 17, \$7 million of expense was recorded in the other (income) expense, net caption, while the remainder of the charge was split evenly between the Aerospace Systems Segment and the Diversified Industrial International businesses.

We also incurred the following acquisition integration charges:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Diversified Industrial	\$ 5,395	\$ 933	\$ 7,276	\$ 2,942
Aerospace Systems	25,849	—	69,377	—

Charges incurred in fiscal 2023 and 2022 relate to the acquisitions of Meggitt and LORD Corporation, respectively. In both fiscal 2023 and 2022, these charges were primarily included in SG&A within the Consolidated Statement of Income.

11. Equity

Changes in equity for the three months ended March 31, 2023 and 2022 are as follows:

	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

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at December 31, 2021	\$ 90,523	\$ 344,312	\$ 15,488,764	\$ (1,545,093)	\$ (5,623,424)	\$ 13,198	\$ 8,768,280
Net income			348,017			71	348,088
Other comprehensive income (loss)				13,833		(276)	13,557
Dividends paid (\$1.03 per share)			(132,543)				(132,543)
Stock incentive plan activity		19,055			6,422		25,477
Shares purchased at cost					(50,000)		(50,000)
Balance at March 31, 2022	\$ 90,523	\$ 363,367	\$ 15,704,238	\$ (1,531,260)	\$ (5,667,002)	\$ 12,993	\$ 8,972,859

Changes in equity for the nine months ended March 31, 2023 and 2022 are as follows:

	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

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity
Balance at June 30, 2021	\$ 90,523	\$ 329,619	\$ 14,915,497	\$ (1,566,727)	\$ (5,370,605)	\$ 15,363	\$ 8,413,670
Net income			1,186,774			506	1,187,280
Other comprehensive income (loss)				35,467		(862)	34,605
Dividends paid (\$3.09 per share)			(398,033)			(66)	(398,099)
Stock incentive plan activity		33,748			33,937		67,685
Liquidation activity						(1,948)	(1,948)
Shares purchased at cost					(330,334)		(330,334)
Balance at March 31, 2022	\$ 90,523	\$ 363,367	\$ 15,704,238	\$ (1,531,260)	\$ (5,667,002)	\$ 12,993	\$ 8,972,859

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the nine months ended March 31, 2023 and 2022 are as follows:

	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)

	Foreign Currency Translation Adjustment	Retirement Benefit Plans	Total
Balance at June 30, 2021	\$ (865,865)	\$ (700,862)	\$ (1,566,727)
Other comprehensive (loss) before reclassifications	(63,515)	—	(63,515)
Amounts reclassified from accumulated other comprehensive (loss)	7,647	91,335	98,982
Balance at March 31, 2022	<u>\$ (921,733)</u>	<u>\$ (609,527)</u>	<u>\$ (1,531,260)</u>

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three and nine months ended March 31, 2023 and 2022 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	Nine Months Ended	
	March 31, 2023	March 31, 2023	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (227)	\$ (679)	Other (income) expense, net
Recognized actuarial gain (loss)	1,057	(11,422)	Other (income) expense, net
Divestiture activity	587	587	Other (income) expense, net
Total before tax	1,417	(11,514)	
Tax benefit	(53)	3,117	
Net of tax	<u>\$ 1,364</u>	<u>\$ (8,397)</u>	

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended	Nine Months Ended	
	March 31, 2022	March 31, 2022	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	\$ (1,030)	\$ (3,090)	Other (income) expense, net
Recognized actuarial loss	(39,292)	(117,852)	Other (income) expense, net
Total before tax	(40,322)	(120,942)	
Tax benefit	9,867	29,607	
Net of tax	<u>\$ (30,455)</u>	<u>\$ (91,335)</u>	

12. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the nine months ended March 31, 2023 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2022	\$ 7,185,981	\$ 554,101	\$ 7,740,082
Acquisition	30,329	2,985,956	3,016,285
Divestitures	(1,064)	(2,232)	(3,296)
Foreign currency translation	30,297	47,180	77,477
Balance at March 31, 2023	<u>\$ 7,245,543</u>	<u>\$ 3,585,005</u>	<u>\$ 10,830,548</u>

Acquisition represents goodwill resulting from the preliminary purchase price allocation for the Acquisition during the measurement period. Divestitures represent goodwill associated with the sale of 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, 2022, the Company performed its fiscal 2023 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, 2023		June 30, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and technology	\$ 2,107,573	\$ 326,954	\$ 990,775	\$ 259,587
Trademarks	1,068,997	376,099	727,820	339,244
Customer lists and other	7,815,973	2,001,973	3,735,042	1,718,989
Total	<u>\$ 10,992,543</u>	<u>\$ 2,705,026</u>	<u>\$ 5,453,637</u>	<u>\$ 2,317,820</u>

Total intangible amortization expense for the nine months ended March 31, 2023 and 2022 was \$74 million and \$237 million, respectively. The estimated amortization expense for the five years ending June 30, 2023 through 2027 is \$520 million, \$564 million, \$556 million, \$551 million and \$545 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, 2023 and 2022.

13. Retirement benefits

Net pension benefit expense recognized included the following components:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Service cost	\$ 14,599	\$ 18,238	\$ 42,534	\$ 57,599
Interest cost	59,021	27,953	166,456	82,941
Expected return on plan assets	(80,137)	(67,024)	(228,695)	(201,487)
Amortization of prior service cost	227	1,028	679	3,084
Amortization of net actuarial (gain) loss	(657)	39,570	12,625	118,186
Amortization of initial net obligation	—	2	—	6
Net pension benefit expense	<u>\$ (6,947)</u>	<u>\$ 19,767</u>	<u>\$ (6,401)</u>	<u>\$ 60,329</u>

We recognized \$0.5 million and \$0.1 million in expense related to other postretirement benefits during the three months ended March 31, 2023 and 2022, respectively. During the nine months ended March 31, 2023 and 2022, we recognized \$1.2 million and \$0.7 million, respectively, in expense related to other postretirement benefits. Components of retirement benefits expense, other than service cost, are included in other (income) expense, net in the Consolidated Statement of Income.

14. Debt

In connection with the Acquisition, the Company entered into a bridge credit agreement on August 2, 2021 (the "Bridge Credit Agreement"). Under the Bridge Credit Agreement, the lenders committed to provide senior, unsecured financing in the aggregate principal amount of £6.5 billion at August 2, 2021. In July 2022, after consideration of the escrow balance and funds available under the delayed-draw term loan facility (the "Term Loan Facility"), we reduced the aggregate committed principal amount of the Bridge Credit Agreement to zero, and the Bridge Credit Agreement was terminated.

In September 2022, the Company fully drew against the \$2.0 billion delayed-draw Term Loan Facility, which will mature in its entirety in September 2025. We used the proceeds of the Term Loan Facility to finance a portion of the Acquisition. At March 31, 2023, the Term Loan Facility had an interest rate of LIBOR plus 112.5 bps. Interest payments are made at the interest reset dates, which are either one, three or six months at the discretion of the Company. Additionally, the provisions of the Term Loan Facility allow for prepayments at the Company's discretion. During the nine months ended March 31, 2023, we made principal payments totaling \$750 million related to the Term Loan Facility.

In September 2022, \$300 million aggregate principal amount of medium-term notes matured. We also assumed debt associated with the Acquisition. Refer to Note 4 for further discussion of assumed debt.

Commercial paper notes outstanding at March 31, 2023 and June 30, 2022 were \$1.7 billion and \$1.4 billion, respectively.

Based on the Company's rating level at March 31, 2023, 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, 2023, our debt to debt-shareholders' equity ratio was 0.58 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreement and indentures.

15. Income taxes

On August 16, 2022, the U.S. federal government enacted the Inflation Reduction Act of 2022. The bill includes numerous tax provisions, including a 15 percent corporate minimum tax as well as a one percent excise tax on share repurchases. The income tax provisions are effective for fiscal years beginning after December 31, 2022. The one percent excise tax on share repurchases is effective as of January 1, 2023. Based on our current analysis of the provisions, the legislation will not have a material impact on our consolidated financial statements.

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, 2023, we had gross unrecognized tax benefits of \$13 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 \$22 million and \$7 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 \$50 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.

16. 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.

Marketable securities and other investments include deposits and equity investments. Deposits are recorded at cost, and equity investments are recorded at fair value. Changes in fair value related to equity investments are recorded in net income. Unrealized gains and losses related to equity investments were not material as of March 31, 2023 and 2022.

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, 2023	June 30, 2022
Carrying value of long-term debt	\$ 11,794,606	\$ 10,145,077
Estimated fair value of long-term debt	11,375,743	9,709,407

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, costless collar contracts, cross-currency swap contracts and certain foreign currency denominated debt designated as net investment hedges, to manage foreign currency transaction and translation risk. Additionally, we acquired forward exchange contracts and cross-currency swap contracts in connection with the Acquisition. 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.

In connection with closing the Acquisition, the Company settled its deal-contingent forward contracts, which had an aggregate notional amount of £6.4 billion, during September 2022. In July 2022, the Company received, and subsequently deposited into the escrow account, the \$250 million cash collateral previously posted in accordance with the credit support annex attached to the deal-contingent forward contracts. The cash flows associated with this activity are reflected within cash flows from investing activities on the Consolidated Statement of Cash Flows.

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, 2023		June 30, 2022	
Net investment hedges				
Cross-currency swap contracts	Investments and other assets	\$ 45,552	\$	21,444
Other derivative contracts				
Forward exchange contracts	Non-trade and notes receivable	12,076		20,976
Forward exchange contracts	Other accrued liabilities	12,932		5,651
Forward exchange contracts	Other liabilities	1,797		—
Deal-contingent forward contracts	Other accrued liabilities	—		1,015,426
Costless collar contracts	Non-trade and notes receivable	6,861		351
Costless collar contracts	Other accrued liabilities	1,202		1,578

The cross-currency swap, forward exchange, deal-contingent forward and costless collar 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 ¥2,149 million of cross-currency swap contracts have been designated as hedging instruments. The forward exchange, deal-contingent forward and costless collar contracts, as well as cross-currency swap contracts acquired as part of the Acquisition, have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange, costless collar contracts, 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 through the other (income) expense, net caption 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 ¥2,149 million 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 were recorded in the Consolidated Statement of Income as follows:

	Three Months Ended				Nine Months Ended			
	March 31,		March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Deal-contingent forward contracts	\$ —	\$ (246,983)	\$ (389,992)	\$ (396,365)				
Forward exchange contracts	7,378	24,201	(7,425)	46,953				
Costless collar contracts	4,308	(1,751)	9,632	(4,625)				
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				Nine Months Ended			
	March 31,		March 31,		March 31,		March 31,	
	2023	2022	2023	2022	2023	2022	2023	2022
Cross-currency swap contracts	\$ 16,085	\$ 887	\$ 17,196	\$ 30,205				
Foreign currency denominated debt	(7,391)	16,194	(18,880)	41,843				

During the nine months ended March 31, 2023 and 2022, 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, 2023 and June 30, 2022 are as follows:

	Fair Value at March 31, 2023	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Derivatives	\$ 64,489	\$ —	\$ 64,489	\$ —
Liabilities:				
Derivatives	15,931	—	15,931	—
Assets:				
Equity securities	\$ 13,038	\$ 13,038	\$ —	\$ —
Derivatives	42,771	—	42,771	—
Liabilities:				
Derivatives	1,022,655	—	1,022,655	—

The fair values of the equity securities are determined using the closing market price reported in the active market in which the fund is traded.

Derivatives consist of forward exchange, deal-contingent forward, costless collar 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 that has been adjusted to reflect the credit risk of either the Company or the counterparty.

The primary investment objective for all investments is the preservation of principal and liquidity while earning income.

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

17. 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,	
	2023	2022	2023	2022
Net sales				
Diversified Industrial:				
North America	\$ 2,342,590	\$ 2,014,715	\$ 6,615,035	\$ 5,615,454
International	1,524,515	1,439,357	4,277,227	4,214,972
Aerospace Systems	1,194,560	632,315	3,076,989	1,843,350
Total net sales	\$ 5,061,665	\$ 4,086,387	\$ 13,969,251	\$ 11,673,776
Segment operating income				
Diversified Industrial:				
North America	\$ 489,349	\$ 413,998	\$ 1,362,256	\$ 1,085,117
International	329,498	298,475	908,958	881,206
Aerospace Systems	133,905	119,016	234,849	352,063
Total segment operating income	952,752	831,489	2,506,063	2,318,386
Corporate general and administrative expenses	45,780	57,405	146,341	149,064
Income before interest expense and other expense	906,972	774,084	2,359,722	2,169,322
Interest expense	151,993	63,272	416,718	183,982
Other (income) expense, net	(1,402)	276,823	166,535	489,282
Income before income taxes	\$ 756,381	\$ 433,989	\$ 1,776,469	\$ 1,496,058

PARKER-HANNIFIN CORPORATION
FORM 10-Q
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2023
AND COMPARABLE PERIODS ENDED MARCH 31, 2022

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 drive growth, transformation and 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 offer a positive, global environmental impact and operating responsibly by reducing our energy use and emissions;
- 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.

Recent events impacting our business include the Russia-Ukraine war and novel coronavirus ("COVID-19") pandemic and their residual effects, including the inflationary cost environment as well as disruption within the global supply chain, labor markets and aerospace industry. We are actively managing the impact of these events on our business.

Despite disruption within the aerospace industry, commercial aerospace demand is recovering. We are managing the challenging supply chain environment through our "local for local" manufacturing strategy, ongoing supplier management process, and broadened supply base. We are also managing the impact of the inflationary cost environment through a variety of cost and pricing measures, including continuous improvement and lean initiatives. Additionally, we are strategically managing our workforce and discretionary spending. At the same time, we are appropriately addressing the ongoing needs of our business so that we may continue to serve our customers.

Over the long term, the extent to which our business and results of operations will be impacted by the economic and political uncertainty resulting from the Russia-Ukraine war and the COVID-19 pandemic depends on future developments that remain uncertain. These developments include the duration of the supply chain and labor market constraints, the severity and duration of the Russia-Ukraine war and related sanctions, distribution and continuing effectiveness of vaccines, the severity and spread of COVID-19 and its variants and mitigating actions by government authorities. Additionally, as these events and other global economic factors have led to an increased inflationary environment, we continue to monitor and manage the effects of inflation with the goal of minimizing its impact on our business, operations, and financial results.

As previously announced, on March 14, 2022, we detected that an unauthorized party gained access to our systems. After securing our network and concluding our investigation, we found that the data exfiltrated during the incident included personal information of our team members. We have notified individuals whose personal information was involved and offered them credit monitoring services. We have also provided notification regarding the incident to the appropriate regulatory authorities. A consolidated class action lawsuit has been filed in the United States District Court for the Northern District of Ohio against the Company over the incident. The parties have reached a settlement in principle in the lawsuit, which the district court preliminarily approved on March 14, 2023. Based on our ongoing assessments, the incident has not had a significant financial or operational impact and has not had a material impact on our business, operations or 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

(dollars in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022*	2023	2022*
Net sales	\$ 5,062	\$ 4,086	\$ 13,969	\$ 11,674
Gross profit margin	34.0 %	33.7 %	32.9 %	33.3 %
Selling, general and administrative expenses	\$ 868	\$ 640	\$ 2,519	\$ 1,853
Selling, general and administrative expenses, as a percent of sales	17.2 %	15.7 %	18.0 %	15.9 %
Interest expense	\$ 152	\$ 63	\$ 417	\$ 184
Other (income) expense, net	\$ (56)	\$ 239	\$ (116)	\$ 359
Effective tax rate	21.9 %	19.8 %	22.6 %	20.6 %
Net income	\$ 591	\$ 348	\$ 1,374	\$ 1,187
Net income, as a percent of sales	11.7 %	8.5 %	9.8 %	10.2 %

*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1 to the Consolidated Financial Statements.

Net sales increased for the current-year quarter and first nine months of fiscal 2023 when compared to the prior-year periods due to higher sales in both the Aerospace Systems and Diversified Industrial Segments. Acquisitions completed within the last 12 months increased sales by approximately \$624 million and \$1,396 million during the current-year quarter and first nine months of fiscal 2023, respectively. In the current-year quarter, the effect of currency rate changes decreased net sales by approximately \$97 million, of which substantially all was attributable to the Diversified Industrial International businesses. During the first nine months of fiscal 2023, the effect of currency rate changes decreased net sales by approximately \$454 million, of which approximately \$443 million was attributable to the Diversified Industrial International businesses, while the remainder was split evenly between the Diversified Industrial North American businesses and the Aerospace Systems Segment. Divestitures completed within the last 12 months decreased sales by approximately \$22 million and \$43 million, during the current-year quarter and first nine months of fiscal 2023, respectively.

Gross profit margin (calculated as net sales minus cost of sales, divided by net sales) increased slightly in the current-year quarter and decreased slightly in first nine months of fiscal 2023. During the current year-quarter, an increase in the Diversified Industrial Segment and Aerospace margins was partially offset by the amortization of step-up in inventory to fair value of \$112 million within the Aerospace Systems Segment. During the first nine months of fiscal 2023, the decrease in margin was primarily driven by the amortization of step-up in inventory to fair value of \$130 million within the Aerospace Systems Segment. This decrease was partially offset by higher margins in the Diversified Industrial Segment. Margins during the current-year quarter and first nine months of fiscal 2023 benefited from higher volume, price increases and cost containment initiatives, partially offset by higher material and operating costs resulting from the ongoing inflationary environment.

Cost of sales also included business realignment and acquisition integration charges of \$9 million and \$1 million for the current-year and prior-year quarter, respectively, and \$18 million and \$2 million for the first nine months of fiscal 2023 and 2022, respectively.

Selling, general and administrative expenses ("SG&A") increased during the current-year quarter and first nine months of fiscal 2023 primarily due to higher amortization expense, research and development expense, and information technology charges as well as increased general and administrative charges associated with the acquisition (the "Acquisition") of Meggitt plc ("Meggitt"). During the first nine months of fiscal 2023, SG&A also increased due to \$112 million of acquisition-related transaction costs compared to \$34 million in the same prior-year period.

SG&A included business realignment and acquisition integration charges of \$31 million and \$3 million for the current-year and prior-year quarter, respectively, and \$76 million and \$10 million for the first nine months of fiscal 2023 and 2022, respectively.

Interest expense for the current-year quarter and the first nine months of fiscal 2023 increased due to both higher average debt outstanding and higher interest rates when compared to the prior-year quarter and first nine months of fiscal 2022.

Other (income) expense, net included the following:

(dollars in millions) Expense (income)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022*	2023	2022*
Foreign currency transaction (gain) loss	\$ (4)	\$ (9)	\$ 55	\$ (27)
Income related to equity method investments	(35)	(17)	(89)	(52)
Non-service components of retirement benefit cost	(21)	2	(48)	3
Loss (gain) on disposal of assets and divestitures	12	1	(368)	(8)
Interest income	(7)	(1)	(39)	(4)
Acquisition-related financing fees	—	1	—	51
Loss on deal-contingent forward contracts	—	247	390	396
Russia liquidation	—	8	—	8
Other items, net	(1)	7	(17)	(8)
	<u>\$ (56)</u>	<u>\$ 239</u>	<u>\$ (116)</u>	<u>\$ 359</u>

*Prior period amounts have been reclassified to reflect the income statement reclassification as described in Note 1 to the Consolidated Financial Statements.

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. During the first nine months of fiscal 2023, it also includes 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.

Acquisition-related financing fees relate to the bridge credit agreement (the "Bridge Credit Agreement") associated with the Acquisition. Refer to Note 14 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 Note 16 to the Consolidated Financial Statements for further discussion.

Effective tax rate for the current-year quarter and first nine months of fiscal 2023 was higher than the comparable prior-year periods due to a decrease in discrete tax benefits as well as an increase in taxes on current-year earnings. The fiscal 2023 effective tax rate is expected to be approximately 23.0 percent.

BUSINESS SEGMENT INFORMATION

Diversified Industrial Segment

(dollars in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Net sales				
North America	\$ 2,343	\$ 2,015	\$ 6,615	\$ 5,615
International	1,525	1,439	4,277	4,215
Operating income				
North America	489	414	1,362	1,085
International	\$ 329	\$ 298	\$ 909	\$ 881
Operating margin				
North America	20.9 %	20.5 %	20.6 %	19.3 %
International	21.6 %	20.7 %	21.3 %	20.9 %
Backlog	\$ 5,090	\$ 4,446	\$ 5,090	\$ 4,446

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, 2023	
	Three Months	Nine Months
Diversified Industrial North America – as reported	16.3 %	17.8 %
Acquisitions	4.6 %	3.7 %
Currency	— %	(0.1)%
Diversified Industrial North America – without acquisitions and currency ¹	11.7 %	14.2 %
Diversified Industrial International – as reported	5.9 %	1.5 %
Acquisitions	2.7 %	1.8 %
Currency	(6.8)%	(10.5)%
Diversified Industrial International – without acquisitions and currency ¹	10.0 %	10.2 %
Total Diversified Industrial Segment – as reported	12.0 %	10.8 %
Acquisitions	3.8 %	2.8 %
Currency	(2.8)%	(4.5)%
Total Diversified Industrial Segment – without acquisitions and currency ¹	11.0 %	12.5 %

¹This 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 made within the last 12 months as well as currency exchange rates (a non-GAAP measure). The effects of acquisitions and 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 increased 16.3 percent and 17.8 percent during the current-year quarter and first nine months of fiscal 2023, respectively. The effect of acquisitions increased sales by approximately \$92 million and \$205 million during the current-year quarter and first nine months of fiscal 2023, respectively. Currency exchange rates did not materially impact sales in the current-year quarter or first nine months of fiscal 2023. Excluding the effects of acquisitions and changes in the currency exchange rates, sales in the Diversified Industrial North American businesses increased 11.7 percent in the current-year quarter and 14.2 percent in the first nine months of fiscal 2023 when compared to prior-year levels primarily due to higher demand from distributors and end users across most markets, including farm and agriculture, cars and light trucks,

construction equipment, lawn and turf, heavy-duty truck, semiconductors, metal fabrication, industrial machinery and oil and gas markets, partially offset by lower end-user demand in the life sciences market.

Diversified Industrial International - Sales increased 5.9 percent and 1.5 percent from the prior-year quarter and first nine months of fiscal 2022, respectively. The effect of acquisitions increased sales by approximately \$38 million and \$74 million during the current-year quarter and first nine months of fiscal 2023, respectively. Currency exchange rates decreased sales by approximately \$97 million and \$443 million in the current-year quarter and first nine months of fiscal 2023, respectively. Excluding the effects of acquisitions and changes in the currency exchange rates, *Diversified Industrial International* sales increased 10.0 percent and 10.2 percent in the current-year quarter and first nine months of fiscal 2023, respectively, from prior-year levels. Europe accounted for approximately 65 percent of the increase in sales during the current-year quarter, while the Asia Pacific region and Latin America comprised approximately 30 percent and five percent of the increase in sales, respectively. During the first nine months of fiscal 2023, Europe accounted for approximately 60 percent of the increase in sales, while the Asia Pacific region and Latin America comprised approximately 35 percent and five percent of the increase in sales, respectively.

Within Europe, sales in the current-year quarter and first nine months of fiscal 2023 increased primarily due to higher demand from distributors and end users across most markets, including the construction equipment, heavy-duty truck, cars and light trucks, farm and agriculture, oil and gas, metal fabrication, material handling, machine tool, and mining markets. In the current-year quarter, we experienced higher end-user demand in the power generation market, partially offset by lower end-user demand in the rubber and plastics market. In the first nine months of fiscal 2023, we also experienced higher end-user demand in the industrial machinery market, partially offset by lower end-user demand in the power generation market.

Within the Asia Pacific region, sales in the current-year quarter and first nine months of fiscal 2023 increased primarily due to an increase in demand from distributors and end users across the construction equipment, cars and light trucks, heavy-duty truck, marine, mining, telecommunications, engines, and oil and gas markets, partially offset by lower end-user demand in the industrial machinery and refrigeration markets. Additionally, during the current-year quarter, we experienced lower end-user demand in the semiconductor market. In the first nine months of fiscal 2023, we experienced lower end-user demand in the life sciences market, partially offset by higher end-user demand in the semiconductor market.

Within Latin America, sales in the current-year quarter and first nine months of fiscal 2023 increased primarily due to higher demand from distributors and end users in the cars and light trucks, farm and agriculture, metal fabrication, oil and gas, railroad, rubber and plastics and engine markets, partially offset by lower end-user demand in the industrial machinery, construction equipment, and material handling markets. In the first nine months of fiscal 2023, we also experienced higher end-user demand in the heavy-duty truck market.

Operating Margin

Diversified Industrial North America - Operating margins increased in both the current-year quarter and first nine months of fiscal 2023 primarily due to benefits from increased volume, cost control initiatives and price increases, partially offset by higher material and operating costs resulting from the inflationary environment as well as unfavorable product mix.

Diversified Industrial International - Operating margins during the current-year quarter and first nine months of fiscal 2023 increased from the same prior-year periods primarily due to benefits from cost control initiatives and price increases, partially offset by higher material and operating costs resulting from the inflationary environment as well as unfavorable product mix.

Business Realignment

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

(dollars in millions)	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
<i>Diversified Industrial North America</i>	\$ 3	\$ 1	\$ 6	\$ 3
<i>Diversified Industrial International</i>	10	3	16	9

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 in the current-year relate to the acquisition of Meggitt, and prior-year charges relate to the fiscal 2020 acquisition of LORD Corporation ("Lord"). 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 2023 will not materially impact operating income in fiscal 2023 or 2024. We expect to continue to take actions necessary to integrate acquisitions and structure appropriately the operations of the Diversified Industrial Segment. We currently anticipate incurring approximately \$18 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2023. However, continually changing business conditions could impact the ultimate costs we incur.

During the prior-year quarter and first nine months of fiscal 2022, we also incurred \$6 million of expense within the Diversified Industrial International businesses as a result of our exit of business operations in Russia. These charges primarily consisted of write-downs of inventory and other working capital items.

Backlog

Diversified Industrial Segment backlog as of March 31, 2023 increased from the prior-year quarter primarily due to the addition of Meggitt backlog in the first nine months of fiscal 2023 as well as orders exceeding shipments in the North American businesses. This increase was partially offset by shipments exceeding orders in the International businesses. Excluding the addition of Meggitt backlog, the Asia Pacific region, Europe and Latin America accounted for approximately 70 percent, 20 percent and 10 percent of the change within the International businesses, respectively.

As of March 31, 2023, Diversified Industrial Segment backlog increased compared to the June 30, 2022 amount of \$4.5 billion due to the addition of Meggitt backlog during the first nine months of fiscal 2023, partially offset by shipments exceeding orders in both the North American and International businesses. Within the International businesses, the decrease was primarily due to shipments exceeding orders in the Asia Pacific region and Latin America, partially offset by orders exceeding shipments in Europe.

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,		Nine Months Ended March 31,	
	2023	2022	2023	2022
Net sales	\$ 1,195	\$ 632	\$ 3,077	\$ 1,843
Operating income	\$ 134	\$ 119	\$ 235	\$ 352
Operating margin	11.2 %	18.8 %	7.6 %	19.1 %
Backlog	\$ 5,766	\$ 3,315	\$ 5,766	\$ 3,315

Net Sales

Aerospace Systems Segment sales for the current-year quarter and first nine months of fiscal 2023 increased compared to the same prior-year periods primarily due to the addition of Meggitt sales of \$494 million and \$1,117 million during the current-year quarter and first nine months of fiscal 2023, respectively. Sales also increased compared to the same prior-year periods due to higher volume in the commercial original equipment manufacturers ("OEM") and aftermarket businesses, while volume in the military OEM and aftermarket businesses remained flat. The increase in sales was partially offset by divestitures during the current-year quarter and first nine months of fiscal 2023.

Operating Margin

Aerospace Systems Segment operating margin decreased during the current-year quarter and first nine months of fiscal 2023 primarily due to acquisition-related expenses, including higher estimated amortization and depreciation expense associated with the preliminary fair value estimates of intangible assets, plant and equipment, and inventory, as well as acquisition integration charges. Additionally, higher commercial OEM volume, an increase in contract loss reserves related to certain commercial OEM programs, challenges created by the disruption within the supply chain and labor markets and higher engineering development expenses also contributed to the lower operating margin. These factors were partially offset by higher commercial aftermarket volume and cost containment initiatives.

Business Realignment

Within the Aerospace Systems Segment, we incurred acquisition integration and business realignment charges of \$26 million and \$72 million in the current-year quarter and first nine months of fiscal 2023, respectively. We expect to incur approximately \$8 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2023. However, continually changing business conditions could impact the ultimate costs we incur.

During the prior-year quarter and first nine months of fiscal 2022, we also incurred \$7 million of expense within the Aerospace Systems Segment as a result of our exit of business operations in Russia. These charges primarily consisted of write-downs of inventory and other working capital items.

Backlog

Aerospace Systems Segment backlog as of March 31, 2023 increased from both the prior-year quarter and June 30, 2022 amount of \$3.3 billion primarily due to the addition of the Meggitt backlog in the first nine months of fiscal 2023.

Backlog also increased from the prior-year quarter and June 30, 2022 amount due to orders exceeding shipments within the commercial OEM and aftermarket businesses and the military OEM and 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		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Expense				
Corporate general and administrative expense	\$ 46	\$ 57	\$ 146	\$ 149
Corporate general and administrative expense, as a percent of sales	0.9 %	1.4 %	1.0 %	1.3 %

Corporate general and administrative expenses decreased in both the current-year quarter and first nine months of fiscal 2023 primarily due to lower net expense from the Company's deferred compensation plan and related investments, partially offset by increases in professional service fees. An increase in incentive compensation and other discretionary spending partially offset the decrease in expense during the first nine months of fiscal 2023.

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

(dollars in millions)	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Expense (income)				
Foreign currency transaction (gain) loss	\$ (4)	\$ (9)	\$ 55	\$ (27)
Stock-based compensation	9	9	69	55
Pensions	(21)	(4)	(48)	(12)
Acquisition-related expenses	1	13	112	84
Loss on deal-contingent forward contracts	—	247	390	396
Loss (gain) on disposal of assets and divestitures	12	1	(368)	(8)
Interest income	(7)	(1)	(39)	(4)
Russia liquidation	—	7	—	7
Other items, net	9	14	(4)	(2)
	\$ (1)	\$ 277	\$ 167	\$ 489

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. During the first nine months of fiscal 2023, it also includes foreign currency transaction loss associated with completing the Acquisition.

Acquisition-related expenses include Bridge Credit Agreement financing fees and transaction costs related to the Acquisition. Refer to Notes 4 and 14 to the Consolidated Financial Statements for further discussion of the acquisition-related transaction costs and Bridge Credit Agreement, respectively.

Loss on deal-contingent forward contracts includes a loss on the deal-contingent forward contracts related to the Acquisition. Refer to Note 16 to the Consolidated Financial Statements 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,	
	2023	2022
Cash provided by (used in):		
Operating activities	\$ 1,795	\$ 1,548
Investing activities	(8,085)	(126)
Financing activities	185	799
Effect of exchange rates	(8)	1
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (6,113)	\$ 2,222

Cash flows from operating activities for the first nine months of fiscal 2023 were \$1,795 million compared to \$1,548 million for the first nine months of fiscal 2022. This increase of \$246 million was primarily related to an increase in cash provided by accounts receivable, inventories and accounts payable, trade. 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 transaction expenses.

- Days sales outstanding relating to trade accounts receivable was 52 days at March 31, 2023, 51 days at June 30, 2022 and 53 days at March 31, 2022.
- Days supply of inventory on hand was 90 days at March 31, 2023, 77 days at June 30, 2022 and 81 days at March 31, 2022.

Cash flows from investing activities for the first nine months of fiscal 2023 and 2022 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.

Cash flows from financing activities for the first nine months of fiscal 2023 and 2022 were impacted by the following factors:

- Proceeds of \$2 billion from borrowings under the term loan facility ("Term Loan Facility") in fiscal 2023. Subsequently in fiscal 2023, we made payments totaling \$750 million towards the Term Loan Facility.
- Payments to retire \$300 million aggregate principal amount of private placement notes assumed in the Acquisition in fiscal 2023.
- Payments related to maturity of \$300 million aggregate principal amount of medium term notes in fiscal 2023.
- Repurchases of 0.5 million common shares for \$150 million during fiscal 2023 compared to repurchases of 1.1 million common shares for \$330 million during fiscal 2022.
- Net commercial paper borrowings of \$258 million in fiscal 2023 compared to net commercial paper borrowings of \$1,621 million in fiscal 2022.

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 \$1.33 per share on January 26, 2023, which was paid on March 3, 2023. Dividends have been paid for 291 consecutive quarters. Additionally, we declared a quarterly dividend of \$1.48 per share on April 27, 2023, payable on June 2, 2023, increasing our annual dividend per share paid to shareholders for 67 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 \$500 million and \$465 million held by the Company's foreign subsidiaries at March 31, 2023 and June 30, 2022, 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, 2023, \$1.7 billion of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was \$1.9 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 \$1.3 billion was available as of March 31, 2023. 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 agreement. The credit agreement expires in September 2024; 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 Notes 4 and 14 to the Consolidated Financial Statements for further discussion.

On May 4, 2023, the Company called \$600 million aggregate principal amount of private placement notes assumed in the Acquisition and will redeem them at par plus accrued and unpaid interest in June 2023.

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, 2023, 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, 2023, the Company's debt to debt-shareholders' equity ratio was 0.58 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, 2023, 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 currently have supply chain financing ("SCF") programs with financial intermediaries, which provides 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 program. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the programs. We do not reimburse suppliers for any costs they incur for participation in the programs and their participation is completely voluntary. Amounts due to our suppliers that elected to participate in the SCF programs are included in accounts payable on the Consolidated Balance Sheet. Accounts payable included approximately \$86 million and \$46 million payable to suppliers who have elected to participate in the SCF programs as of March 31, 2023 and June 30, 2022, respectively. The amounts settled through the SCF programs and paid to the participating financial intermediaries totaled \$184 million during the first nine months of fiscal 2023. The increase in the amount outstanding in the programs from the June 30, 2022 balance is due to the addition of Meggitt's SCF program. We account for payments made under the programs in the same manner as our other accounts payable, which is a reduction to our cash flows from operations. We do not believe that changes in the availability of supply chain financing will have a significant impact on our liquidity.

Strategic Acquisitions

Upon announcing the Acquisition on August 2, 2021, the Company entered into the Bridge Credit Agreement where lenders committed to provide senior, unsecured financing in the aggregate principal amount of £6.5 billion. In July 2022, after consideration of an escrow balance designated for the Acquisition and funds available under the \$2.0 billion Term Loan Facility, we reduced the aggregate committed principal amount of the Bridge Credit Agreement to zero, and the Bridge Credit Agreement was terminated.

During September 2022, the Company fully drew against the \$2.0 billion Term Loan Facility, which will mature in its entirety in September 2025, to finance a portion of the Acquisition. During the nine months ended March 31, 2023, we made principal payments totaling \$750 million related to the Term Loan Facility. Refer to Note 14 to the Consolidated Financial Statements for further discussion.

On September 12, 2022, we completed the acquisition of all of the outstanding ordinary shares of Meggitt for 800 pence per share, resulting in an aggregate cash purchase price of \$7.2 billion, including the assumption of debt. We funded the purchase using cash and net proceeds from the issuance of senior notes and commercial paper and the Term Loan Facility, which were accumulated in an escrow account designated for the Acquisition. Refer to Note 4 to the Consolidated Financial Statements for further discussion.

Upon closing the Acquisition, we settled the deal-contingent forward contracts entered into during October 2021 to mitigate the risk of appreciation in the GBP-denominated purchase price. These deal-contingent forward contracts had an aggregate notional amount of £6.4 billion. Refer to the Cash Flows section above and Note 16 to the Consolidated Financial Statements for further discussion.

On April 11, 2022, the European Commission cleared the Acquisition, conditional on full compliance with commitments offered by Parker, including a commitment to divest its aircraft wheel and brake business within the Aerospace Systems Segment. In accordance with these commitments, we sold the aircraft wheel and brake business in September 2022 for proceeds of \$443 million. Refer to Note 4 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 the global outbreak of COVID-19 and governmental and other actions taken in response;
- ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of Meggitt, Lord and Exotic Metals Forming Company LLC ("Exotic"); and our ability to effectively manage expanded operations from the acquisitions of Meggitt, Lord and Exotic;
- 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, price 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;
- 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;
- 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;
- 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;
- local and global political and economic conditions, including the Russia-Ukraine war and its 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.

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, 2023, 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. Although the amount of this activity has increased with the Acquisition, we expect to 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, deal-contingent forward contracts, costless collar 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 16 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, 2023, our debt portfolio included \$1.3 billion 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, 2023, by approximately \$28.7 million.

As discussed elsewhere in this report, the future impacts of the Russia-Ukraine war and the COVID-19 pandemic and their residual effects, including economic uncertainty, inflationary environment and disruption within the global supply chain, labor markets and aerospace industry, on our business remain uncertain. As we cannot anticipate the ultimate duration or scope of the Russia-Ukraine war and the COVID-19 pandemic, the ultimate financial impact to our results cannot be reasonably estimated, but could be material.

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, 2023. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of March 31, 2023, the Company's disclosure controls and procedures were effective.

In response to the COVID-19 pandemic, some of our team members have been working remotely at times. While there were no material changes in our internal control over financial reporting during the quarter ended March 31, 2023, we are continually monitoring and assessing the changing business environment resulting from the COVID-19 pandemic on our internal controls to minimize the impact on their design and operating effectiveness.

The Company acquired Meggitt on September 12, 2022. As a result of the Acquisition, management is in the process of integrating, evaluating and, where necessary, implementing changes in controls and procedures. Other than with respect to the Acquisition, there have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2023 through January 31, 2023	52,800	\$ 305.90	52,800	8,000,138
February 1, 2023 through February 28, 2023	44,800	\$ 344.91	44,800	7,955,338
March 1, 2023 through March 31, 2023	54,788	\$ 335.72	54,788	7,900,550
Total:	152,388		152,388	

- (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 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
3(a)	<u>Amended and Restated Regulations, dated as of April 27, 2023 (Commission File No. 1-4982)*</u>
10(a)	<u>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 25, 2023.*</u>
31(a)	<u>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.*</u>
31(b)	<u>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.*</u>
32	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002*</u>
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, 2023 and 2022, (ii) Consolidated Statement of Comprehensive Income for the three and nine months ended March 31, 2023 and 2022, (iii) Consolidated Balance Sheet at March 31, 2023 and June 30, 2022, (iv) Consolidated Statement of Cash Flows for the nine months ended March 31, 2023 and 2022, and (v) Notes to Consolidated Financial Statements for the nine months ended March 31, 2023.

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 5, 2023



Parker-Hannifin Corporation
Cleveland, Ohio
(An Ohio Corporation)

Amended and Restated Regulations

April 27, 2023

Article I.

MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting.

The annual meeting of shareholders for the election of Directors and the transaction of such other business as may properly be brought before the meeting shall be held on the fourth Wednesday in October of each year or on such other day during the fourth month following the end of the fiscal year of the Corporation, at such time during business hours and at such place, either within or without the State of Ohio, as may be designated by the Board of Directors and specified in the notice of such meeting.

Section 2. Special Meetings.

Special meetings of shareholders may be held on any business day, when called by the Chairman of the Board, the Chief Executive Officer, the President, or, in case of the President's absence, death or disability, the Vice President authorized to exercise the authority of the President, the Board of Directors acting at a meeting, a majority of the Directors acting without a meeting, or the persons who hold at least twenty-five percent of all the shares outstanding and entitled to vote thereat. Upon request in writing delivered either in person or by registered mail to the President or the Secretary by any persons entitled to call a meeting of shareholders, such officer shall forthwith cause to be given to the shareholders entitled thereto notice of a meeting to be held on a date not less than ten nor more than sixty days after receipt of the request, as such officer may fix. If such notice is not given within thirty days after the delivery or mailing, the persons calling the meeting may fix the time of the meeting and give notice thereof in the manner provided by law or as provided in these Regulations, or cause such notice to be given by any designated representative. Each special meeting shall be called to convene between 10:00 A.M. and 2:30 P.M. and shall be held at the principal office of the Corporation, unless the meeting is called by the Directors, acting with or without a meeting, in which case such meeting may be held at any place either within or without the State of Ohio, designated by the Board of Directors and specified in the notice of such meeting.

Section 3. Notice of Meeting.

Not less than ten nor more than sixty days before the date fixed for a meeting of shareholders, written notice stating the time, place and purposes of such meeting shall be given by or at the direction of the Secretary, or an Assistant Secretary, or any other person or persons required or permitted by these Regulations to give such notice. The notice shall be given by personal delivery, mail, or any other means of communication authorized by the applicable shareholder, to each shareholder entitled to notice of the meeting who is of record as of the day immediately prior to the day on which notice is given or, if a record date therefor is duly fixed, of record as of said date. If mailed, such notice shall be addressed to the shareholders at their respective addresses as they appear on the records of the Corporation.

Section 4. Quorum; Adjournment.

Except as may be otherwise provided by law or the Articles of Incorporation, at any meeting of shareholders, the shareholders present in person or by proxy shall constitute a quorum for such meeting, but no action required by law, the Articles of Incorporation, or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time. If any meeting is adjourned, notice of

such adjournment need not be given if the time and place to which such meeting is adjourned are fixed and announced at such meeting.

Section 5. Notice of Shareholder Proposals.

(a) Business to Be Conducted at Meetings. At a meeting of shareholders, only such business may be conducted as has been properly brought before the meeting. To be properly brought before an annual meeting of shareholders, business (other than the nomination of a person for election as a Director, which is governed by Article I, Section 6, and, to the extent applicable, Article I, Section 7 and Section 8) must be (i) brought before the meeting by or at the direction of the Board of Directors or (ii) otherwise properly brought before the meeting by a shareholder who (A) has complied with all applicable requirements of this Article I, Section 5 and Article I, Section 7 in relation to such business, (B) was a shareholder of record of the Corporation at the time of giving the notice and is a shareholder of record of the Corporation at the time of the meeting, and (C) is entitled to vote at the meeting. For the avoidance of doubt, the foregoing clause (ii) will be the exclusive means for a shareholder to submit business before an annual meeting of shareholders (other than proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934 (such act, and the rules and regulations promulgated thereunder, the “**Exchange Act**”), or any successor provision, and included in the notice of meeting given by or at the direction of the Board of Directors). Shareholders shall not be permitted to propose business to be brought before a special meeting of shareholders pursuant to this Article I, Section 5(a). Only the person or persons calling a special meeting of shareholders pursuant to Article I, Section 2 may properly bring business before a special meeting of shareholders, the business transacted at such special meeting will be confined to the purposes stated in the notice of the special meeting, duly given pursuant to Article I, Section 3, and in connection with calling such special meeting pursuant to Article I, Section 2, such person or persons (other than the Chairman of the Board, the Chief Executive Officer, the President, the Vice President authorized to exercise the authority of the President or any Directors) shall provide the Corporation with the information specified in Article I, Section 5(b); *provided* that business may be brought before a special meeting of shareholders by or at the direction of the Board of Directors, whether or not the Board of Directors has called the special meeting pursuant Article I, Section 2 or such business was specified in the applicable notice of special meeting.

(b) Required Form for Shareholder Proposals. To properly bring business before a meeting of shareholders in accordance with this Article I, Section 5, a shareholder must deliver written notice to the Secretary of the Corporation that sets forth the following information, which must be updated and supplemented, if necessary, pursuant to Article I, Section 7(b):

(i) Information Regarding the Proposing Person. As to each Proposing Person (as such term is defined in Article I, Section 7(d)(ii)):

(A) the name and address of such Proposing Person (provided that if the Proposing Person is a holder of record of shares of the Corporation, such Proposing Person shall provide its name as it appears on the Corporation’s share transfer book);

(B) the class, series and number of shares of the Corporation directly or indirectly beneficially owned by such Proposing Person (including any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership, whether such right is exercisable immediately or only after the passage of time) and which shares of the Corporation are held of record by the Proposing Person, if any;

(C) a representation (1) that the Proposing Person is a holder of record or beneficial owner of shares of the Corporation entitled to vote at the meeting of shareholders (provided that if the Proposing Person is not a holder of record of shares of the Corporation, such Proposing Person shall submit to the Corporation a written statement from the holder of record of its shares of the Corporation verifying that, at the time it delivered written notice pursuant to Article I, Section 5(b), it was the holder of record of such shares of the Corporation) and intends to appear at the meeting (either in person or by agent) to bring such business before the meeting and (2) as to whether the Proposing Person intends to deliver a proxy statement and form of proxy related to an applicable proposal to holders of at least the percentage of shares of the Corporation entitled to vote and required to approve the proposal;

(D) a description of (1) any option, warrant, convertible security, stock appreciation right or similar right or interest (including any derivative securities, as defined under Rule 16a-1 under the Exchange Act, or any successor provision, or other synthetic arrangement having characterization of a long position), either exercisable immediately or only after the passage of time, with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of securities of the Corporation or with a value derived in whole or in part from the value of any class or series of securities of the Corporation, whether or not such instrument or right is subject to settlement in whole or in part in the underlying class or series of securities of the Corporation or otherwise, directly or indirectly held of record or owned beneficially by such Proposing Person and whether or not such Proposing Person may have entered into transactions that hedge or mitigate the economic effects of such security or instrument, and (2) each other direct or indirect right or interest that may enable such Proposing Person to profit or share in any profit derived from, or to manage the risk or benefit from, any increase or decrease in the value of the Corporation's securities, in each case regardless of whether (w) such right or interest is exercisable immediately or only after the passage of time, (x) such right or interest conveys any voting rights in such security to such Proposing Person, (y) such right or interest is required to be, or is capable of being, settled through delivery of such security, or (z) such Proposing Person may have entered into other transactions that hedge the economic effect of any such right or interest (any such right or interest referred to in this clause (D) being a "**Derivative Interest**");

(E) any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which the Proposing Person has a right to vote any shares of the Corporation or that has the effect of increasing or decreasing the voting power of such Proposing Person;

(F) any contract, agreement, arrangement, understanding or relationship including any repurchase or similar so called "stock borrowing" agreement or arrangement, the purpose or effect of which is to mitigate loss, reduce economic risk or increase or decrease voting power with respect to any capital stock of the Corporation or that provides any party, directly or indirectly, the opportunity to profit from any decrease in the price or value of the capital stock of the Corporation;

(G) any material pending or threatened legal proceeding involving the Corporation, any affiliate of the Corporation or any of their respective directors or officers, to which such Proposing Person or its affiliates is a party;

(H) any rights directly or indirectly held of record or beneficially by the Proposing Person to dividends on the shares of the Corporation that are separated or separable from the underlying shares of the Corporation;

(I) any equity interests, including any convertible, derivative or short interests, in any principal competitor of the Corporation, a list of which will be provided by the Corporation within 10 days following a request therefor by a shareholder;

(J) any performance-related fees (other than asset-based fees) to which the Proposing Person or any affiliate or immediate family member of the Proposing Person may be entitled as a result of any increase or decrease in the value of shares of the Corporation or Derivative Interests;

(K) any direct or indirect interest of the Proposing Person in any contract with the Corporation, any affiliate of the Corporation, or any principal competitor of the Corporation, a list of which will be provided by the Corporation within 10 days following a request therefor by a shareholder (including, in any such case, any employment agreement, commercial agreement or consulting agreement);

(L) any material transaction occurring during the prior twelve months between the Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, a list of which will be provided by the Corporation within 10 days following a request therefor by a shareholder, on the other hand;

(M) if such Proposing Person is not a natural person, the identity of the natural person or persons associated with such Proposing Person responsible for the formulation of and decision to propose the business to be brought before the meeting (such person or persons, the “**Responsible Person**”), the manner in which such Responsible Person was selected, any fiduciary duties owed by such Responsible Person to the equity holders or other beneficiaries of such Proposing Person, the qualifications and background of such Responsible Person and any material interests or relationships of such Responsible Person that are not shared generally by the other record or beneficial holders of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting;

(N) if such Proposing Person is a natural person, the qualifications and background of such natural person and any material interests or relationships of such natural person that are not shared generally by the other record or beneficial holders of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting;

(O) any proportionate interest in shares of the Corporation or Derivative Interests held, directly or indirectly, by a general or limited partnership in which the Proposing Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and

(P) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required pursuant

to Section 14(a) of the Exchange Act, or any successor provision, to be made in connection with a general solicitation of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting.

(ii) Information Regarding the Proposal: As to each item of business that the shareholder giving the notice proposes to bring before a meeting of shareholders:

(A) a description in reasonable detail of the business desired to be brought before the meeting of shareholders and the reasons why such shareholder or any other Proposing Person believes that the taking of the action or actions proposed to be taken would be in the best interests of the Corporation and its shareholders;

(B) a description in reasonable detail of any material interest of any Proposing Person in such business and a description in reasonable detail of all agreements, arrangements and understandings among Proposing Persons or between any Proposing Person and any other person or entity (including their names) in connection with such business; and

(C) the text of any proposal (including the text of any resolutions proposed for consideration) that the shareholder intends to present at the meeting.

(c) No Right to Have Proposal Included. A shareholder is not entitled to have a proposal included in the Corporation's proxy statement and form of proxy solely as a result of such shareholder's compliance with the provisions of this Article I, Section 5.

(d) Requirement to Attend Meeting. If a shareholder does not appear at the annual or special meeting of shareholders, as applicable, to present its proposal (either in person or by agent), such proposal shall not be presented and shall be disregarded (notwithstanding that proxies in respect of such proposal may have been solicited, obtained or delivered).

Section 6. Notice of Director Nominations.

(a) General Nomination of Directors. Subject to the rights, if any, of any series of Serial Preferred Stock to nominate or elect Directors, only persons who are nominated by or at the direction of the Board of Directors or in accordance with the procedures set forth in this Article I, Section 6 or in Article I, Section 8 will be eligible to serve as Directors. Excluding nominations by or at the direction of the Board of Directors or nominations made pursuant to Article I, Section 8, all nominations of persons for election as Directors may be made only at an annual meeting of shareholders or a special meeting of shareholders called for the purpose of electing Directors, and, if nominations are made by a shareholder, then only by a shareholder who (i) has complied with all applicable requirements of this Article I, Section 6 and Article I, Section 7 in relation to such nomination and with the requirements of Section 14 of the Exchange Act, including the requirements of Rule 14a-19, and the rules and regulations promulgated thereunder (as such rules and regulations may be amended from time to time by the Securities and Exchange Commission, including any Securities and Exchange Commission staff interpretations relating thereto), (ii) was a shareholder of record of the Corporation at the time of giving the notice required by Article I, Section 7(b) and is a shareholder of record of the Corporation at the time of the meeting, and (iii) is entitled to vote at the meeting.

(b) Required Form for Director Nominations. To properly nominate a person for election as Director, a shareholder must deliver written notice to the Secretary of the Corporation that sets forth the following information:

(i) Information Regarding the Nominating Person. As to each Nominating Person (as such term is defined in Article I, Section 7(d)(iii)):

(A) the information set forth in Article I, Section 5(b)(i) (except that for purposes of this Section 6, the term “Nominating Person” will be substituted for the term “Proposing Person” in all places where it appears in Article I, Section 5(b)(i), any reference to “business” or “proposal” therein will be deemed to be a reference to the nomination contemplated by this Article I, Section 6, and the following representation will be substituted for the representation required in Article I, Section 5(b)(i)(C)(2)):

a representation from each Nominating Person whether such Nominating Person intends, or is part of a group that intends, to solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of Director nominees other than the Corporation’s nominees in accordance with Rule 14a-19 under the Exchange Act.

(ii) Information Regarding the Nominee: As to each person whom the Nominating Person proposes to nominate for election as a Director:

(A) all information relating to such proposed nominee that would be required to be disclosed in a proxy statement or other filing required pursuant to Section 14(a) under the Exchange Act, or any successor provision, to be made in connection with a general solicitation of proxies for an election of Directors in a contested election (including such proposed nominee’s written consent to be named as a nominee in any proxy materials relating to the Company’s next annual meeting or special meeting, as applicable, at which directors are to be elected, and to serve as a Director if elected);

(B) a reasonably detailed description of all direct and indirect compensation and other material monetary agreements, arrangements or understandings during the past three years, and any other material relationships, between or among any Nominating Person and its affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee and his or her affiliates, associates or others acting in concert therewith, on the other hand, including all information that would be required to be disclosed pursuant to Items 403 and 404 under Regulation S-K, or any successor provision, if the shareholder giving the notice or any other Nominating Person were the “registrant” for purposes of such rule and the proposed nominee were a director or executive officer of such registrant;

(C) a completed questionnaire (in the form provided by the Secretary of the Corporation upon written request by the applicable Nominating Person within 10 days of such request) with respect to the identity, background and qualification of the proposed nominee and the background of any other person or entity on whose behalf the nomination is being made;

(D) a written representation and agreement (in the form provided by the Secretary of the Corporation upon written request by the applicable Nominating Person within 10 days of such request) that the proposed nominee (1) if elected, currently intends to serve for the full term for which such person is standing for election, (2) is not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or

assurance to, any person or entity as to how the proposed nominee, if elected as a Director, will act or vote on any issue or question (a “**Voting Commitment**”) that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with the proposed nominee’s ability to comply, if elected as a Director, with the proposed nominee’s fiduciary duties under applicable law, (3) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein, and (4) if elected as a Director, the proposed nominee would be in compliance and will comply with all applicable publicly disclosed corporate governance, ethics, conflict of interest, confidentiality and share ownership and trading policies and guidelines of the Corporation.

The Corporation may require any proposed nominee to furnish such other information as may be reasonably required by the Corporation, including one or more interviews with a proposed nominee at the request of the Board of Directors, to determine the qualifications and eligibility of such proposed nominee to serve as an independent Director of the Corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such proposed nominee.

(c) No Right to Have Nominees Included. Except as provided by, and subject to compliance with Article I, Section 8, a shareholder is not entitled to have nominees included in the Corporation’s proxy statement solely as a result of such shareholder’s compliance with the provisions of this Article I, Section 6.

(d) Requirement to Attend Meeting. If a shareholder does not appear at the meeting of shareholders to present its nomination or nominations, such nominee or nominees shall not stand for election at such meeting (notwithstanding that proxies in respect of such nomination may have been solicited, obtained or delivered).

(e) Certain Matters Under Rule 14a-19 of the Exchange Act.

(i) Unless otherwise required by law, (A) no Nominating Person providing notice of a nomination shall solicit proxies in support of proposed nominees other than the Corporation’s nominees unless such Nominating Person has complied with Rule 14a-19 under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner as provided in this Article I, Section 6, and (B) if any such Nominating Person (x) provides notice pursuant to Rule 14a-19 under the Exchange Act, and (y) subsequently fails to comply with the requirements of Rule 14a-19 under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner as provided in this Article I, Section 6, or fails to timely provide reasonable evidence sufficient to satisfy the Corporation that such Nominating Person has met the requirements of Rule 14a-19 under the Exchange Act in accordance with Article I, Section 6(e)(ii), or (z) notifies the Corporation that such Nominating Person no longer intends, or is part of a group that no longer intends, to solicit proxies in support of proposed nominees other than the Corporation’s nominees in accordance with Rule 14a-19 under the Exchange Act, then such Nominating Person’s nomination(s) shall be deemed null and void and the Corporation shall disregard any proxies or votes solicited for any nominee proposed by such Nominating Person.

(ii) Any Nominating Person who has delivered a notice of nomination pursuant to this Article I, Section 6 shall (A) certify to the Secretary of the Corporation

concurrently with the delivery of such notice that the Nominating Person has complied with, and will comply with, the requirements of Rule 14a-19 under the Exchange Act, and (B) deliver to the Secretary of the Corporation at the principal executive offices of the Corporation, no later than five business days prior to the applicable meeting or any adjournment, rescheduling, postponement or other delay thereof, reasonable evidence that such Nominating Person has met the requirements of Rule 14a-19 under the Exchange Act.

(iii) Any Nominating Person that provides notice pursuant to Rule 14a-19(b) under the Exchange Act shall notify the Secretary of the Corporation within two business days of any change in such Nominating Person's intent to solicit proxies from the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of proposed nominees other than the Corporation's nominees.

(f) Color of Proxy Card. Any Nominating Person directly or indirectly soliciting proxies from other shareholders must use a proxy card color other than white, which shall be reserved for the exclusive use for solicitation by the Board of Directors.

Section 7. Additional Provisions Relating to the Notice of Shareholder Business and Director Nominations.

(a) Timely Notice.

(i) If it relates to an annual meeting of shareholders, to be timely, a shareholder's notice required by Article I, Section 5(b) or Article I, Section 6(b) must be delivered to or mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 nor more than 120 calendar days prior to the first anniversary of the date on which the Corporation held the preceding year's annual meeting of shareholders; provided that if the date of the annual meeting of shareholders is scheduled for a date more than 90 calendar days prior to or more than 120 calendar days after the anniversary of the preceding year's annual meeting of shareholders, notice by the shareholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting and the tenth calendar day following the day on which public disclosure of the date of such meeting is first made. In no event will a recess or adjournment of an annual meeting of shareholders (or any announcement of any such recess or adjournment) commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above. Notwithstanding the foregoing, in the event the number of Directors to be elected at the annual meeting of shareholders is increased by the Board of Directors, and there is no public announcement by the Corporation naming the nominees for the additional Directors at least 120 calendar days prior to the first anniversary of the date on which the Corporation held the preceding year's annual meeting of shareholders, a shareholder's notice pursuant to Article I, Section 6(b) will be considered timely, but only with respect to nominees for the additional directorships, if it is delivered to or mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth calendar day following the day on which such public announcement is first made by the Corporation.

(ii) If it relates to a special meeting of shareholders that is called for the purpose of electing Directors, to be timely, a shareholder's notice required by Article I, Section 6(b) must be delivered to or mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation promptly after the public

disclosure of the date of the meeting and in no event later than five business days after the date of any such public disclosure.

(b) Updating Information in Notice. A shareholder providing notice of business proposed to be brought before a meeting of shareholders pursuant to Article I, Section 5 or notice of any nomination to be made at a meeting of shareholders pursuant to Article I, Section 6 must further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to Article I, Section 5 or Article I, Section 6, as applicable, is true and correct at all times up to and including the date of the meeting (including any date to which the meeting is recessed, adjourned or postponed). Any such update and supplement must be delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation, as promptly as practicable.

(c) Determinations of Form, Etc. The presiding officer of any meeting of shareholders will, if the facts warrant, determine that business was not brought in accordance with the procedures prescribed by Article I, Section 5 and this Article I, Section 7 or that a nomination was not made in accordance with the procedures prescribed by Article I, Section 6 and this Article I, Section 7, and with respect to such business or nominations, all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder, and if he or she should so determine, he or she will so declare to the meeting and the business or nomination, as applicable, will be disregarded.

(d) Certain Definitions.

(i) For purposes of Article I, Sections 6 and 7, “**public disclosure**” or “**publicly disclosed**” means disclosure in a press release reported by the Dow Jones News Service, Bloomberg, Associated Press or comparable national news service or in a document filed by the Corporation with the Securities and Exchange Commission pursuant to Exchange Act or furnished by the Corporation to shareholders.

(ii) For purposes of Article I, Section 5, “**Proposing Person**” means (A) the shareholder providing the notice of business proposed to be brought before an annual meeting of shareholders, (B) the beneficial owner or beneficial owners of shares of the Corporation, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting of shareholders is given and (C) any “affiliate” or “associate” (each within the meaning of Rule 12b-2 under the Exchange Act, or any successor provision) of such shareholder or beneficial owner.

(iii) For purposes of Section Article I, Section 6, “**Nominating Person**” means (A) the shareholder providing the notice of the nomination proposed to be made at an annual meeting of shareholders or at a special meeting of shareholders called for the purpose of electing Directors, (B) the beneficial owner or beneficial owners of shares of the Corporation, if different, on whose behalf the notice of nomination proposed to be made at the annual meeting of shareholders or at a special meeting of shareholders called for the purpose of electing Directors is given and (C) any “affiliate” or “associate” (each within the meaning of Rule 12b-2 under the Exchange Act, or any successor provision) of such shareholder or beneficial owner.

Section 8. Inclusion of Director Nominations by Shareholders in the Corporation’s Proxy Materials.

(a) Subject to the terms and conditions set forth in these Regulations (including the provisions of Article I, Section 6 concerning the general nomination of Directors by shareholders), the Corporation shall include in its proxy statement and form of proxy

(hereinafter, the “**Proxy Materials**”) for an annual meeting of shareholders for the election of Directors, in addition to the persons selected and recommended for election by the Board of Directors or any committee thereof, the name, together with the Required Information (as defined Article I, Section 8(c) below), of any person nominated for election (the “**Proxy Access Shareholder Nominee**”) to the Board of Directors by one or more shareholders that satisfies the notice, ownership and other requirements of this Article I, Section 8 (such shareholder or group of shareholders, the “**Eligible Shareholder**”).

(b) To nominate a Proxy Access Shareholder Nominee, the Eligible Shareholder must provide a written notice that expressly elects to have its Proxy Access Shareholder Nominee included in the Proxy Materials pursuant to this Article I, Section 8 (the “**Notice of Proxy Access Nomination**”). To be timely, the Notice of Proxy Access Nomination must be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not less than 120, nor more than 150, calendar days prior to the anniversary of the date that the Corporation mailed its proxy statement for the prior year’s annual meeting of shareholders (the last day on which a Notice of Proxy Access Nomination may be delivered, the “**Final Proxy Access Nomination Date**”); provided, however, that if (and only if) there was no annual meeting in the preceding year or the date of the annual meeting is advanced more than 30 calendar days prior to, or delayed by more than 30 calendar days after the anniversary of the preceding year’s annual meeting, to be timely, notice by the Eligible Shareholder must be so delivered not less than 120, nor more than 150, calendar days prior to the date of such annual meeting or, if the first public announcement of the date is less than 130 calendar days prior to the date of such annual meeting, by the 10th calendar day following the day on which such public announcement is made. In addition to the other requirements set forth in this Article I, Section 8, the Notice of Proxy Access Nomination must include the name and address of the Eligible Shareholder (including each shareholder and beneficial owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder).

(c) For purposes of this Article I, Section 8, the “**Required Information**” that the Corporation will include in the Proxy Materials is (i) the information concerning the Proxy Access Shareholder Nominee and the Eligible Shareholder that the Corporation determines is required to be disclosed in the Proxy Materials under the Exchange Act; and (ii) if the Eligible Shareholder so elects, a Statement (as defined in Article I, Section 8(h) below). Nothing in this Article I, Section 8 shall limit the Corporation’s ability to solicit against and include in the Proxy Materials its own statements relating to any Proxy Access Shareholder Nominee.

(d) The maximum number of Proxy Access Shareholder Nominees (including Proxy Access Shareholder Nominees that were submitted by Eligible Shareholders for inclusion in the Proxy Materials pursuant to this Article I, Section 8 but either are subsequently withdrawn or that the Board of Directors decides to select and recommend as Director nominees under Article I, Section 6 of these Regulations) that may appear in the Proxy Materials with respect to an annual meeting of shareholders shall not exceed the greater of (i) two or (ii) 20% of the number of Directors in office as of the Final Proxy Access Nomination Date (or if such number is not a whole number, the closest whole number below 20%) (the “**Permitted Number**”); provided, however, that the Permitted Number shall be reduced by the number of incumbent Directors who had been a Proxy Access Shareholder Nominee with respect to any of the preceding two annual meetings of shareholders and whose reelection at the upcoming annual meeting is being recommended by the Board of Directors; provided, further, that in the event that one or more vacancies for any reason occurs on the Board of Directors at any time after the Final Proxy Access Nomination Date and before the date of the applicable annual meeting of shareholders and the Board of Directors reduces the size of the Board of Directors in connection therewith, the Permitted Number shall be calculated based on the number of Directors in office as so reduced. In the event that the number of Proxy Access Shareholder Nominees submitted by Eligible Shareholders pursuant to this Article I, Section 8 exceeds the Permitted Number, each Eligible

Shareholder will select one Proxy Access Shareholder Nominee for inclusion in the Proxy Materials until the Permitted Number is reached, with preference provided based on the number (largest to smallest) of shares owned by each Eligible Shareholder as disclosed in each Notice of Proxy Access Nomination. If the Permitted Number is not reached after each Eligible Shareholder has selected one Proxy Access Shareholder Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

(e) An Eligible Shareholder is one or more shareholders who owns and has owned, or is or are acting on behalf of one or more beneficial owners who own and have owned (as defined in Article I, Section 8(f) below), for at least three years as of the date the Notice of Proxy Access Nomination is received by the Corporation, shares representing at least 3% of the shares of the Corporation outstanding as of the most recent date for which such number is disclosed by the Corporation in any filing by the Corporation with the Securities and Exchange Commission prior to submission of the Notice of Proxy Access Nomination (the “**Required Shares**”), and who continue to own the Required Shares at all times between the date the Notice of Proxy Access Nomination is received by the Corporation and the date of the applicable annual meeting of shareholders, provided that the aggregate number of such shareholders and beneficial owners shall not exceed 20. Two or more funds that are (i) under common management and investment control, (ii) under common management and funded primarily by a single employer or (iii) a “group of investment companies,” as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended (such funds together under each of (i), (ii) or (iii) comprising a “**Qualifying Fund**”) shall be treated as one shareholder for the purpose of determining the aggregate number of shareholders in this Article I, Section 8(e), and treated as one person for the purpose of determining ownership in Article I, Section 8(f), provided that each fund comprising a Qualifying Fund otherwise meets the requirements set forth in this Article I, Section 8. No shareholder or beneficial owner may be a member of more than one group constituting an Eligible Shareholder under this Article I, Section 8. Should any shareholder or beneficial owner withdraw from a group of Eligible Shareholders at any time prior to the annual meeting of shareholders, the group of Eligible Shareholders shall only be deemed to own the shares held by the remaining members of the group.

(f) For purposes of calculating the Required Shares, “**ownership**” shall be deemed to consist of and include only the outstanding shares as to which a person possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the ownership of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (A) that a person has sold in any transaction that has not been settled or closed, (B) that a person has borrowed or purchased pursuant to an agreement to resell or (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by a person, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, the person’s full right to vote or direct the voting of any such shares, or (2) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such person’s shares. Ownership shall include shares held in the name of a nominee or other intermediary so long as the person claiming ownership of such shares retains the right to instruct how the shares are voted with respect to the election of Directors and possesses the full economic interest in the shares, provided that this provision shall not alter the obligations of any shareholder to provide the Notice of Proxy Access Nomination. Ownership of shares shall be deemed to continue during any period in which shares have been loaned if the person claiming ownership has the power to recall such loaned shares on five business days’ notice and the person recalls the loaned shares within five business days of being notified that its Proxy Access Shareholder Nominee will be included in the Proxy Materials for the applicable

annual meeting, and the person holds the recalled shares through such annual meeting. Ownership of shares shall be deemed to continue during any period in which any voting power has been delegated by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time without condition. For purposes of this Article I, Section 8, the determination of the extent of ownership of shares shall be made in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and the shareholders. An Eligible Shareholder shall include in its Notice of Proxy Access Nomination the number of shares it is deemed to own for the purposes of this Article I, Section 8.

(g) No later than the Final Proxy Access Nomination Date, an Eligible Shareholder (including each shareholder, Qualifying Fund and beneficial owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) must provide the following information in writing to the Secretary of the Corporation:

(i) all of the information required pursuant to Article I, Section 6(b) as if the Notice of Proxy Access Nomination were a shareholder's notice with respect to nominations of persons for election of Directors pursuant to Article I, Section 6(b);

(ii) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven calendar days prior to the date the Notice of Proxy Access Nomination is sent to the Corporation, the Eligible Shareholder owns, and has owned continuously for the preceding three years, the Required Shares, and the Eligible Shareholder's agreement to provide (A) within five business days after (1) the record date for the applicable annual meeting (if, prior to such record date, the Corporation (x) disclosed such record date by press release or any filing with the Securities and Exchange Commission or (y) delivered a written notice of the record date (including by electronic mail) to the Eligible Shareholder) or (2) the date on which the Corporation disclosed such record date by press release or any filing with the Securities and Exchange Commission (if such record date is a date that precedes such disclosure), written statements from the record holder and intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date, and (B) immediate notice if the Eligible Shareholder ceases to own any of the Required Shares prior to the date of the applicable annual meeting of shareholders (for purposes of this clause (ii), "record holder" shall mean the applicable Depository Trust Company ("DTC") participant for shares that are deposited at DTC);

(iii) the written consent of each Proxy Access Shareholder Nominee to being named in the Proxy Materials as a nominee and to serving as a Director if elected; and

(iv) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act.

In addition, no later than the Final Proxy Access Nomination Date, an Eligible Shareholder (including each shareholder, Qualifying Fund and beneficial owner whose share ownership is counted for purposes of qualifying as an Eligible Shareholder) must provide to the Secretary of the Corporation a signed and written:

(i) representation of the Eligible Shareholder that such Eligible Shareholder (A) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have such intent, (B) intends to maintain qualifying ownership of the Required Shares through the date of the applicable annual meeting of shareholders, (C) has not nominated and will not nominate for election to the Board of Directors at the applicable annual meeting of

shareholders any person other than its Proxy Access Shareholder Nominee, (D) has not engaged and will not engage in, and has not and will not be a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a Director at the applicable annual meeting of shareholders other than its Proxy Access Shareholder Nominee(s) or a nominee of the Board of Directors, (E) will not distribute to any shareholder any form of proxy for the applicable annual meeting of shareholders other than the form distributed by the Corporation, and (F) will provide facts, statements and other information in all communications with the Corporation and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and otherwise will comply with all applicable laws, rules and regulations in connection with any actions taken pursuant to this Article I, Section 8;

(ii) in the case of a nomination by a group of shareholders that together constitutes an Eligible Shareholder, designation by all such group members of one group member that is authorized to act on behalf of all members of the nominating shareholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination; and

(iii) undertaking that the Eligible Shareholder agrees to (A) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Shareholder’s communications with the shareholders of the Corporation or out of the information that the Eligible Shareholder provided to the Corporation, (B) indemnify and hold harmless the Corporation and each of its Directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its Directors, officers or employees arising out of any nomination, solicitation or other activity by the Eligible Shareholder in connection with its efforts to elect the Proxy Access Shareholder Nominee pursuant to this Article I, Section 8, and (C) file with the Securities and Exchange Commission any solicitation with the Corporation’s shareholders relating to the meeting at which the Proxy Access Shareholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available for such solicitation under Regulation 14A of the Exchange Act.

In addition, no later than the Final Proxy Access Nomination Date, a Qualifying Fund whose share ownership is counted for purposes of qualifying as an Eligible Shareholder must provide to the Secretary of the Corporation documentation reasonably satisfactory to the Board of Directors that demonstrates that the funds comprising the Qualifying Fund are either (i) under common management and investment control, (ii) under common management and funded primarily by a single employer or (iii) a “group of investment companies,” as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended.

(h) The Eligible Shareholder may provide to the Secretary of the Corporation, at the time the information required by this Article I, Section 8 is provided, a written statement for inclusion in the Proxy Materials for the applicable annual meeting of shareholders, not to exceed 500 words, in support of the Eligible Shareholder’s Proxy Access Shareholder Nominee (the “**Statement**”). Notwithstanding anything to the contrary contained in this Article I, Section 8, the Corporation may omit from the Proxy Materials any information or Statement (or portion thereof) that it, in good faith, believes would violate any applicable law or regulation.

(i) No later than the Final Proxy Access Nomination Date, each Proxy Access Shareholder Nominee must:

(i) provide to the Secretary of the Corporation all of the consents, representations, and agreements required pursuant to Article I, Section 6 as if the Proxy Access Shareholder Nominee was a nominee;

(ii) submit to the Secretary of the Corporation all completed and signed documents required of the Corporation's Directors and nominees for election to the Board of Directors within five business days of receipt of each such questionnaire from the Corporation; and

(iii) provide to the Secretary of the Corporation within five business days of the Corporation's request such additional information as the Corporation determines may be necessary to permit the Board of Directors to determine (A) such Proxy Access Shareholder Nominee's status as to "independence", including references to the criteria established by the New York Stock Exchange (or any other exchange or quotation system on which the Corporation's equity securities are listed), any applicable rules of the Securities and Exchange Commission and the Corporation's Corporate Governance Guidelines and Independence Standards for Directors, (B) if such Proxy Access Shareholder Nominee has any direct or indirect relationship with the Corporation, and (C) if such Proxy Access Shareholder Nominee is not and has not been subject to any event specified in Item 401(f) of Regulation S-K of the Exchange Act or any successor provision.

In the event that any information or communications provided by the Eligible Shareholder or the Proxy Access Shareholder Nominee to the Corporation or its shareholders ceases to be true and correct in any respect or omits a fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder or Proxy Access Shareholder Nominee, as the case may be, shall promptly notify the Secretary of the Corporation of any such inaccuracy or omission in such previously provided information and of the information that is required to make such information or communication true and correct.

(j) Any Proxy Access Shareholder Nominee who is included in the Proxy Materials for a particular annual meeting of shareholders but either (i) withdraws from or becomes ineligible or unavailable for election at that annual meeting, or (ii) does not receive at least 25% of the votes cast in favor of the Proxy Access Shareholder Nominee's election, will be ineligible to be a Proxy Access Shareholder Nominee pursuant to this Article I, Section 8 for the next two annual meetings of shareholders. Any Proxy Access Shareholder Nominee who is included in the Proxy Materials for a particular annual meeting of shareholders, but subsequently is determined not to satisfy the eligibility requirements of this Article I, Section 8 or any other provision of these Regulations, or the Corporation's Articles of Incorporation, Corporate Governance Guidelines, Independence Standards for Directors or other applicable document or regulation at any time before the applicable annual meeting of shareholders, will not be eligible for election at the relevant annual meeting of shareholders and may not be substituted by the Eligible Shareholder that nominated such Proxy Access Shareholder Nominee.

(k) The Corporation shall not be required to include, pursuant to this Article I, Section 8, a Proxy Access Shareholder Nominee in the Proxy Materials for any meeting of shareholders, or, if the proxy statement already has been filed, to allow the nomination of a Proxy Access Shareholder Nominee, notwithstanding that proxies in respect of such vote may have been received by the Corporation:

(i) if any person is engaging in a “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a Director at the applicable annual meeting of shareholders other than a nominee of the Board of Directors;

(ii) if the Proxy Access Shareholder Nominee or the Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) who has nominated such Proxy Access Shareholder Nominee has engaged in or is currently engaged in, or has been or is a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a Director at the applicable annual meeting of shareholders other than its Proxy Access Shareholder Nominee(s) or a nominee of the Board of Directors;

(iii) who is not independent under the listing standards of each principal U.S. securities exchange upon which the common shares of the Corporation are listed, any applicable rules of the Securities and Exchange Commission, and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of the Corporation’s Directors, in each case as determined by the Board of Directors;

(iv) who does not meet the audit committee independence requirements under the rules of any U.S. securities exchange upon which the common shares of the Corporation are traded, is not a “non-employee director” for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule), is not an “outside director” for the purposes of Section 162(m) of the Internal Revenue Code (or any successor provision);

(v) whose election as a member of the Board of Directors would cause the Corporation to be in violation of these Regulations, the Articles of Incorporation, the rules and listing standards of the principal U.S. securities exchanges upon which the common shares of the Corporation are listed, or any applicable state or federal law, rule or regulation;

(vi) who is or has been, within the past three years, an officer or director of a competitor, a list of which will be provided by the Corporation within 10 days following a request therefor by an Eligible Shareholder;

(vii) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten years;

(viii) if such Proxy Access Shareholder Nominee or the applicable Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) shall have provided information to the Corporation in connection with such nomination, including information provided pursuant to this Article I, Section 8, that was untrue in any material respect or omitted to state a material fact necessary in order to make any statement made, in light of the circumstances under which it was made, not misleading, as determined by the Board of Directors or any committee thereof;

(ix) the Eligible Shareholder (or a qualified representative thereof) does not appear at the applicable annual meeting of shareholders to present the Proxy Access Shareholder Nominee for election;

(x) the Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) or applicable Proxy Access Shareholder Nominee otherwise breaches or fails to comply with or the Board of Directors or any committee

thereof determines it has breached its representations or obligations pursuant to these Regulations, including, without limitation, this Article I, Section 8; or

(xi) the Eligible Shareholder ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Required Shares through the date of the applicable annual meeting.

For the purpose of this Section 8(k): (A) clauses (ii) through (xi) will result in the exclusion from the Proxy Materials pursuant to this Article I, Section 8 of the specific Proxy Access Shareholder Nominee to whom the ineligibility applies, or, if the proxy statement already has been filed, the ineligibility of the Proxy Access Shareholder Nominee; and (B) clause (i) may, at the sole discretion of the Board of Directors, result in the exclusion from the Proxy Materials pursuant to this Article I, Section 8 of all or any number of Proxy Access Shareholder Nominees from the applicable annual meeting of Shareholders, or, if the proxy statement already has been filed, the ineligibility of all Proxy Access Shareholder Nominees.

Section 9. Order of Business.

The Chairman of the Board, or such other officer of the Corporation designated by the Board of Directors, will call meetings of shareholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board of Directors prior to the meeting, the presiding officer of the meeting of shareholders will also determine the order of business and have the authority in the presiding officer's sole discretion to regulate the conduct of, and determine the rules of procedure for, any such meeting, including, without limitation, by (a) imposing restrictions on the persons (other than shareholders of the Corporation or their duly appointed proxies) who may attend any such shareholders' meeting, (b) ascertaining whether any shareholder or the shareholder's proxy may be excluded from any meeting of shareholders based upon any determination by the presiding officer, in the presiding officer's sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings of the meeting, (c) determining the circumstances in which any person may make a statement or ask questions at any meeting of shareholders, and (d) taking any of the actions specified in Article I, Section 7(c).

Article II. BOARD OF DIRECTORS

Section 1. Number of Directors; Election; Term of Office.

The members of the Board of Directors shall be elected at each annual meeting of shareholders, and each Director shall hold office until the next annual meeting of shareholders and until his or her successor is elected, or until his or her earlier resignation, removal from office or death. The number of Directors, which shall not be less than three, may be fixed or changed (a) at any meeting of shareholders called to elect Directors at which a quorum is present, by the affirmative vote of the holders of a majority of the shares represented at the meeting and entitled to vote on the proposal, or (b) by the Directors at any meeting of the Board of Directors by the vote of a majority of the Directors then in office.

Section 2. Directors Elected by Holders of Serial Preferred Stock.

The provisions of Article II, Section 1 shall not apply to any Directors elected by the holders of Serial Preferred Stock of all series voting separately as a class in the event of default in the payment of the equivalent of six quarterly dividends (whether or not consecutive) on any outstanding series of Serial Preferred Stock. Any such Directors shall be elected to serve until the next annual meeting of shareholders and until their respective successors are elected, or until such default is cured, whichever occurs first.

Section 3. Vacancies.

In the event of the occurrence of any vacancy or vacancies in the Board of Directors, however caused, the Directors then in office, though less than a majority of the whole authorized number of Directors, may, by vote of a majority of their number, fill any such vacancy for the unexpired term.

Section 4. Meetings of Directors.

Meetings of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President, or twenty-five percent or more of the Directors then in office. Such meetings may be held at any place within or without the State of Ohio, and may be held through any communications equipment if all persons participating can hear each other. Participation in a meeting of Directors held through communications equipment pursuant to this Article II, Section 4 shall constitute presence at such meeting. Written notice of the time and place of each meeting of Directors shall be given to each Director by personal delivery, or by mail, email, overnight delivery service or any other means of communication authorized by the Director at least two days before the meeting, which notice need not specify the purposes of the meeting. Notice of adjournment of a meeting of Directors need not be given if the time and place to which it is adjourned are fixed and announced at such meeting.

Section 5. Quorum.

A majority of the Directors in office shall constitute a quorum for any meeting of Directors; provided that a majority of the Directors present at a meeting duly held, whether or not a quorum is present, may adjourn such meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present is the act of the Board of Directors.

**Article III.
COMMITTEES**

The Board of Directors may at any time appoint from its members an executive committee or other committee or committees, consisting of such number of members as the Board of Directors may deem advisable, together with such alternates as the Board of Directors may deem advisable to take the place of any absent member or members at any meeting of such committee. Each member and each alternate shall hold office during the pleasure of the Board of Directors. Any committee shall act only in the intervals between meetings of the Board of Directors and shall have such authority of the Board of Directors, however conferred, as may, from time to time, be delegated by the Board of Directors, other than that of filling vacancies in the Board of Directors or in any committee thereof and other than adopting, amending or repealing regulations. Each committee shall keep a written record of all actions taken by it. Unless otherwise ordered by the Board of Directors, any such committee may prescribe its own rules for calling and holding meetings, including meetings by means of communications equipment, and for its own methods of procedure, and may act by a majority of its members at a meeting or without a meeting by a writing or writings signed by all of its members.

**Article IV.
OFFICERS**

Section 1. Designation and Election.

The Corporation shall have a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, a Treasurer and a Controller. A single individual may hold a combination of two or more of the foregoing offices. The Corporation

may also have such other officers and assistant officers as may be deemed necessary. The officers shall be elected by the Board of Directors, at least annually. Assistant officers may be appointed by the Board, the Chairman of the Board, the Chief Executive Officer or the President. The Chairman of the Board shall be a Director, but none of the other officers need be a Director.

Section 2. Authority and Duties of Officers.

The officers of the Corporation shall have such authority and perform such duties as are customarily incident to their respective offices, or as may be determined, from time to time, by the Board of Directors.

**Article V.
CORPORATE SEAL**

The corporate seal of the Corporation shall be circular in form and shall contain the name of the Corporation and the word "Seal".

**Article VI.
AMENDMENTS**

These Regulations may be amended in any respect, or new regulations may be adopted, (i) by the shareholders at a meeting held for such purpose, by the affirmative vote of, or without a meeting by the written consent of, the holders of shares entitling them to exercise a majority of the voting power on such proposal, or (ii) by the Board of Directors to the extent permitted by the Ohio General Corporation Law.

**Article VII.
INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES**

The Corporation shall indemnify, to the full extent permitted or authorized by the Ohio General Corporation Law as it may from time to time be amended, any person made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer or employee of the Corporation, or is or was serving at the request of the Corporation as a Director, trustee, officer or employee of another corporation, partnership, joint venture, trust or other enterprise. The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under the articles of incorporation or the regulations, or any agreement, vote of shareholders or disinterested Directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, trustee, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.



TO: [PARTICIPANT NAME]

**PARKER-HANNIFIN CORPORATION
LONG-TERM INCENTIVE PERFORMANCE PLAN (LTIP)
UNDER PERFORMANCE BONUS PLAN
OFFICER AWARD AGREEMENT
(L28)**

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 shares of Common Stock of the Company ("Maximum Shares") under the Company's Long-Term Incentive Performance Plan Under the Performance Bonus Plan (As Amended and Restated) (the "LTIP Plan"), the Parker-Hannifin Amended and Restated 2016 Omnibus Stock Incentive Plan (as defined in the LTIP Plan) and the terms of the Company's 2022 Performance Bonus Plan (the "Performance Bonus Plan"):

Grant Date: [Grant Date]

Performance Period: CY 2023-2024-2025

Maximum Shares: [Number]

Target Shares [Number Granted]

The number of Maximum 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 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.

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 its 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 of Common Stock in the Company, to be issued in April 2026 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.

Your Action Items. Please take the following actions:

Accept your Awards by clicking on the “Accept” button below. In relation to your Award acceptance, attached below for your review and incorporated into this Award Agreement are the Summary and Terms and Conditions attached below. **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:

Amended and Restated 2016 Omnibus Stock Incentive Plan
Amended and Restated 2016 Omnibus Stock Incentive Prospectus
2022 Performance Bonus Plan
Annual Report and Proxy Statement

Parker-Hannifin Corporation
Long-Term Incentive Performance Plan Under the Performance Bonus Plan (as Amended and Restated)

**Summary and
Terms and Conditions**

1. Effective Date and Purpose. Parker-Hannifin Corporation, an Ohio corporation (the “Company”), adopted the Parker-Hannifin Corporation Long-Term Incentive Performance Plan as Amended and Restated Under the Performance Bonus Plan (the “Plan”) effective as of January 20, 2016, and as amended and restated effective as of January 27, 2022. The purpose of the 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 an award of shares of Parker-Hannifin Common Stock (“Shares”) that qualifies as a Long-Term Incentive Bonus (as defined in the Company’s Performance Bonus Plan), while preserving the ability of the Company to deduct Long-Term Incentive Bonuses paid under the Plan as “performance-based compensation” within the meaning of Section 162(m)(4)(C) (to the extent applicable) and the Stock Incentive Plan. Capitalized terms not defined in the Plan shall have the meanings set forth in the Performance Bonus Plan or the Stock Incentive Plan, as applicable.

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 and subject to the terms and conditions of Section 5 of the Performance Bonus Plan (including the limits on a Participant's maximum Long-Term Incentive Bonuses with respect to the 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. From and after the Grant Date and until the earlier of (i) the time when the Award Opportunity is paid in accordance with Section 6 hereof or (ii) the time when your right to payment of the Award Opportunity is forfeited in accordance with Section 7 hereof, on the date that the Company pays a cash dividend (if any) to holders of shares of Common Stock generally, you 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 of Common Stock equal to the number of your unpaid Target Shares by the closing price per share of the Company's Common Stock 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 these Terms and Conditions 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 the 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. 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:
75 th percentile or higher	200%
50 th percentile	100% (Target Shares)
35 th percentile	50%
lower than 35 th 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 35th 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 the Plan or this Summary and Terms and Conditions, 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 of any Long-Term Incentive Bonus pursuant to the 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 Award Opportunity, if any, that the Committee determines (in accordance with Section 5) to be payable for such Performance Period, as if the Participant had remained continuously employed through the end of the Performance Period. Any such Award Opportunity 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 a prorated Long-Term Incentive Bonus for that Performance Period equal to the product of the amount of the Award Opportunity, if any, determined to be payable 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 bonus 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 the 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 of Common Stock 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 of Common Stock 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; provided, however, that no Award Opportunity shall be granted or adjusted in such a manner as to cause any Long-Term Incentive Bonus payable under the Plan to fail to qualify as "performance-based compensation" within the meaning of section 162(m)(4)(C) of the Code and Section 1.162-27 of the Treasury Regulations promulgated thereunder.

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 the 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 Long-Term Incentive Bonus, 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 Long-Term Incentive Award than would otherwise be provided by Section 9.B above.

10. Plan Administration. The Committee shall be responsible for administration of the Plan. The Committee is authorized to interpret the Plan, to prescribe, amend and rescind regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan, the Performance Bonus Plan and the Stock Incentive Plan. Determinations, interpretations or other actions made or taken by the Committee pursuant to the provisions of the 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. The Committee may, in its discretion, but only to the extent permitted by Section 162(m) of the Code (as applicable), delegate to one or more directors or employees of the Company any of the Committee's authority under the Plan. The acts of any such delegates shall be treated under the Plan as acts of the Committee with respect to any matters so delegated, and any reference to the Committee in the 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 Long-Term Incentive Bonus payable under the Plan. To the extent the Company is required to withhold any federal, state, local, foreign or other taxes in connection with the delivery of the Common Stock under the 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 Common Stock 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 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 the 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, the Plan, the Performance Bonus Plan and the Stock Incentive Plan. Nothing in the Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of a Long-Term Incentive bonus other than as an unsecured general creditor with respect to any payment to which he or she may be entitled under the Plan.

13. Rights of Employer. Neither anything contained in the Plan nor any action taken under the 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.

14. Nontransferability. Except as otherwise provided in the Plan or the Award Agreement, the benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, 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 the 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 the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

16. Governing Law. The 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 the 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 be subject to approval by the shareholders of the Company to the extent required to satisfy the requirements of Section 162(m) of the Code and the Treasury Regulations promulgated thereunder (as applicable), and provided further that any such amendment shall not, after the end of the 90-day period described in Section 3 of the 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 the 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 Long-Term Incentive Bonus paid, pursuant to the Plan shall be subject to the terms and conditions of the Claw-back Policy.

19. Section 409A of the Code. It is the Company's intent that each Long-Term Incentive Bonus payable under the 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. The Plan shall be interpreted and administered in a manner consistent with such intent.

20. Plan and Performance Bonus Plan Terms Control. In the event of a conflict between the terms and conditions of any Award Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall prevail. In the event of a conflict between the terms and conditions of any Award Agreement or the Plan and the terms and conditions of the Performance Bonus Plan, the terms and conditions of the Performance Bonus Plan shall prevail to the extent necessary for Long-Term Incentive Bonuses paid under the Plan to qualify as "performance-based compensation" for purposes of Section 162(m) of the Code and Section 1.162-27 of the Treasury Regulations promulgated thereunder. In the event of a conflict between the terms and conditions of any Award Agreement 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 the Plan is held invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

22. Waiver. The waiver by the Company of any breach of any provision of the 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 the 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 the 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 your favor, for the purpose of managing and administering the 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 the Plan, and may further transfer Data to any third parties assisting the Company and its Affiliates in the implementation, administration and management of the 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 the Plan, including any requisite transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of shares of stock on the Participant's behalf to a broker or other third party with whom the Participant may elect to deposit any shares of stock acquired pursuant to the 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 the Plan.

25. Notification of Change in Personal Data. If your 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 the 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: Update your address and contact information directly through your Personal Profile section in the Employee Self-Service site.

Retired, terminated or family member of deceased Participant: 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): Contact your country Human Resources Manager.

26. Electronic Delivery. By acknowledging an Award Opportunity, each Participant will consent and agree 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 the Plan. By acknowledging an Award Opportunity, each Participant will consent 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 will agree 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 will consent and agree that any such procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the 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 Parker's Total Rewards Department.

28. Definitions. The following capitalized words as used in the Award Agreement 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 the Plan, the Performance Bonus Plan and the Stock Incentive Plan.

“Award Opportunity” means an opportunity granted by the Committee to a Participant to earn a Long-Term Incentive Bonus under the Plan with respect to a Performance Period, payable in Shares to be delivered under the Stock Incentive Plan, with such opportunity subject to the terms and conditions of the Award Agreement, the Plan, the Performance Bonus Plan and the Stock Incentive Plan.

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

"Claw-back Policy" means the Parker-Hannifin Corporation Claw-back Policy, as amended from time to time, or any successor policy.

“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 the Performance Bonus Plan; provided, however, that in any event the Committee shall be comprised of not less than two directors of the Company, each of whom shall qualify as an “outside director” for purposes of Section 162(m) of the Code and Section 1.162-27(e)(3) of the Treasury Regulations promulgated thereunder (as applicable).

“Common Stock” means the common stock of the Company.

“Company” has the meaning given such term in Section 1 of the 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 the Plan is adopted or becomes so employed subsequent to the adoption of the 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 of Common Stock and shall at all times be equal in value to one share of Common Stock. The number of Maximum Shares granted pursuant to each outstanding Award Opportunity is subject to adjustment in accordance with the terms of the Performance Bonus Plan.

"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 grant of such Award Opportunity.

"Performance Bonus Plan" means the Parker-Hannifin Corporation 2022 Performance Bonus Plan, as it existed prior to its expiration, or any successor plan approved by the shareholders of the Company.

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

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

"Qualifying Retirement" applies to participants in the Plan who receive their first Award Opportunity pursuant to the 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 Amended and Restated Parker-Hannifin Corporation 2016 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 Notice of Award for a Performance Period, which may be used by the Committee in the exercise of its discretion under Section 5.B of the Plan to reduce the amount otherwise payable pursuant to the Participant's Award Opportunity.

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 5, 2023

/s/ Jennifer A. Parmentier

Jennifer A. Parmentier
Chief Executive Officer

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 5, 2023

/s/ Todd M. Leombruno

Todd M. Leombruno

Executive Vice President and Chief Financial Officer

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, 2023, 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 5, 2023

/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