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, 2022
OR

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

For the transition period from______ to ______

Commission File number 1-4982

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

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

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

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

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

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

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

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

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

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

Number of Common Shares outstanding at March 31, 2022: 128,372,008

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021*	2022	2021*
Net sales	$ 4,086,387	$ 3,746,326	$ 11,673,776	$ 10,388,771
Cost of sales	2,927,991	2,712,785	8,406,613	7,617,399
Selling, general and administrative expenses	412,431	386,831	1,200,906	1,113,254
Interest expense	63,272	60,830	183,982	189,778
Other expense (income), net	248,704	(13,460)	386,217	(122,066)
Income before income taxes	433,989	599,340	1,496,058	1,590,406
Income taxes	85,901	126,101	308,778	348,514
Net income	348,088	473,239	1,187,280	1,241,892
Less: Noncontrolling interest in subsidiaries' earnings	71	86	506	585
Net income attributable to common shareholders	$ 348,017	$ 473,153	$ 1,186,774	$ 1,241,307
Earnings per share attributable to common shareholders:				
Basic	$ 2.71	$ 3.67	$ 9.23	$ 9.63
Diluted	$ 2.67	$ 3.60	$ 9.10	$ 9.50

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	**2021***	**2022**	**2021***
Net income	$ 348,088	$ 473,239	$ 1,187,280	$ 1,241,892
Less: Noncontrolling interests in subsidiaries' earnings	71	86	506	585
Net income attributable to common shareholders	348,017	473,153	1,186,774	1,241,307
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(16,898)	(65,970)	(56,730)	282,539
Retirement benefits plan activity	30,455	39,723	91,335	120,859
Other comprehensive income (loss)	13,557	(26,247)	34,605	403,398
Less: Other comprehensive (loss) income for noncontrolling interests	(276)	(463)	(862)	813
Other comprehensive income (loss) attributable to common shareholders	13,833	(25,784)	35,467	402,585
Total comprehensive income attributable to common shareholders	$ 361,850	$ 447,369	$ 1,222,241	$ 1,643,892

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

CONSOLIDATED BALANCE SHEET
(Dollars in thousands)
(Unaudited)

	March 31, 2022	June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 467,711	$ 733,117
Marketable securities and other investments	38,561	39,116
Trade accounts receivable, net	2,357,244	2,183,594
Non-trade and notes receivable	327,186	326,315
Inventories	2,330,242	2,090,642
Prepaid expenses and other	2,708,750	243,966
Total current assets	8,229,694	5,616,750
Property, plant and equipment	6,019,745	6,040,220
Less: Accumulated depreciation	3,845,508	3,773,744
Property, plant and equipment, net	2,174,237	2,266,476
Deferred income taxes	144,506	104,251
Investments and other assets	787,986	774,239
Intangible assets, net	3,254,062	3,519,797
Goodwill	7,954,835	8,059,687
Total assets	$ 22,545,320	$ 20,341,200
LIABILITIES		
Current liabilities:		
Notes payable and long-term debt payable within one year	$ 1,923,860	$ 2,824
Accounts payable, trade	1,732,421	1,667,878
Accrued payrolls and other compensation	418,876	507,027
Accrued domestic and foreign taxes	276,159	236,384
Other accrued liabilities	1,055,348	682,390
Total current liabilities	5,406,664	3,096,503
Long-term debt	6,229,654	6,582,053
Pensions and other postretirement benefits	904,332	1,055,638
Deferred income taxes	448,583	553,981
Other liabilities	583,228	639,355
Total liabilities	13,572,461	11,927,530
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	363,367	329,619
Retained earnings	15,704,238	14,915,497
Accumulated other comprehensive (loss)	(1,531,260)	(1,566,727)
Treasury shares, at cost; 52,674,120 shares at March 31 and 51,900,460 shares at June 30	(5,667,002)	(5,370,605)
Total shareholders' equity	8,959,866	8,398,307
Noncontrolling interests	12,993	15,363
Total equity	8,972,859	8,413,670
Total liabilities and equity	$ 22,545,320	$ 20,341,200

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

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

	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,187,280	$ 1,241,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	194,945	204,615
Amortization	237,377	244,193
Share incentive plan compensation	109,781	101,907
Deferred income taxes	(174,270)	(11,824)
Foreign currency transaction gain	(26,970)	(8,239)
Gain on disposal of property, plant and equipment	(6,782)	(108,449)
Gain on sale of business	(1,472)	—
Loss (gain) on marketable securities	2,280	(8,489)
Gain on investments	(2,024)	(6,008)
Other	66,386	11,149
Changes in assets and liabilities:		
Accounts receivable, net	(163,900)	(238,882)
Inventories	(274,717)	(52,398)
Prepaid expenses and other	24,061	24,757
Other assets	(17,317)	(22,191)
Accounts payable, trade	91,531	417,196
Accrued payrolls and other compensation	(80,483)	(2,645)
Accrued domestic and foreign taxes	44,266	4,768
Other accrued liabilities	372,491	17,396
Pensions and other postretirement benefits	(20,460)	32,418
Other liabilities	(13,565)	40,239
Net cash provided by operating activities	1,548,438	1,881,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(158,864)	(136,064)
Proceeds from sale of property, plant and equipment	29,320	132,740
Proceeds from sale of businesses	3,366	—
Purchases of marketable securities and other investments	(20,012)	(30,608)
Maturities and sales of marketable securities and other investments	17,662	71,225
Other	2,766	14,120
Net cash (used in) provided by investing activities	(125,762)	51,413
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	2,566	4,012
Payments for common shares	(374,996)	(129,531)
Proceeds from (payments for) notes payable, net	1,621,483	(539,500)
Proceeds from long-term borrowings	10,667	2,016
Payments for long-term borrowings	(9,708)	(1,211,334)
Financing fees paid	(52,655)	—
Dividends paid	(398,099)	(341,333)
Net cash provided by (used in) financing activities	799,258	(2,215,670)
Effect of exchange rate changes on cash	106	86,938
Net increase (decrease) in cash, cash equivalents and restricted cash	2,222,040	(195,914)
Cash, cash equivalents and restricted cash at beginning of year	733,117	685,514
Cash, cash equivalents and restricted cash at end of period	$ 2,955,157	$ 489,600

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

See accompanying notes to consolidated financial statements.

PARKER-HANNIFIN CORPORATION

BUSINESS SEGMENT INFORMATION
(Dollars in thousands)
(Unaudited)

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 original equipment manufacturers ("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, business jet, military and general aviation aircraft, missile and spacecraft markets. The Aerospace Systems Segment provides a full range of systems and components for hydraulic, pneumatic and fuel applications.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021*	2022	2021*
Net sales				
Diversified Industrial:				
North America	$ 2,014,715	$ 1,758,383	$ 5,615,454	$ 4,853,371
International	1,439,357	1,388,999	4,214,972	3,777,875
Aerospace Systems	632,315	598,944	1,843,350	1,757,525
Total net sales	$ 4,086,387	$ 3,746,326	$ 11,673,776	$ 10,388,771
Segment operating income				
Diversified Industrial:				
North America	$ 413,998	$ 336,589	$ 1,085,117	$ 887,041
International	298,475	274,427	881,206	681,541
Aerospace Systems	119,016	102,303	352,063	279,798
Total segment operating income	831,489	713,319	2,318,386	1,848,380
Corporate general and administrative expenses	57,405	48,089	149,064	123,544
Income before interest expense and other expense	774,084	665,230	2,169,322	1,724,836
Interest expense	63,272	60,830	183,982	189,778
Other expense (income)	276,823	5,060	489,282	(55,348)
Income before income taxes	$ 433,989	$ 599,340	$ 1,496,058	$ 1,590,406

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

(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, 2022, the results of operations for the three and nine months ended March 31, 2022 and 2021 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 2021 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.

Subsequent Events

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

2. New accounting pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with Accounting Standards Codification (“ASC”) Topic 606 as if the acquirer had originated the contracts. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company elected to early adopt this standard in the second quarter of fiscal 2022. The impact of the new standard on our consolidated financial statements and related disclosures will depend on the magnitude of future acquisitions.

3. Revenue recognition

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

Diversified Industrial Segment revenues by technology platform:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Motion Systems	$ 895,839	$ 820,514	$ 2,568,166	$ 2,197,971
Flow and Process Control	1,197,590	1,081,570	3,386,417	2,955,643
Filtration and Engineered Materials	1,360,643	1,245,298	3,875,843	3,477,632
Total	$ 3,454,072	$ 3,147,382	$ 9,830,426	$ 8,631,246

Aerospace Systems Segment revenues by product platform:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Flight Control Actuation	$ 189,162	$ 174,067	$ 555,657	$ 499,432
Fuel, Inerting and Engine Motion Control	132,990	129,866	393,554	384,937
Hydraulics	77,519	75,430	222,435	222,193
Engine Components	149,269	145,819	430,346	436,119
Airframe and Engine Fluid Conveyance	55,617	49,190	161,993	141,737
Other	27,758	24,572	79,365	73,107
Total	$ 632,315	$ 598,944	$ 1,843,350	$ 1,757,525

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
North America	$ 2,645,106	$ 2,354,251	$ 7,451,153	$ 6,598,238
Europe	829,392	788,498	2,344,533	2,087,030
Asia Pacific	560,250	561,274	1,735,574	1,586,375
Latin America	51,639	42,303	142,516	117,128
Total	$ 4,086,387	$ 3,746,326	$ 11,673,776	$ 10,388,771

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, 2022	June 30, 2021
Contract assets, current (included within Prepaid expenses and other)	$ 25,132	$ 34,190
Contract assets, noncurrent (included within Investments and other assets)	551	1,884
Total contract assets	25,683	36,074
Contract liabilities, current (included within Other accrued liabilities)	(52,479)	(51,211)
Contract liabilities, noncurrent (included within Other liabilities)	(1,848)	(3,080)
Total contract liabilities	(54,327)	(54,291)
Net contract liabilities	$ (28,644)	$ (18,217)

Net contract liabilities at March 31, 2022 increased from the June 30, 2021 amount primarily due to a decrease in contract assets resulting from customer billings. During the nine months ended March 31, 2022, approximately $38 million of revenue was recognized that was included in the contract liabilities at June 30, 2021.

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, 2022 was $7,761 million, of which approximately 88 percent is expected to be recognized as revenue within the next12 months and the balance thereafter.

4. Proposed Acquisition

On August 2, 2021, the Company announced that it reached an agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Meggitt plc ("Meggitt") for 800 pence per share (the "Acquisition"), which is approximately £6,263 million based on issued share capital at March 31, 2022.

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. We intend to fund the proposed Acquisition with cash and new debt. Refer to Note 14 for further discussion. The proposed Acquisition received the European Commission's clearance on April 11, 2022, conditional on full compliance with commitments offered by the Company, including a commitment to divest its wheel and brake business within the Aerospace Systems Segment. The proposed Acquisition remains subject to customary closing conditions, including further regulatory clearances. Acquisition-related transaction costs totaled $34 million for the nine months ended March 31, 2022. These costs are included in selling, general and administrative expenses in the Consolidated Statement of Income.

Restricted Cash

In connection with the proposed Acquisition, we deposited a total of $2,272 million, comprised of cash on hand and net proceeds from the issuance of commercial paper, into an escrow account during the three months ended December 31, 2021. The escrow account is restricted for payments related to the proposed Acquisition. At March 31, 2022, the balance was $2,487 million, which was recorded within prepaid expenses and other in the Consolidated Balance Sheet.

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, 2022 and 2021.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021*	2022	2021*
Numerator:				
Net income attributable to common shareholders	$ 348,017	$ 473,153	$ 1,186,774	$ 1,241,307
Denominator:				
Basic - weighted average common shares	128,426,675	129,085,563	128,549,040	128,935,696
Increase in weighted average common shares from dilutive effect of equity-based awards	1,916,906	2,292,370	1,889,553	1,690,904
Diluted - weighted average common shares, assuming exercise of equity-based awards	130,343,581	131,377,933	130,438,593	130,626,600
Basic earnings per share	$ 2.71	$ 3.67	$ 9.23	$ 9.63
Diluted earnings per share	$ 2.67	$ 3.60	$ 9.10	$ 9.50

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

For the three months ended March 31, 2022 and 2021,493,609 and 133 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, 2022 and 2021, 384,955 and 589,364 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, 2022, we repurchased 165,622 shares at an average price, including commissions, of $301.89 per share. During the nine months ended March 31, 2022, we repurchased 1,095,430 shares at an average price, including commissions, of $301.56 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 $10 million and $12 million at March 31, 2022 and June 30, 2021, respectively.

8. Non-trade and notes receivable

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

	March 31, 2022	June 30, 2021
Notes receivable	$ 128,145	$ 144,441
Accounts receivable, other	199,041	181,874
Total	$ 327,186	$ 326,315

9. Inventories

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

	March 31, 2022	June 30, 2021
Finished products	$ 827,464	$ 733,744
Work in process	1,214,415	1,089,976
Raw materials	288,363	266,922
Total	$ 2,330,242	$ 2,090,642

10. Business realignment and acquisition integration charges

We incurred business realignment and acquisition integration charges in the first nine months of fiscal 2022 and 2021. In both the first nine months of fiscal 2022 and 2021, 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. During fiscal 2021, business realignment charges primarily consisted of actions taken to address the impact of COVID-19 on our business. 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 presented in the Business Segment Information are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Diversified Industrial	$ 2,771	$ 4,139	$ 8,835	$ 31,247
Aerospace Systems	318	1,306	913	6,643
Corporate general and administrative expenses	—	156	—	954
Other expense	63	1	63	1,226

Workforce reductions in connection with business realignment charges in the Business Segment Information are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Diversified Industrial	50	65	133	741
Aerospace Systems	4	41	9	326
Corporate general and administrative expenses	—	1	—	19

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Cost of sales	$ 1,757	$ 3,056	$ 4,468	$ 29,389
Selling, general and administrative expenses	1,332	2,545	5,280	9,455
Other expense (income), net	63	1	63	1,226

During the first nine months of fiscal 2022, approximately $17 million in payments were made relating to business realignment charges. Remaining payments related to business realignment actions of approximately $7 million, a majority of which are expected to be paid by December 31, 2022, 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 as a result of our exit of business operations in Russia. These charges primarily consist 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, $7 million of expense was recorded in the other expense (income) 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 related to the fiscal 2020 acquisitions of LORD Corporation ("Lord") and Exotic Metals Forming Company ("Exotic"):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Diversified Industrial	$ 933	$ 2,631	$ 2,942	$ 9,495
Aerospace Systems	—	24	—	699

In the first nine months of fiscal 2022, these charges were recorded in both cost of sales and selling, general and administrative expenses within the Consolidated Statement of Income. In fiscal 2021, these charges were primarily included in selling, general and administrative expenses within the Consolidated Statement of Income.

11. Equity

Changes in equity for the three months ended March 31, 2022 and 2021 are as follows:

	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

	Common Stock	Additional Capital	Retained Earnings*	Accumulated Other Comprehensive (Loss)	Treasury Shares	Noncontrolling Interests	Total Equity*
Balance at December 31, 2020	$ 90,523	$ 385,049	$ 14,184,833	$ (2,130,506)	$ (5,311,236)	$ 16,322	$ 7,234,985
Net income			473,153			86	473,239
Other comprehensive income				(25,784)		(463)	(26,247)
Dividends paid ($0.88 per share)			(113,888)			(218)	(114,106)
Stock incentive plan activity		(10,552)			14,796		4,244
Shares purchased at cost					(50,000)		(50,000)
Balance at March 31, 2021	$ 90,523	$ 374,497	$ 14,544,098	$ (2,156,290)	$ (5,346,440)	$ 15,727	$ 7,522,115

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

Changes in equity for the nine months endedMarch 31, 2022 and 2021 are as follows:

	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

	Common Stock		Additional Capital		Retained Earnings*		Accumulated Other Comprehensive (Loss)		Treasury Shares		Noncontrolling Interests		Total Equity*
Balance at June 30, 2020	$	90,523	$	416,585	$	13,643,907	$	(2,558,875)	$	(5,364,916)	$	14,546	$	6,241,770
Net income						1,241,307						585		1,241,892
Other comprehensive income								402,585				813		403,398
Dividends paid ($2.64 per share)						(341,116)						(217)		(341,333)
Stock incentive plan activity				(42,088)						68,476				26,388
Shares purchased at cost										(50,000)				(50,000)
Balance at March 31, 2021	$	90,523	$	374,497	$	14,544,098	$	(2,156,290)	$	(5,346,440)	$	15,727	$	7,522,115

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

Changes in accumulated other comprehensive (loss) in shareholders' equity by component for the nine months ended March 31, 2022 and 2021 are as follows:

		Foreign Currency Translation Adjustment and Other		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	$	(921,733)	$	(609,527)	$	(1,531,260)

		Foreign Currency Translation Adjustment		Retirement Benefit Plans		Total
Balance at June 30, 2020	$	(1,193,937)	$	(1,364,938)	$	(2,558,875)
Other comprehensive income before reclassifications		281,726		—		281,726
Amounts reclassified from accumulated other comprehensive (loss)		—		120,859		120,859
Balance at March 31, 2021	$	(912,211)	$	(1,244,079)	$	(2,156,290)

Significant reclassifications out of accumulated other comprehensive (loss) in shareholders' equity for the three and nine months ended March 31, 2022 and 2021 are as follows:

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

Details about Accumulated Other Comprehensive (Loss) Components	Income (Expense) Reclassified from Accumulated Other Comprehensive (Loss)		Consolidated Statement of Income Classification
	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2021	
Retirement benefit plans			
Amortization of prior service cost and initial net obligation	$ (1,304)	$ (3,542)	Other expense (income), net
Recognized actuarial loss	(51,212)	(156,240)	Other expense (income), net
Total before tax	(52,516)	(159,782)	
Tax benefit	12,793	38,923	
Net of tax	$ (39,723)	$ (120,859)	

12. Goodwill and intangible assets

The changes in the carrying amount of goodwill for the nine months ended March 31, 2022 are as follows:

	Diversified Industrial Segment	Aerospace Systems Segment	Total
Balance at June 30, 2021	$ 7,457,309	$ 602,378	$ 8,059,687
Divestitures	(164)	—	(164)
Foreign currency translation and other	(104,668)	(20)	(104,688)
Balance at March 31, 2022	$ 7,352,477	$ 602,358	$ 7,954,835

Divestitures represent goodwill associated with the sale of a business during the current-year quarter.

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, 2021, the Company performed its fiscal 2022 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, 2022		June 30, 2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents and technology	$ 995,313	$ 250,377	$ 999,952	$ 216,314
Trademarks	752,259	352,223	762,130	331,905
Customer lists and other	3,823,435	1,714,345	3,869,772	1,563,838
Total	$ 5,571,007	$ 2,316,945	$ 5,631,854	$ 2,112,057

Total intangible amortization expense for the nine months ended March 31, 2022 and 2021 was $237 million and $244 million, respectively. The estimated amortization expense for the five years ending June 30, 2022 through 2026 is $315 million, $304 million, $297 million, $286 million and $281 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, 2022 and 2021.

13. Retirement benefits

Net pension benefit expense recognized included the following components:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Service cost	$ 18,238	$ 21,016	$ 57,599	$ 63,215
Interest cost	27,953	25,661	82,941	76,833
Expected return on plan assets	(67,024)	(67,201)	(201,487)	(200,410)
Amortization of prior service cost	1,028	1,294	3,084	3,583
Amortization of net actuarial loss	39,570	51,094	118,186	156,254
Amortization of initial net obligation	2	4	6	13
Net pension benefit expense	$ 19,767	$ 31,868	$ 60,329	$ 99,488

We recognized $0.1 million in expense related to other postretirement benefits during both the three months ended March 31, 2022 and 2021. During the nine months ended March 31, 2022 and 2021, we recognized $0.7 million and $0.9 million, respectively, in expense related to other postretirement benefits. Components of retirement benefits expense, other than service cost, are included in other expense (income), net in the Consolidated Statement of Income.

14. Debt

In connection with the proposed 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 £6,524 million at August 2, 2021. As permanent financing for the proposed Acquisition is secured, the principal amount of the Bridge Credit Agreement is reduced. At March 31, 2022, the aggregate principal amount was £3,200 million. Any borrowings made under the Bridge Credit Agreement would mature 364 days from the initial funding date. The commitments are intended to be drawn to finance the proposed Acquisition only to the extent that we do not arrange for alternative financing prior to closing. During the nine months ended March 31, 2022, we incurred $51 million in financing fees related to the Bridge Credit Agreement, all of which was included in other expense (income), net within the Consolidated Statement of Income.

On August 27, 2021, the Company entered into a credit agreement, which provides for a senior, unsecured delayed-draw term loan facility in an aggregate principal amount of $2,000 million (the “Term Loan Facility”). The proceeds of the Term Loan Facility, if drawn, will be used solely by the Company to finance a portion of the consideration of its proposed Acquisition and would mature in its entirety three years after the initial draw. Additionally, the provisions of the Term Loan Facility allow for prepayments at the Company's discretion.

During the first nine months of fiscal 2022, we amended our existing multi-currency credit agreement, increasing its capacity to $3,000 million. During October 2021, we issued $2,126 million of commercial paper to finance the proposed Acquisition. Commercial paper notes outstanding at March 31, 2022 were $1,621 million. There were no outstanding commercial paper notes as of June 30, 2021.

Based on the Company’s rating level at March 31, 2022, 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, 2022, our debt to debt-shareholders' equity ratio was 0.48 to 1.0. We are in compliance, and expect to remain in compliance, with all covenants set forth in the credit agreements and indentures.

15. Income taxes

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

As of March 31, 2022, we had gross unrecognized tax benefits of $95 million, all of which, if recognized, would impact the effective tax rate. The accrued interest related to the gross unrecognized tax benefits, excluded from the amount above, is $19 million. It is reasonably possible that within the next 12 months the amount of gross unrecognized tax benefits could be reduced by up to approximately $30 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, 2022 and 2021.

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, 2022	June 30, 2021
Carrying value of long-term debt	$ 6,588,048	$ 6,646,029
Estimated fair value of long-term debt	6,680,555	7,527,268

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

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

In connection with the proposed Acquisition, the Company entered into deal-contingent forward contracts during October 2021 to mitigate the risk of appreciation in the GBP-denominated purchase price. The deal-contingent forward contracts have an aggregate notional amount of £6,415 million, and settlement is contingent upon closing the proposed Acquisition.

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, 2022	June 30, 2021
Net investment hedges			
Cross-currency swap contracts	Other liabilities	29,299	71,798
Cash flow hedges			
Forward exchange contracts	Non-trade and notes receivable	30,355	5,376
Forward exchange contracts	Other accrued liabilities	9,540	9,435
Deal-contingent forward contracts	Other accrued liabilities	396,365	—
Costless collar contracts	Non-trade and notes receivable	279	110
Costless collar contracts	Other accrued liabilities	3,662	901

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 cross-currency swap contracts have been designated as hedging instruments. The forward exchange, deal-contingent forward and costless collar contracts have not been designated as hedging instruments and are considered to be economic hedges of forecasted transactions.

The forward exchange and costless collar contracts are adjusted to fair value by recording gains and losses through the cost of sales caption in the Consolidated Statement of Income. The deal-contingent forward contracts are adjusted to fair value by recording gains and losses through the other expense (income), 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 cross-currency swap hedging instruments using the spot method. Under this method, the periodic interest settlements are recognized directly in earnings through interest expense.

Net gains (losses) of $24 million and $(3) million relating to forward exchange contracts were recorded during the three months ended March 31, 2022 and 2021, respectively. Net gains of $47 million and $21 million relating to forward exchange contracts were recorded during the nine months ended March 31, 2022 and 2021, respectively. Net (losses) of $(247) million and $(396) million relating to the deal-contingent forward contracts were recorded during the three and nine months ended March 31, 2022, respectively. All other gains or losses on derivative financial instruments recorded in the Consolidated Statement of Income for the three and nine months ended March 31, 2022 and 2021 were not material.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Cross-currency swap contracts	$ 887	$ 5,188	$ 30,205	$ (33,675)
Foreign denominated debt	16,194	25,636	41,843	(26,200)

During the nine months ended March 31, 2022 and 2021, the periodic interest settlements related to the cross-currency swaps were not material.

A summary of financial assets and liabilities that were measured at fair value on a recurring basis at March 31, 2022 and June 30, 2021 are as follows:

	Fair Value at March 31, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity securities	$ 17,057	$ 17,057	$ —	$ —
Derivatives	30,634	—	30,634	—
Liabilities:				
Derivatives	438,866	—	438,866	—

	Fair Value at June 30, 2021	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity securities	$ 20,517	$ 20,517	$ —	$ —
Derivatives	5,486	—	5,486	—
Liabilities:				
Derivatives	82,134	—	82,134	—

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.

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, 2022 AND COMPARABLE PERIODS ENDED MARCH 31, 2021

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 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. In compliance with international sanctions, we immediately suspended all shipments to and from Russia and, in March 2022, we closed our office and warehouse facility in Moscow. We do not expect our exit of business operations in Russia to materially impact our business, operations or financial results.

Despite disruption within the aerospace industry, including ongoing travel restrictions, commercial aerospace demand is beginning to recover. We are managing the challenging supply chain environment through our "local for local" manufacturing strategy, ongoing supplier management process, and broadened supply base. 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.

We continue to prioritize the safety of our team members. To minimize the spread of COVID-19 in our workplaces, we implemented heightened prevention, screening and hygiene protocols. Our actions have varied depending on the spread of COVID-19 in the communities in which we operate, applicable government requirements and the needs of our employees, customers and business.

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.

As previously announced, on March 14, 2022, we detected that a third party gained unauthorized access to our systems and immediately activated incident response protocols. We believe that data was exfiltrated in the incident, including personal information of our team members. However, 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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2022**	**2021***	**2022**	**2021***
Net sales	$ 4,086	$ 3,746	$ 11,674	$ 10,389
Gross profit margin	28.3 %	27.6 %	28.0 %	26.7 %
Selling, general and administrative expenses	$ 412	$ 387	$ 1,201	$ 1,113
Selling, general and administrative expenses, as a percent of sales	10.1 %	10.3 %	10.3 %	10.7 %
Interest expense	$ 63	$ 61	$ 184	$ 190
Other expense (income), net	$ 249	$ (13)	$ 386	$ (122)
Effective tax rate	19.8 %	21.0 %	20.6 %	21.9 %
Net income	$ 348	$ 473	$ 1,187	$ 1,242
Net income, as a percent of sales	8.5 %	12.6 %	10.2 %	12.0 %

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

Net sales increased for the current-year quarter and first nine months of fiscal 2022 when compared to the prior-year periods primarily due to higher volume in both the Diversified Industrial and Aerospace Systems Segments. The effect of currency rate changes decreased net sales by approximately $74 million and $89 million in the current-year quarter and first nine months of fiscal 2022, respectively. Substantially all of the $74 million decrease in the current-year quarter is attributable to the Diversified Industrial International businesses. During the first nine months of fiscal 2022, the effect of currency rate changes decreased net sales by approximately $96 million and $3 million in the Diversified Industrial International businesses and Aerospace Systems Segment, respectively. These decreases were partially offset by a $10 million increase in sales within the Diversified Industrial North American businesses.

Gross profit margin (calculated as net sales minus cost of sales, divided by net sales) increased in the current-year quarter and first nine months of fiscal 2022 primarily due to higher margins in both the Aerospace Systems and Diversified Industrial Segments. These increases are primarily due to higher sales volume and benefits from continuous improvement initiatives, as well as price increases, partially offset by increased freight, material and labor costs resulting from the ongoing inflationary environment and disruption within the global supply chain and labor markets.

Cost of sales included net foreign currency transaction gains of $10 million and $8 million for the current-year and prior-year quarter, respectively, and $27 million and $8 million for the first nine months of fiscal 2022 and 2021, respectively.

Cost of sales also included business realignment and acquisition integration charges of $2 million and $3 million for the current-year and prior-year quarter, respectively, and $6 million and $31 million for the first nine months of fiscal 2022 and 2021, respectively.

Selling, general and administrative expenses ("SG&A") increased during the current-year quarter and first nine months of fiscal 2022 primarily due to acquisition-related transaction costs of $12 million and $34 million, respectively, as well as higher net expense from the Company's deferred compensation plan and related investments and higher professional fees and related expenses. SG&A also included business realignment and acquisition integration charges of $2 million and $5 million for the current-year and prior-year quarter, respectively, and $7 million and $19 million for the first nine months of fiscal 2022 and 2021, respectively.

Interest expense for the current-year quarter increased primarily due to higher average debt outstanding. Interest expense decreased during the first nine months of fiscal 2022 primarily due to lower average debt outstanding.

Other expense (income), net included the following:

(dollars in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
Expense (income)	2022	2021	2022	2021
Income related to equity method investments	$ (17)	$ (11)	$ (52)	$ (30)
Non-service components of retirement benefit cost	2	11	3	37
Loss (gain) on disposal of assets and divestitures	1	(6)	(8)	(108)
Acquisition-related financing fees	1	—	51	—
Loss on deal-contingent forward contracts	247	—	396	—
Russia liquidation	8	—	8	—
Other items, net	7	(7)	(12)	(21)
	$ 249	$ (13)	$ 386	$ (122)

Loss (gain) on disposal of assets and divestitures for the prior-year quarter and first nine months of fiscal 2021 includes a gain on the sale of land of approximately $101 million.

Acquisition-related financing fees in the current-year quarter and first nine months of fiscal 2022 relate to the bridge credit agreement (the "Bridge Credit Agreement") fees associated with the proposed acquisition (the "Acquisition") of Meggitt plc ("Meggitt"). Refer to Note 14 of the Consolidated Financial Statements for further discussion of the Bridge Credit Agreement.

Loss on deal-contingent forward contracts for the current-year quarter and first nine months of fiscal 2022 includes an unrealized loss on the deal-contingent forward contracts related to the proposed Acquisition. Refer to Note 16 to the Consolidated Financial Statements for further discussion of the deal-contingent forward contracts.

Effective tax rate for the current-year quarter and first nine months of fiscal 2022 was lower than the comparable prior-year periods primarily due to an overall increase in discrete tax benefits. The fiscal 2022 effective tax rate is expected to be approximately 21.5 percent.

BUSINESS SEGMENT INFORMATION

Diversified Industrial Segment

(dollars in millions)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Net sales				
North America	$ 2,015	$ 1,758	$ 5,615	$ 4,853
International	1,439	1,389	4,215	3,778
Operating income				
North America	414	337	1,085	887
International	$ 298	$ 274	$ 881	$ 682
Operating margin				
North America	20.5 %	19.1 %	19.3 %	18.3 %
International	20.7 %	19.8 %	20.9 %	18.0 %
Backlog	$ 4,446	$ 2,850	$ 4,446	$ 2,850

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, 2022 Three Months	Period Ending March 31, 2022 Nine Months
Diversified Industrial North America – as reported	14.6 %	15.7 %
Currency	0.1 %	0.2 %
Diversified Industrial North America – without currency[1]	14.5 %	15.5 %
Diversified Industrial International – as reported	3.6 %	11.6 %
Currency	(5.3)%	(2.5)%
Diversified Industrial International – without currency[1]	8.9 %	14.1 %
Total Diversified Industrial Segment – as reported	9.7 %	13.9 %
Currency	(2.3)%	(1.0)%
Total Diversified Industrial Segment – without currency[1]	12.0 %	14.9 %

[1]This table reconciles the percentage changes in net sales of the Diversified Industrial Segment reported in accordance with accounting principles generally accepted in the United States of America ("GAAP") to percentage changes in net sales adjusted to remove the effects of currency exchange rates (a non-GAAP measure). The effects of 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 14.6 percent and 15.7 percent during the current-year quarter and first nine months of fiscal 2022, respectively. Currency exchange rates did not materially impact sales in the current-year quarter. In the first nine months of fiscal 2022, the effect of currency exchange rates increased sales by approximately $10 million. Excluding the effects of currency exchange rates, sales in the Diversified Industrial North American businesses increased 14.5 percent in the current-year quarter and 15.5 percent in the first nine months of fiscal 2022 when compared to prior-year levels primarily due to higher demand from distributors and end users across most markets, including the life sciences, construction, heavy-duty truck, farm and agriculture, engines, material handling, refrigeration and metal fabrication markets, partially offset by lower end-user demand in the power generation market. Additionally, end-user demand decreased in the machine tool and cars and light truck markets from the prior-year quarter and first nine months of fiscal 2021, respectively.

Diversified Industrial International - Sales increased 3.6 percent and 11.6 percent from the prior-year quarter and first nine months of fiscal 2021, respectively. The effect of currency exchange rates decreased sales by approximately $74 million and $96 million in the current-year quarter and first nine months of fiscal 2022, respectively. Excluding the effects of currency exchange rates, Diversified Industrial International sales increased 8.9 percent in the current-year quarter and 14.1 percent in the first nine months of fiscal 2022 from prior-year levels. Europe accounted for approximately 80 percent of the increase in sales during the current-year quarter, while both the Asia Pacific region and Latin America each contributed approximately 10 percent of the change. During the first nine months of fiscal 2022, the increase in sales was primarily related to Europe and the Asia Pacific region, which contributed approximately 65 percent and 30 percent of the increase, respectively, while Latin America accounted for the remainder of the change.

Within Europe, sales in the current-year quarter and first nine months of fiscal 2022 increased primarily due to higher demand from distributors and end users across most markets, including the construction, industrial machinery, machine tool, mining, material handling, heavy-duty truck, forestry and life sciences markets, partially offset by lower end-user demand in the cars and light truck, telecommunications, and power generation markets. In the first nine months of fiscal 2022, lower end-user demand in the oil and gas market partially offset the increase in sales. However, we experienced an increase in end-user demand within the oil and gas market during the current-year quarter.

Within the Asia Pacific region, sales in the current-year quarter and first nine months of fiscal 2022 increased primarily due to an increase in demand from distributors and end users in the semiconductor, refrigeration, and machine tool markets, partially offset by lower end-user demand in the engines and power generation markets. In the first nine months of fiscal 2022, we experienced higher end-user demand in the industrial machinery, construction and life sciences markets compared to the same prior-year period. In the current year-quarter, end-user demand decreased in the construction and life sciences markets.

Within Latin America, sales in the current-year quarter and first nine months of fiscal 2022 increased primarily due to higher demand from distributors and end users in the farm and agriculture, construction, mining, cars and light truck, heavy-duty truck and industrial machinery markets. In the first nine months of fiscal 2022, lower end-user demand in the life sciences market partially offset the increase in sales. However, we experienced an increase in end-user demand within the life sciences market during the current-year quarter.

Operating Margin

Diversified Industrial Segment operating margin increased in the current-year quarter and first nine months of fiscal 2022 within both the North American and International businesses primarily due to higher sales volume and benefits from continuous improvement initiatives, as well as price increases. These increases were partially offset by increased operating costs, including higher freight, material, and labor costs resulting from the ongoing disruption within the current supply chain environment and labor market. In addition, within the International businesses, operating margin in the current-year quarter and first nine months of fiscal 2022 benefited from savings related to prior-year restructuring actions.

Business Realignment

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2022**	**2021**	**2022**	**2021**
Diversified Industrial North America	$ 1	$ 2	$ 3	$ 11
Diversified Industrial International	3	5	9	30

In both fiscal 2022 and 2021, 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. During fiscal 2021, business realignment charges primarily consisted of actions taken to address the impact of the COVID-19 pandemic on our business. Acquisition integration 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 2022 will not materially impact operating income in fiscal 2022 or 2023. 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 $12 million of additional business realignment and acquisition integration charges in the remainder of fiscal 2022. However, continually changing business conditions could impact the ultimate costs we incur.

During the current-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 consist of write-downs of inventory and other working capital items.

Backlog

Diversified Industrial Segment backlog as of March 31, 2022 increased from the prior-year quarter due to orders exceeding shipments in both the North American and International businesses. Backlog in the North American and International businesses accounted for approximately 65 percent and 35 percent of the change, respectively. Within the International businesses, Europe, the Asia Pacific region and Latin America accounted for approximately 50 percent, 45 percent and five percent of the change, respectively.

As of March 31, 2022, Diversified Industrial Segment backlog increased compared to the June 30, 2021 amount of $3,239 million due to orders exceeding shipments in both the North American and International businesses. Backlog in the North American and International businesses accounted for approximately 70 percent and 30 percent of the change, respectively. Within the International businesses, the Asia Pacific region, Europe and Latin America accounted for approximately 55 percent, 40 percent and five percent of the increase, respectively.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
(dollars in millions)	**2022**	**2021**	**2022**	**2021**
Net sales	$ 632	$ 599	$ 1,843	$ 1,758
Operating income	$ 119	$ 102	$ 352	$ 280
Operating margin	18.8 %	17.1 %	19.1 %	15.9 %
Backlog	$ 3,315	$ 3,335	$ 3,315	$ 3,335

Net Sales

Aerospace Systems Segment sales for the current-year quarter and first nine months of fiscal 2022 increased compared to the same prior-year periods primarily due to higher volume in the commercial original equipment manufacturer ("OEM") and aftermarket businesses, partially offset by lower military OEM and aftermarket volume.

Operating Margin

Aerospace Systems Segment operating margin increased during the current-year quarter and first nine months of fiscal 2022 primarily due to higher sales volume, favorable commercial aftermarket product mix, higher aftermarket profitability as well as lower engineering development expenses. These benefits were partially offset by challenges created by the ongoing inflationary environment, disruption within the supply chain and labor markets as well as unfavorable commercial OEM product mix.

Business Realignment

As the commercial aerospace markets are recovering, we do not intend to incur significant additional business realignment and acquisition integration charges in the remainder of fiscal 2022. However, continually changing business conditions could impact the ultimate costs we incur.

During the current-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 consist of write-downs of inventory and other working capital items.

Backlog

Aerospace Systems Segment backlog as of March 31, 2022 decreased from the prior-year quarter primarily due to shipments exceeding orders in the military OEM and aftermarket businesses, partially offset by orders exceeding shipments in the commercial OEM and aftermarket businesses. Backlog increased from the June 30, 2021 amount of $3,264 million primarily due to orders exceeding shipments in the commercial OEM and aftermarket businesses, partially offset by shipments exceeding shipments in 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 and administrative expenses

(dollars in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
Expense (income)	2022	2021	2022	2021
Corporate general and administrative expense	$ 57	$ 48	$ 149	$ 124
Corporate general and administrative expense, as a percent of sales	1.4 %	1.3 %	1.3 %	1.2 %

Corporate general and administrative expenses increased in both the current-year quarter and first nine months of fiscal 2022 primarily due to higher net expense from the Company's deferred compensation plan and related investments, higher professional fees and related expenses as well as higher incentive compensation expense. These expenses were partially offset by lower pension expense and lower charitable contributions.

Other expense (income) (in the Business Segment Information) included the following:

(dollars in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
Expense (income)	2022	2021*	2022	2021*
Foreign currency transaction	$ (9)	$ (8)	$ (27)	$ (8)
Stock-based compensation	9	8	55	54
Pensions	(4)	6	(12)	16
Acquisition-related expenses	13	1	84	1
Loss on deal-contingent forward contracts	247	—	396	—
Loss (gain) on disposal of assets and divestitures	1	(6)	(8)	(108)
Russia liquidation	7	—	7	—
Other items, net	13	4	(6)	(10)
	$ 277	$ 5	$ 489	$ (55)

*Prior period has been adjusted to reflect the change in inventory accounting method, as described in the Company's fiscal 2021 Annual Report on Form 10-K.

Foreign currency transaction primarily relates to the impact of exchange rates on cash, marketable securities and other investments, forward contracts and intercompany transactions.

Acquisition-related expenses include Bridge Credit Agreement financing fees and transaction costs related to the proposed 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 for the current-year quarter and first nine months of fiscal 2022 includes an unrealized loss on the deal-contingent forward contracts related to the proposed Acquisition. Refer to Note 16 to the Consolidated Financial Statements for further discussion of the deal-contingent forward contracts.

Loss (gain) on disposal of assets and divestitures for the prior-year quarter and first nine months of fiscal 2021 includes a gain on the sale of land of approximately $101 million.

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, 2022	Nine Months Ended March 31, 2021
Cash provided by (used in):		
Operating activities	$ 1,548	$ 1,881
Investing activities	(126)	51
Financing activities	799	(2,216)
Effect of exchange rates	1	88
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 2,222	$ (196)

Cash flows from operating activities for the first nine months of fiscal 2022 were $1,548 million compared to $1,881 million for the first nine months of fiscal 2021. This decrease of $333 million was primarily driven by increased working capital requirements of $157 million and a decrease in net income of $55 million in fiscal 2022 compared to the same prior-year period.

- Days sales outstanding relating to trade accounts receivable was 53 days at March 31, 2022, 50 days at June 30, 2021 and 52 days at March 31, 2021.
- Days supply of inventory on hand was 81 days at March 31, 2022, 75 days at June 30, 2021 and 77 days at March 31, 2021.

Cash flows from investing activities for the first nine months of fiscal 2022 and 2021 were impacted by the following factors:

- Net purchases of marketable securities of $2 million in fiscal 2022 compared to net maturities of marketable securities of $41 million in fiscal 2021.
- Capital expenditures of $159 million in fiscal 2022 compared to $136 million in the same prior-year period.
- Net proceeds from the sale of land of approximately $111 million in fiscal 2021.

Cash flows from financing activities for the first nine months of fiscal 2022 and 2021 were impacted by the following factors:

- Repurchases of 1.1 million common shares for $330 million during fiscal 2022.
- Term loan repayments of $1,210 million in fiscal 2021.
- Net commercial paper borrowings of $1,621 million in fiscal 2022 compared to net commercial paper repayments of $540 million in fiscal 2021.

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 $1.03 per share on January 27, 2022, which was paid on March 4, 2022. Dividends have been paid for 287 consecutive quarters. Additionally, we declared a quarterly dividend of $1.33 on April 28, 2022, payable on June 3, 2022, increasing our annual dividend per share paid to shareholders for 66 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 $435 million and $467 million held by the Company's foreign subsidiaries at March 31, 2022 and June 30, 2021, 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 $3,000 million of short-term commercial paper notes. During October 2021, we issued $2,126 million of commercial paper to finance the proposed Acquisition. Refer to the Strategic Acquisitions section below for further discussion. As of March 31, 2022, $1,621 million of commercial paper notes were outstanding, and the largest amount of commercial paper notes outstanding during the current-year quarter was $2,150 million.

The Company has a line of credit through a multi-currency revolving credit agreement with a group of banks. During August 2021, we amended the existing credit agreement, increasing its capacity from $2,500 million to $3,000 million, by exercising the accordion feature. At March 31, 2022, $1,379 million was available. 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. Refer to Note 14 to the Consolidated Financial Statements for further discussion.

We primarily utilize unsecured medium-term notes and senior notes to meet our financing needs and we expect to continue to borrow funds at reasonable rates over the long term. Refer to the Cash flows from financing activities section above and Note 14 to the Consolidated Financial Statements for further discussion.

The Company’s credit agreements 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, 2022, 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, 2022, the Company's debt to debt-shareholders' equity ratio was 0.48 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, 2022, 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+

Strategic Acquisitions

On August 2, 2021, the Company announced that it reached an agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Meggitt for 800 pence per share, or approximately £6,263 million based on issued share capital at March 31, 2022. We intend to fund the proposed Acquisition with cash and new debt. The proposed Acquisition received the European Commission's clearance on April 11, 2022, conditional on full compliance with commitments offered by the Company, including a commitment to divest its wheel and brake business within the Aerospace Systems Segment. The proposed Acquisition remains subject to customary closing conditions, including further regulatory clearances.

In connection with the proposed Acquisition, the Company entered into a Bridge Credit Agreement on August 2, 2021. Under the Bridge Credit Agreement, the lenders committed to provide senior, unsecured financing in the aggregate principal amount of £6,524 million at August 2, 2021. As permanent financing for the proposed Acquisition is secured, the principal amount of the Bridge Credit Agreement is reduced. At March 31, 2022, the aggregate principal amount was £3,200 million. Any borrowings made under the Bridge Credit Agreement would mature 364 days from the initial funding date. The commitments are intended to be drawn to finance the proposed Acquisition only to the extent that we do not arrange for alternative financing prior to closing.

Additionally, we entered into a senior, unsecured delayed-draw term loan facility in an aggregate principal amount of$2,000 million (the “Term Loan Facility”) on August 27, 2021. The proceeds of the Term Loan Facility, if drawn, will be used solely by the Company to finance a portion of the consideration of its proposed Acquisition. Refer to Note 14 of the Consolidated Financial Statements for further discussion of the Bridge Credit Agreement and the Term Loan Facility.

During October 2021, we issued $2,126 million of commercial paper. We used the net proceeds and cash on hand to deposit a total of $2,272 million into the escrow account designated for the proposed Acquisition. At March 31, 2022, the balance in the escrow account of $2,487 million is recorded as restricted cash on our Consolidated Balance Sheet within the prepaid expenses and other caption.

In connection with the proposed Acquisition, the Company entered into deal-contingent forward contracts during October 2021 to mitigate the risk of appreciation in the GBP-denominated purchase price. The deal-contingent forward contracts have an aggregate notional amount of £6,415 million, and settlement is contingent upon closing the proposed Acquisition. We expect to record the related fair value gains and losses, which may be significant, through the Consolidated Statement of Income until the closing of the proposed Acquisition. Refer to Note 16 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:

- the impact of the global outbreak of COVID-19 and governmental and other actions taken in response;
- 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;
- ability to identify acceptable strategic acquisition targets; uncertainties surrounding timing, successful completion or integration of acquisitions and similar transactions, including the integration of Lord and Exotic and the proposed acquisition of Meggitt; and our ability to effectively manage expanded operations from the acquisitions of Lord and Exotic and the proposed acquisition of Meggitt;

- 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 regulations in the United Stated and foreign jurisdictions 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 supply chain and labor disruptions, including as a result of labor 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 floods, earthquakes, hurricanes and pandemics;
- increased cybersecurity 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, 2022, and undertakes no obligation to update them unless otherwise required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 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 swaps measured using the spot method, the periodic interest settlements are recognized directly in earnings through interest expense. The translation of the foreign 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.

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, 2022. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that, as of March 31, 2022, the Company’s disclosure controls and procedures were effective.

There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. In response to the COVID-19 pandemic, many of our team members have been working remotely. While there were no material changes in our internal control over financial reporting during the quarter ended March 31, 2022, 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.

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, 2022 through January 31, 2022	50,800	$ 319.34	50,800	8,716,372
February 1, 2022 through February 28, 2022	49,700	$ 304.83	49,700	8,666,672
March 1, 2022 through March 31, 2022	65,122	$ 285.99	65,122	8,601,550
Total:	165,622		165,622	

(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
10(a)	Parker-Hannifin Corporation Long-Term Incentive Performance Plan Under the Performance Bonus Plan, as Amended and Restated, effective as of January 27, 2022.*
10(b)	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 27, 2022.*
31(a)	Certification of the Principal Executive Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the 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. Act of 2002.*
31(b)	Certification of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002. of the Principal Financial Officer Pursuant to 17 CFR 240.13a-14(a), as Adopted Pursuant to §302 of the Sarbanes-Oxley Act of 2002.*
32	Certification Pursuant Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002. 18 U.S.C. Section 1350, as Adopted Pursuant to §906 of the Sarbanes-Oxley Act of 2002.*
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Income for the three and nine months ended March 31, 2022 and 2021, (ii) Consolidated Statement of Comprehensive Income for the three and nine months ended March 31, 2022 and 2021, (iii) Consolidated Balance Sheet at March 31, 2022 and June 30, 2021, (iv) Consolidated Statement of Cash Flows for the nine months ended March 31, 2022 and 2021, and (v) Notes to Consolidated Financial Statements for the nine months ended March 31, 2022.

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 6, 2022

Exhibit 10(a)

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

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:
75th percentile or higher	200%
50th percentile	100% (Target Shares)
35th percentile	50%
lower than 35th 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 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.

Exhibit 10(b)

Parker

TO: [PARTICIPANT NAME]

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

OFFICER AWARD AGREEMENT
(L26)

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 2022-2023-2024
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 2025 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.

Peer Group (as defined in the LTIP Plan):

Caterpillar Inc.	**Fortive Corporation**
Colfax Corporation	**Honeywell International Inc.**
Cummins Inc.	**Illinois Tool Works Inc.**

Danaher Corporation	Ingersoll Rand Inc.

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Deere & Company	**ITT Inc.**
Dover Corporation	**Johnson Controls International plc**
Eaton Corporation plc	**Rockwell Automation Inc.**
Emerson Electric Co.	**Textron Inc.**
Flowserve Corporation	**Trane Technologies plc**

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.

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.

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 35^{th} and the 50^{th} percentile, or between the 50^{th} and the 75^{th} 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 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.

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Exhibit 31(a)

CERTIFICATIONS

I, Thomas L. Williams, 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 6, 2022

/s/ Thomas L. Williams

Thomas L. Williams

Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Todd M. Leombruno, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 6, 2022

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

Exhibit 32

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Quarterly Report on Form 10-Q of Parker-Hannifin Corporation (the “Company”) for the quarterly period ended March 31, 2022, 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 6, 2022

/s/ Thomas L. Williams
Name: Thomas L. Williams
Title: Chief Executive Officer

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