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 June 30, 2024

OR

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

For the Transition Period From _____ To _____

Commission File Number: 001-13836

JOHNSON CONTROLS INTERNATIONAL PLC

(Exact name of registrant as specified in its charter)

Ireland	**98-0390500**
(Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)
One Albert Quay, Cork, Ireland, T12 X8N6	**(353) 21-423-5000**
(Address of Principal Executive Offices and Postal Code)	(Registrant's Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Ordinary Shares, Par Value $0.01	JCI	New York Stock Exchange
1.375% Notes due 2025	JCI25A	New York Stock Exchange
3.900% Notes due 2026	JCI26A	New York Stock Exchange
0.375% Senior Notes due 2027	JCI27	New York Stock Exchange
3.000% Senior Notes due 2028	JCI28	New York Stock Exchange
5.500% Senior Notes due 2029	JCI29	New York Stock Exchange
1.750% Senior Notes due 2030	JCI30	New York Stock Exchange
2.000% Sustainability-Linked Senior Notes due 2031	JCI31	New York Stock Exchange
1.000% Senior Notes due 2032	JCI32	New York Stock Exchange
4.900% Senior Notes due 2032	JCI32A	New York Stock Exchange
4.250% Senior Notes due 2035	JCI35	New York Stock Exchange
6.000% Notes due 2036	JCI36A	New York Stock Exchange
5.70% Senior Notes due 2041	JCI41B	New York Stock Exchange
5.250% Senior Notes due 2041	JCI41C	New York Stock Exchange
4.625% Senior Notes due 2044	JCI44A	New York Stock Exchange
5.125% Notes due 2045	JCI45B	New York Stock Exchange
6.950% Debentures due December 1, 2045	JCI45A	New York Stock Exchange
4.500% Senior Notes due 2047	JCI47	New York Stock Exchange
4.950% Senior Notes due 2064	JCI64A	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	☐	Smaller reporting company	☐
Non-accelerated filer	☐			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 ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Ordinary Shares Outstanding at June 30, 2024
Ordinary Shares, $0.01 par value per share	668,013,549

JOHNSON CONTROLS INTERNATIONAL PLC

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Johnson Controls International plc
Consolidated Statements of Income
(in millions, except per share data; unaudited)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Net sales				
Products and systems	$ 5,422	$ 5,431	$ 14,896	$ 15,070
Services	1,809	1,702	5,128	4,817
	7,231	7,133	20,024	19,887
Cost of sales				
Products and systems	3,652	3,708	10,273	10,337
Services	1,091	994	3,090	2,787
	4,743	4,702	13,363	13,124
Gross profit	2,488	2,431	6,661	6,763
Selling, general and administrative expenses	1,090	1,555	4,854	4,705
Restructuring and impairment costs	106	81	399	844
Net financing charges	71	80	263	218
Equity income	58	78	176	190
Income before income taxes	1,279	793	1,321	1,186
Income tax provision (benefit)	227	(329)	99	(266)
Net income	1,052	1,122	1,222	1,452
Less: Income attributable to noncontrolling interests	77	73	150	152
Net income attributable to Johnson Controls	$ 975	$ 1,049	$ 1,072	$ 1,300
Earnings per share attributable to Johnson Controls				
Basic	$ 1.45	$ 1.54	$ 1.58	$ 1.90
Diluted	1.45	1.53	1.58	1.89

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statements of Comprehensive Income
(in millions; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net income	$ 1,052	$ 1,122	$ 1,222	$ 1,452
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(67)	(72)	(100)	28
Realized and unrealized gains (losses) on derivatives	4	4	(11)	7
Pension and postretirement plans	(1)	(1)	(3)	(2)
Other comprehensive income (loss)	(64)	(69)	(114)	33
Total comprehensive income	988	1,053	1,108	1,485
Comprehensive income attributable to noncontrolling interests:				
Net income	77	73	150	152
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(16)	(47)	(18)	(5)
Realized and unrealized gains (losses) on derivatives	—	2	—	(3)
Other comprehensive loss	(16)	(45)	(18)	(8)
Comprehensive income attributable to noncontrolling interests	61	28	132	144
Comprehensive income attributable to Johnson Controls	$ 927	$ 1,025	$ 976	$ 1,341

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statements of Financial Position
(in millions, except par value; unaudited)

	June 30, 2024	September 30, 2023
Assets		
Cash and cash equivalents	$ 862	$ 835
Accounts receivable, less allowance for expected credit losses of $129 and $90, respectively	6,667	6,006
Inventories	2,863	2,776
Current assets held for sale	205	—
Other current assets	1,556	1,120
Current assets	12,153	10,737
Property, plant and equipment - net	3,011	3,136
Goodwill	17,676	17,936
Other intangible assets - net	4,315	4,888
Investments in partially-owned affiliates	1,054	1,056
Noncurrent assets held for sale	487	—
Other noncurrent assets	4,629	4,489
Total assets	$ 43,325	$ 42,242
Liabilities and Equity		
Short-term debt	$ 1,523	$ 385
Current portion of long-term debt	998	645
Accounts payable	4,128	4,268
Accrued compensation and benefits	1,012	958
Deferred revenue	2,143	1,996
Current liabilities held for sale	149	—
Other current liabilities	2,771	2,832
Current liabilities	12,724	11,084
Long-term debt	7,867	7,818
Pension and postretirement benefits	225	278
Noncurrent liabilities held for sale	203	—
Other noncurrent liabilities	5,163	5,368
Long-term liabilities	13,458	13,464
Commitments and contingencies (Note 21)		
Ordinary shares, $0.01 par value	7	7
Ordinary A shares, €1.00 par value	—	—
Preferred shares, $0.01 par value	—	—
Ordinary shares held in treasury, at cost	(1,266)	(1,240)
Capital in excess of par value	17,447	17,349
Retained earnings	831	1,384
Accumulated other comprehensive loss	(1,051)	(955)
Shareholders' equity attributable to Johnson Controls	15,968	16,545
Noncontrolling interests	1,175	1,149
Total equity	17,143	17,694
Total liabilities and equity	$ 43,325	$ 42,242

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statements of Cash Flows
(in millions; unaudited)

	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
Operating Activities		
Net income attributable to Johnson Controls	$ 1,072	$ 1,300
Income attributable to noncontrolling interests	150	152
Net income	1,222	1,452
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	687	621
Pension and postretirement benefit income	(30)	(23)
Pension and postretirement contributions	(21)	(38)
Equity in (earnings) losses of partially-owned affiliates, net of dividends received	2	(27)
Deferred income taxes	(389)	(270)
Noncash restructuring and impairment charges	333	701
Equity-based compensation	84	92
Other - net	(125)	(104)
Changes in assets and liabilities, excluding acquisitions and divestitures:		
Accounts receivable	(763)	(667)
Inventories	(215)	(383)
Other assets	(553)	(214)
Restructuring reserves	(79)	33
Accounts payable and accrued liabilities	405	(127)
Accrued income taxes	14	(215)
Cash provided by operating activities	572	831
Investing Activities		
Capital expenditures	(324)	(366)
Acquisition of businesses, net of cash acquired	1	(260)
Other - net	13	50
Cash used by investing activities	(310)	(576)
Financing Activities		
Net proceeds (payments) from borrowings with maturities less than three months	679	(248)
Proceeds from debt	1,281	1,171
Repayments of debt	(438)	(536)
Stock repurchases and retirements	(876)	(613)
Payment of cash dividends	(753)	(729)
Employee equity-based compensation withholding taxes	(26)	(34)
Dividends paid to noncontrolling interests	(121)	(149)
Other - net	(68)	27
Cash used by financing activities	(322)	(1,111)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	29	(67)
Decrease in cash, cash equivalents and restricted cash	(31)	(923)
Cash, cash equivalents and restricted cash at beginning of period	924	2,066
Cash, cash equivalents and restricted cash at end of period	893	1,143
Less: Restricted cash	31	86
Cash and cash equivalents at end of period	$ 862	$ 1,057

The accompanying notes are an integral part of the consolidated financial statements.

Johnson Controls International plc
Consolidated Statements of Shareholders' Equity
(in millions, except per share data; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Shareholders' Equity Attributable to Johnson Controls				
Beginning Balance	$ 15,658	$ 15,890	$ 16,545	$ 16,268
Ordinary Shares - Beginning and ending balance	7	7	7	7
Ordinary Shares Held in Treasury, at Cost				
Beginning balance	(1,264)	(1,235)	(1,240)	(1,203)
Employee equity-based compensation withholding taxes	(2)	(2)	(26)	(34)
Ending balance	(1,266)	(1,237)	(1,266)	(1,237)
Capital in Excess of Par Value				
Beginning balance	17,411	17,295	17,349	17,224
Share-based compensation expense	25	22	65	66
Other, including options exercised	11	8	33	35
Ending balance	17,447	17,325	17,447	17,325
Retained Earnings				
Beginning balance	507	669	1,384	1,151
Net income attributable to Johnson Controls	975	1,049	1,072	1,300
Cash dividends declared	(249)	(253)	(749)	(739)
Repurchases and retirements of ordinary shares	(402)	(366)	(876)	(613)
Ending balance	831	1,099	831	1,099
Accumulated Other Comprehensive Income (Loss)				
Beginning balance	(1,003)	(846)	(955)	(911)
Other comprehensive income (loss)	(48)	(24)	(96)	41
Ending balance	(1,051)	(870)	(1,051)	(870)
Ending Balance	15,968	16,324	15,968	16,324
Shareholders' Equity Attributable to Noncontrolling Interests				
Beginning Balance	1,183	1,188	1,149	1,134
Comprehensive income attributable to noncontrolling interests	61	28	132	144
Dividends attributable to noncontrolling interests	(69)	(77)	(108)	(139)
Other, including options exercised	—	—	2	—
Ending Balance	1,175	1,139	1,175	1,139
Total Shareholders' Equity	$ 17,143	$ 17,463	$ 17,143	$ 17,463
Cash Dividends Declared per Ordinary Share	$ 0.37	$ 0.37	$ 1.11	$ 1.08

The accompanying notes are an integral part of the consolidated financial statements.

1. BASIS OF PRESENTATION

The consolidated financial statements include the consolidated accounts of Johnson Controls International plc, a public limited company organized under the laws of Ireland, and its subsidiaries (Johnson Controls International plc and all its subsidiaries, hereinafter collectively referred to as the "Company" or "Johnson Controls"). In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to state fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023 filed with the SEC on December 14, 2023. The results of operations for the three and nine month periods ended June 30, 2024 are not necessarily indicative of results for the Company’s 2024 fiscal year because of seasonal and other factors.

Nature of Operations

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers in more than 150 countries. The Company’s products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial heating, ventilating, air-conditioning ("HVAC") equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, controls, security and fire-protection space), energy-management consulting and data-driven “smart building” services and solutions powered by its OpenBlue software platform and capabilities. The Company partners with customers by leveraging its broad product portfolio and digital capabilities powered by OpenBlue, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers’ needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

Principles of Consolidation

The consolidated financial statements include the consolidated accounts of Johnson Controls International plc and its subsidiaries that are consolidated in conformity with U.S. GAAP. All significant intercompany transactions have been eliminated. The results of companies acquired or disposed of during the reporting period are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. Investments in partially-owned affiliates are accounted for by the equity method when the Company exercises significant influence, which typically occurs when its ownership interest exceeds 20%, and the Company does not have a controlling interest.

The Company consolidates variable interest entities ("VIE") when it has the power to direct the significant activities of the entity and the obligation to absorb losses or receive benefits from the entity that may be significant. The Company did not have any material consolidated or nonconsolidated VIE's for the presented reporting periods.

2. NEW ACCOUNTING STANDARDS

Recently Adopted Accounting Pronouncements

In September 2022, the FASB issued ASU 2022-04, "Disclosure of Supplier Finance Program Obligations," which is intended to enhance the transparency surrounding the use of supplier finance programs. Supplier finance programs may also be referred to as reverse factoring, payables finance, or structured payables arrangements. The amendments require a buyer that uses supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period, and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The Company adopted the new disclosures, other than the rollforward disclosure, as required at the beginning of fiscal 2024. The rollforward disclosure will be adopted as required at the beginning of fiscal 2025.

The Company maintains agreements with third-party financial institutions who offer voluntary supply chain financing ("SCF") programs to its suppliers. The SCF programs enable suppliers to sell their receivables to third-party financial institutions and receive payments earlier than the negotiated commercial terms between the suppliers and the Company, which generally range from 90 to 120 days. Suppliers sell receivables to third-party financial institutions on terms negotiated between the supplier and the respective third-party financial institution. The Company remains obligated to make payments under the terms of the original commercial arrangement regardless of whether the supplier receivable is sold, and does not pledge any assets as security or provide other forms of guarantees for the committed payment to the third-party financial institutions.

Amounts outstanding related to SCF programs are included in accounts payable in the consolidated statements of financial position. Accounts payable included in the SCF programs were approximately $669 million and $566 million as of June 30, 2024, and September 30, 2023, respectively.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which is intended to enhance the transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments require that on an annual basis, entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments require that entities disclose additional information about income taxes paid as well as additional disclosures of pretax income and income tax expense, and remove the requirement to disclose certain items that are no longer considered cost beneficial or relevant. The Company expects to adopt the new annual disclosures as required for fiscal 2026.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment and contain other disclosure requirements. The Company expects to adopt the new annual disclosures as required for fiscal 2025 and the interim disclosures as required beginning with the first quarter of fiscal 2026.

Other recently issued accounting pronouncements are not expected to have a material impact on the Company's consolidated financial statements.

3. ACQUISITIONS AND DIVESTITURES

During the nine months ended June 30, 2023, the Company completed certain acquisitions for a combined purchase price, net of cash acquired, of $306 million, of which $260 million was paid as of June 30, 2023. In connection with the acquisitions, the Company recorded goodwill of $121 million within the Global Products segment, $51 million within the Building Solutions Asia Pacific segment and $12 million within the Building Solutions EMEA/LA segment.

4. ASSETS AND LIABILITIES HELD FOR SALE

During the third quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Air Distribution Technologies ("ADTi") business included within the Global Products segment. As of June 30, 2024, ADTi met the criteria to be classified as held for sale and the assets and liabilities of this business are separately presented in the consolidated statements of financial position.

The following table summarizes the asset and liabilities associated with ADTi classified as held for sale (in millions):

	June 30, 2024
Assets Held for Sale	
Accounts receivable - net	$ 91
Inventories	93
Other current assets	21
Current assets held for sale	205
Property, plant and equipment - net	83
Other intangible assets - net	308
Other noncurrent assets	131
Impairment on assets held for sale	(35)
Noncurrent assets held for sale	487
Total Assets	$ 692
Liabilities Held for Sale	
Accounts payable	$ 113
Accrued compensation and benefits	13
Other current liabilities	23
Current liabilities held for sale	149
Pension and postretirement benefits	5
Other noncurrent liabilities	198
Noncurrent liabilities held for sale	203
Total Liabilities	$ 352

Based on the total consideration expected from the sale, net of costs to sell, the Company recorded non-cash impairment charges on the allocated goodwill of $21 million and the held for sale disposal group of $35 million within restructuring and impairment costs in the consolidated statements of income during the three months ended June 30, 2024.

The business did not meet the criteria to be classified as a discontinued operation as the divestiture does not represent a strategic shift that will have a major effect on the Company's operations and financial results. The transaction is expected to close in the fourth quarter of fiscal 2024.

No impairment charges were recorded during the three months ended June 30, 2023. During the nine months ended June 30, 2023, the Company recorded impairment charges for the Global Retail business of $438 million and the Building Solutions Asia Pacific segment of $60 million. The impairment charges were primarily due to reductions in the estimated fair values of the businesses to be disposed as a result of negotiations with potential buyers and were recorded within restructuring and impairment costs in the consolidated statements of income. During the third quarter of fiscal 2023, the Company concluded that its Global Retail business no longer met the criteria to be classified as held for sale, as it was no longer probable that it would be sold in the next 12 months. The net assets were reclassified to held and used at the lower of fair value or adjusted carrying value, and due to prior period impairment charges recorded, there was no impact to the consolidated statements of income as a result of this reclassification.

5. REVENUE RECOGNITION

Disaggregated Revenue

The following tables present the Company's revenues disaggregated by segment and by Products & Systems and Services revenue (in millions):

	Three Months Ended June 30,					
	2024			2023		
	Products & Systems	Services	Total	Products & Systems	Services	Total
Building Solutions North America	$ 1,791	$ 1,108	$ 2,899	$ 1,636	$ 1,029	$ 2,665
Building Solutions EMEA/LA	574	507	1,081	571	474	1,045
Building Solutions Asia Pacific	381	194	575	537	199	736
Global Products	2,676	—	2,676	2,687	—	2,687
Total	$ 5,422	$ 1,809	$ 7,231	$ 5,431	$ 1,702	$ 7,133

	Nine Months Ended June 30,					
	2024			2023		
	Products & Systems	Services	Total	Products & Systems	Services	Total
Building Solutions North America	$ 5,009	$ 3,116	$ 8,125	$ 4,641	$ 2,911	$ 7,552
Building Solutions EMEA/LA	1,718	1,465	3,183	1,705	1,346	3,051
Building Solutions Asia Pacific	1,026	547	1,573	1,489	560	2,049
Global Products	7,143	—	7,143	7,235	—	7,235
Total	$ 14,896	$ 5,128	$ 20,024	$ 15,070	$ 4,817	$ 19,887

The following table presents further disaggregation of Global Products segment revenues by product type (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
HVAC	$ 1,971	$ 1,973	$ 5,072	$ 5,170
Fire & Security	601	626	1,755	1,819
Industrial Refrigeration	104	88	316	246
Total	$ 2,676	$ 2,687	$ 7,143	$ 7,235

Contract Balances

Contract assets relate to the Company’s right to consideration for performance obligations satisfied but not billed. Contract liabilities relate to customer payments received in advance of satisfaction of performance obligations under the contract. Contract balances are classified as assets or liabilities on a contract-by-contract basis at the end of each reporting period.

The following table presents the location and amount of contract balances in the Company's consolidated statements of financial position (in millions):

	Location of contract balances	June 30, 2024	September 30, 2023
Contract assets - current	Accounts receivable - net	$ 1,961	$ 2,370
Contract assets - noncurrent	Other noncurrent assets	9	12
Contract liabilities - current	Deferred revenue	2,143	1,996
Contract liabilities - noncurrent	Other noncurrent liabilities	314	297

For the three months ended June 30, 2024 and 2023, the Company recognized revenue of $269 million and $222 million, respectively, that was included in the contract liability balance at the end of the prior fiscal year. For the nine months ended June 30, 2024 and 2023, the Company recognized revenue of $1,530 million and $1,387 million, respectively, that was included in the contract liability balance at the end of the prior fiscal year.

Performance Obligations

A performance obligation is a distinct good, service, or a bundle of goods and services promised in a contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. When contracts with customers require significant and complex integration, contain goods or services which are highly interdependent or interrelated, or are goods or services which significantly modify or customize other promises in the contracts and, therefore, are not distinct, then the entire contract is accounted for as a single performance obligation. For any contracts with multiple performance obligations, the contract's transaction price is allocated to each performance obligation based on the estimated relative standalone selling price of each distinct good or service in the contract. For product sales, each product sold to a customer typically represents a distinct performance obligation.

Performance obligations are satisfied at a point in time or over time. The timing of satisfying the performance obligation is typically stipulated by the terms of the contract. As of June 30, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $21.4 billion, of which approximately 67% is expected to be recognized as revenue over the next two years. The remaining performance obligations expected to be recognized in revenue beyond two years primarily relate to large, multi-purpose contracts to construct hospitals, schools and other governmental buildings, which include services to be performed over the building's lifetime, with initial contract terms of 25 to 35 years. Future contract modifications could affect both the timing and the amount of the remaining performance obligations. The Company excludes the value of remaining performance obligations for service contracts with an original expected duration of one year or less.

Costs to Obtain or Fulfill a Contract

The Company recognizes the incremental costs incurred to obtain or fulfill a contract with a customer as an asset when these costs are recoverable. These costs consist primarily of sales commissions and design costs that relate to a contract or an anticipated contract that the Company expects to recover. Costs to obtain or fulfill a contract are capitalized and amortized over the period of contract performance.

The following table presents the location and amount of costs to obtain or fulfill a contract recorded in the Company's consolidated statements of financial position (in millions):

	June 30, 2024	September 30, 2023
Other current assets	$ 247	$ 156
Other noncurrent assets	278	224
Total	$ 525	$ 380

During the three months ended June 30, 2024 and 2023, the Company recognized amortization expense of $84 million and $66 million, respectively, related to costs to obtain or fulfill a contract. During the nine months ended June 30, 2024 and 2023, the Company recognized amortization expense of $218 million and $188 million, respectively, related to costs to obtain or fulfill a contract. There were no impairment losses recognized in the three and nine months ended June 30, 2024 and 2023.

6. ACCOUNTS RECEIVABLE

The Company discontinued its receivable factoring program in March 2024. Accounts receivable sold totaled $702 million during the nine months ended June 30, 2024, $425 million during the three months ended June 30, 2023 and $1.3 billion during the nine months ended June 30, 2023. Previously sold receivables still outstanding were $31 million and $681 million as of June 30, 2024 and September 30, 2023, respectively.

7. INVENTORIES

Inventories consisted of the following (in millions):

	June 30, 2024	September 30, 2023
Raw materials and supplies	$ 1,107	$ 1,203
Work-in-process	267	226
Finished goods	1,489	1,347
Inventories	$ 2,863	$ 2,776

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes changes in the carrying amount of goodwill in each of the Company's reportable segments (in millions):

	Building Solutions North America	Building Solutions EMEA/LA	Building Solutions Asia Pacific	Global Products	Total
Goodwill	$ 10,040	$ 1,932	$ 1,179	$ 5,750	18,901
Accumulated impairment loss	(659)	(47)	—	(259)	(965)
Balance at September 30, 2023	9,381	1,885	1,179	5,491	17,936
Impairments	—	(230)	—	—	(230)
Foreign currency translation and other [1]	6	31	(2)	(65)	(30)
Balance at June 30, 2024	$ 9,387	$ 1,686	$ 1,177	$ 5,426	$ 17,676

[1] Includes measurement period adjustments and the allocation of $21 million of goodwill from Global Products to the ADTi disposal group classified as held for sale. Refer to Note 4, "Assets and Liabilities Held for Sale" of the notes to the consolidated financial statements for further information.

The Company tests goodwill for impairment annually as of July 31 or more frequently if events or changes in circumstances indicate the asset might be impaired.

During the second quarter of fiscal 2024, the Company determined a triggering event had occurred for one of its reporting units due to year-to-date results and projections for the remainder of fiscal 2024 being lower than the forecast used in the previous annual goodwill impairment test, and a quantitative test of goodwill for possible impairment was necessary. As a result of the goodwill impairment test, the Company recorded a non-cash impairment charge of $230 million within restructuring and impairment costs in the consolidated statements of income, which was determined by comparing the carrying amount of the reporting unit to its fair value. The Company used a discounted cash flow model to estimate the fair value of the reporting unit. The primary assumptions used in the model were management's internal projections of future cash flows, the weighted-average cost of capital and the long-term growth rate, which are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The reporting unit whose goodwill was impaired was previously disclosed as being at risk of impairment in the Company's Annual Report on Form 10-K for the year-ended September 30, 2023. It is possible that future changes in circumstances, including an increase in the discount rate or a decrease in the revenue growth rates, could result in an additional non-cash impairment charge of the remaining $212 million of goodwill for this reporting unit.

There were no other triggering events requiring an impairment assessment be conducted in the nine months ended June 30, 2024.

Other intangible assets, primarily from business acquisitions, consisted of (in millions):

	June 30, 2024			September 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Definite-lived intangible assets						
Technology	$ 1,590	$ (919)	$ 671	$ 1,575	$ (806)	$ 769
Customer relationships	2,790	(1,562)	1,228	3,047	(1,496)	1,551
Miscellaneous	968	(509)	459	889	(435)	454
	5,348	(2,990)	2,358	5,511	(2,737)	2,774
Indefinite-lived intangible assets						
Trademarks/trade names	1,957	—	1,957	2,114	—	2,114
Total intangible assets	$ 7,305	$ (2,990)	$ 4,315	$ 7,625	$ (2,737)	$ 4,888

Amortization of other intangible assets for the three months ended June 30, 2024 and 2023 was $119 million and $111 million, respectively. Amortization of other intangible assets for the nine months ended June 30, 2024 and 2023 was $366 million and $319 million, respectively.

9. LEASES

The following table presents supplemental consolidated statement of financial position information (in millions):

	Location of lease balances	June 30, 2024	September 30, 2023
Operating lease right-of-use assets	Other noncurrent assets	$ 1,226	$ 1,389
Operating lease liabilities - current	Other current liabilities	303	318
Operating lease liabilities - noncurrent	Other noncurrent liabilities	935	1,086

The following table presents supplemental noncash operating lease activity (in millions):

	Nine Months Ended June 30,	
	2024	2023
Right-of-use assets obtained in exchange for operating lease liabilities	$ 248	$ 347

10. DEBT AND FINANCING ARRANGEMENTS

Short-term debt consisted of the following (in millions):

	June 30, 2024	September 30, 2023
Commercial paper	$ 941	$ 200
Term loans	581	159
Bank borrowings	1	26
	$ 1,523	$ 385
Weighted average interest rate on short-term debt outstanding	4.5 %	5.1 %

As of June 30, 2024, the Company had syndicated committed revolving credit facilities of $2.5 billion which is scheduled to expire in December 2028 and $500 million which is scheduled to expire in December 2024. There were no draws on the facilities as of June 30, 2024.

In June 2024, the Company completed the debt tender offer to purchase $119 million of its 5.125% Notes due 2045.

In April 2024, the Company and its wholly-owned subsidiary, Tyco Fire & Security Finance S.C.A, co-issued $700 million unsecured, unsubordinated senior notes with an interest rate of 5.50% which is due April 2029.

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company selectively uses derivative instruments to reduce market risk associated with changes in foreign currency, commodities and interest rates. Under Company policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized by the Company to manage risk is included in the following paragraphs. In addition, refer to Note 12, "Fair Value Measurements," of the notes to the consolidated financial statements for information related to the fair value measurements and valuation methods utilized by the Company for each derivative type.

Cash Flow Hedges

The Company has global operations and participates in foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. The Company selectively hedges anticipated transactions that are subject to foreign exchange rate risk primarily using foreign currency exchange forward contracts. The Company hedges 70% to 90% of the notional amount of each of its known foreign exchange transactional exposures.

The Company enters into forward-starting interest-rate swaps in conjunction with anticipated note issuances. Forward-starting interest-rate swaps are terminated when the anticipated notes are issued. Accumulated amounts recorded in accumulated other comprehensive income (loss) ("AOCI") as of the date of the note issuance are amortized to interest expense over the life of the related note to reflect the difference between the swap's reference rate and the fixed rate of the note.

During the second quarter of fiscal 2024, the Company terminated $600 million of forward-starting interest-rate swaps related to an anticipated note issuance that was no longer highly likely to occur. Accumulated amounts previously recorded in AOCI were not material and were recognized as net financing charges in the consolidated statements of income when the swaps were terminated.

The Company selectively hedges anticipated transactions that are subject to commodity price risk, primarily using commodity hedge contracts, to minimize overall price risk associated with the Company’s purchases of copper and aluminum in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. The maturities of the commodity hedge contracts coincide with the expected purchase of the commodities.

The Company had the following outstanding contracts to hedge forecasted commodity purchases (in metric tons):

	Volume Outstanding as of	
Commodity	June 30, 2024	September 30, 2023
Copper	2,790	2,812
Aluminum	5,606	5,976

Cash flow hedges under ASC 815, "Derivatives and Hedging," that hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates and commodity prices during the three and nine months ended June 30, 2024 and 2023.

Net Investment Hedges

The Company enters into cross-currency interest rate swaps and foreign currency denominated debt obligations to selectively hedge portions of its net investment in non-U.S. subsidiaries. The currency effects of the cross-currency interest rate swaps and debt obligations are reflected in the AOCI account within shareholders' equity attributable to Johnson Controls ordinary shareholders where they offset gains and losses recorded on the Company's net investments globally.

The following table summarizes net investment hedges (in billions):

	June 30, 2024	September 30, 2023
Euro-denominated bonds designated as net investment hedges in Europe	€ 2.9	€ 2.9
Yen-denominated debt designated as a net investment hedge in Japan	¥ 30	¥ 30
US dollar vs. Yen cross-currency interest rate swap designated as a net investment hedge in Japan	¥ 14	¥ 14

Derivatives Not Designated as Hedging Instruments

The Company holds certain foreign currency forward contracts not designated as hedging instruments under ASC 815 to hedge foreign currency exposure resulting from monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair value of these foreign currency forward exchange derivatives are recorded in the consolidated statements of income where they offset foreign currency transactional gains and losses on the nonfunctional currency denominated assets and liabilities being hedged.

Fair Value of Derivative Instruments

The following table presents the location and fair values of derivative instruments and hedging activities included in the Company's consolidated statements of financial position (in millions):

	Derivatives and Hedging Activities Designated as Hedging Instruments		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	June 30, 2024	September 30, 2023	June 30, 2024	September 30, 2023
Other current assets				
Foreign currency exchange derivatives	$ 11	$ 16	$ 2	$ 13
Interest rate swaps	—	22	—	—
Commodity derivatives	3	—	—	—
Other noncurrent assets				
Cross-currency interest rate swap	13	5	—	—
Total assets	$ 27	$ 43	$ 2	$ 13
Other current liabilities				
Foreign currency exchange derivatives	$ 10	$ 20	$ —	$ 5
Commodity derivatives	1	2	—	—
Long-term debt				
Foreign currency denominated debt	3,264	3,253	—	—
Total liabilities	$ 3,275	$ 3,275	$ —	$ 5

Counterparty Credit Risk

The use of derivative financial instruments exposes the Company to counterparty credit risk. The Company has established policies and procedures to limit the potential for counterparty credit risk, including establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. As a matter of practice, the Company deals with major banks worldwide having strong investment grade long-term credit ratings. To further reduce the risk of loss, the Company generally enters into International Swaps and Derivatives Association ("ISDA") master netting agreements with substantially all of its counterparties. The Company enters into ISDA master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. The Company has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statements of financial position.

The Company's derivative contracts do not contain any credit risk related contingent features and do not require collateral or other security to be furnished by the Company or the counterparties. The Company's exposure to credit risk associated with its derivative instruments is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. The Company does not anticipate any non-performance by any of its counterparties, and the concentration of risk with financial institutions does not present significant credit risk to the Company.

The gross and net amounts of derivative assets and liabilities were as follows (in millions):

	Fair Value of Assets		Fair Value of Liabilities	
	June 30, 2024	September 30, 2023	June 30, 2024	September 30, 2023
Gross amount recognized	$ 29	$ 56	$ 3,275	$ 3,280
Gross amount eligible for offsetting	(9)	(19)	(9)	(19)
Net amount	$ 20	$ 37	$ 3,266	$ 3,261

Derivatives Impact on the Statements of Income and Statements of Comprehensive Income

The following table presents the pre-tax gains (losses) recorded in other comprehensive income (loss) related to cash flow hedges (in millions):

Derivatives in Cash Flow Hedging Relationships	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Foreign currency exchange derivatives	$ 2	$ 3	$ 4	$ (9)
Commodity derivatives	4	(6)	5	1
Interest rate swaps	—	1	(21)	6
Total	$ 6	$ (2)	$ (12)	$ (2)

The following table presents the location and amount of the pre-tax gains (losses) on cash flow hedges reclassified from AOCI into the Company's consolidated statements of income (in millions):

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from AOCI into Income	Three Months Ended June 30,		Nine Months Ended June 30,	
		2024	2023	2024	2023
Foreign currency exchange derivatives	Cost of sales	$ 4	$ (6)	$ 1	$ (2)
Commodity derivatives	Cost of sales	—	1	(4)	(7)
Total		$ 4	$ (5)	$ (3)	$ (9)

The following table presents the location and amount of pre-tax gains (losses) on derivatives not designated as hedging instruments recognized in the Company's consolidated statements of income (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended June 30,		Nine Months Ended June 30,	
		2024	2023	2024	2023
Foreign currency exchange derivatives	Cost of sales	$ (4)	$ (9)	$ (7)	$ (17)
Foreign currency exchange derivatives	SG&A	2	—	2	—
Foreign currency exchange derivatives	Net financing charges	20	(54)	36	(118)
Total		$ 18	$ (63)	$ 31	$ (135)

The following table presents pre-tax gains (losses) on net investment hedges recorded as foreign currency translation adjustments ("CTA") within other comprehensive income (loss) (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net investment hedges	$ 44	$ 30	$ (3)	$ (299)

No gains or losses were reclassified from CTA into income during the three and nine months ended June 30, 2024 and 2023.

12. FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The following tables present the Company’s fair value hierarchy for those assets and liabilities measured at fair value (in millions):

	Fair Value Measurements Using:			
	Total as of June 30, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	$ 13	$ —	$ 13	$ —
Commodity derivatives	3	—	3	—
Other noncurrent assets				
Cross-currency interest rate swap	13	—	13	—
Deferred compensation plan assets	53	53	—	—
Exchange traded funds (fixed income)(1)	80	80	—	—
Exchange traded funds (equity)(1)	191	191	—	—
Total assets	$ 353	$ 324	$ 29	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 10	$ —	$ 10	$ —
Commodity derivatives	1	—	1	—
Contingent earn-out liabilities	15	—	—	15
Other noncurrent liabilities				
Contingent earn-out liabilities	20	—	—	20
Total liabilities	$ 46	$ —	$ 11	$ 35

(1) Classified as restricted investments for payment of asbestos liabilities. See Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further details.

	Total as of September 30, 2023	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets				
Foreign currency exchange derivatives	$ 29	$ —	$ 29	$ —
Interest rate swaps	22	—	22	—
Other noncurrent assets				
Cross-currency interest rate swap	5	—	5	—
Deferred compensation plan assets	45	45	—	—
Exchange traded funds (fixed income)[1]	76	76	—	—
Exchange traded funds (equity)[1]	155	155	—	—
Total assets	$ 332	$ 276	$ 56	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 25	$ —	$ 25	$ —
Commodity derivatives	2	—	2	—
Contingent earn-out liabilities	48	—	—	48
Other noncurrent liabilities				
Contingent earn-out liabilities	76	—	—	76
Total liabilities	$ 151	$ —	$ 27	$ 124

[1] Classified as restricted investments for payment of asbestos liabilities. See Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further details.

The following table summarizes changes in contingent earn-out liabilities, which are valued using significant unobservable inputs (Level 3) (in millions):

Balance at September 30, 2023	$ 124
Payments	(20)
Reduction for change in estimates	(69)
Balance at June 30, 2024	$ 35

Valuation Methods

Commodity derivatives: The commodity derivatives are valued under a market approach using publicized prices, where available, or dealer quotes.

Contingent earn-out liabilities: The contingent earn-out liabilities were established using a Monte Carlo simulation based on the forecasted operating results and the earn-out formula specified in the purchase agreements.

Cross-currency interest rate swaps: The fair value of cross-currency interest rate swaps represents the difference between the swap's reference rate and exchange rate and the interest and exchange rates for a similar instrument as of the reporting period. Cross-currency interest rate swaps are valued under a market approach using publicized prices.

Deferred compensation plan assets: Assets held in the deferred compensation plans will be used to pay benefits under certain of the Company's non-qualified deferred compensation plans. The investments primarily consist of mutual funds which are publicly traded on stock exchanges and are valued using a market approach based on the quoted market prices.

Unrealized gains (losses) on the deferred compensation plan assets are recognized in the consolidated statements of income where they offset unrealized gains and losses on the related deferred compensation plan liability.

Exchange traded funds: Investments in exchange traded funds are valued using a market approach based on quoted market prices, where available, or broker/dealer quotes of identical or comparable instruments. Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further information.

Foreign currency exchange derivatives: The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices.

Interest rate swaps: The fair value of interest rate swaps represent the difference between the swap's reference rate and the interest rate for a similar instrument as of the reporting period. Interest rate swaps are valued under a market approach using publicized prices.

The following table presents the portion of unrealized gains recognized in the consolidated statements of income that relate to equity securities still held at June 30, 2024 and 2023 (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Deferred compensation plan assets	$ —	$ 1	$ 7	$ 6
Investments in exchange traded funds	4	11	43	34

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values.

The fair value of long-term debt at June 30, 2024 and September 30, 2023 was as follows (in billions):

	June 30, 2024	September 30, 2023
Public debt	$ 8.1	$ 7.1
Other long-term debt	0.2	0.4
Total fair value of long-term debt	$ 8.3	$ 7.5

The fair value of public debt was determined primarily using market quotes which are classified as Level 1 inputs within the ASC 820 fair value hierarchy. The fair value of other long-term debt was determined using quoted market prices for similar instruments and are classified as Level 2 inputs within the ASC 820 fair value hierarchy.

13. STOCK-BASED COMPENSATION

The Johnson Controls International plc 2021 Equity and Incentive Plan authorizes stock options, stock appreciation rights, restricted (non-vested) stock/units, performance share units and other stock-based awards. The Compensation and Talent Development Committee of the Company's Board of Directors determines the types of awards to be granted to individual participants and the terms and conditions of the awards. Awards are typically granted annually in the Company’s fiscal first quarter.

A summary of the stock-based awards granted is presented below:

	Nine Months Ended June 30,			
	2024		2023	
	Number Granted	Weighted Average Grant Date Fair Value	Number Granted	Weighted Average Grant Date Fair Value
Restricted stock/units	1,874,606	$ 53.86	1,799,240	$ 66.28
Performance shares	370,307	54.13	339,191	79.54
Stock options	652,702	13.74	570,140	18.21

Performance Share Awards

The following table summarizes the assumptions used in determining the fair value of performance share units granted:

	Nine Months Ended June 30,	
	2024	2023
Risk-free interest rate	4.21%	4.04%
Expected volatility of the Company's stock	27.2%	33.5%

Stock Options

The following table summarizes the assumptions used in determining the fair value of stock options granted:

	Nine Months Ended June 30,	
	2024	2023
Expected life of option (years)	5.7	5.8
Risk-free interest rate	3.86%	3.59%
Expected volatility of the Company's stock	29.8%	29.4%
Expected dividend yield on the Company's stock	2.77%	2.10%

14. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net income attributable to Johnson Controls	$ 975	$ 1,049	$ 1,072	$ 1,300
Weighted Average Shares Outstanding				
Basic weighted average shares outstanding	670.3	683.3	676.7	685.7
Effect of dilutive securities:				
Stock options, unvested restricted stock and unvested performance share awards	2.5	2.9	1.9	3.1
Diluted weighted average shares outstanding	672.8	686.2	678.6	688.8
Antidilutive Securities				
Stock options and unvested restricted stock	0.1	0.2	0.4	0.3

15. EQUITY

Share repurchase program

During the three and nine months ended June 30, 2024, the Company repurchased and immediately retired $402 million and $876 million of its ordinary shares, respectively, on an open market. During the three and nine months ended June 30, 2023, the Company repurchased and immediately retired $366 million and $613 million of its ordinary shares, respectively, on an open market.

As of June 30, 2024, approximately $2.1 billion remains available under the Company's share repurchase program, which was approved by the Company's Board of Directors in March 2021. The share repurchase program does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice.

Accumulated Other Comprehensive Income (Loss)

The following schedules present changes in AOCI attributable to Johnson Controls (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Foreign currency translation adjustments				
Balance at beginning of period	$ (1,001)	$ (843)	$ (970)	$ (901)
Aggregate adjustment for the period	(51)	(25)	(82)	33
Balance at end of period	(1,052)	(868)	(1,052)	(868)
Realized and unrealized gains (losses) on derivatives				
Balance at beginning of period	—	(3)	15	(11)
Current period changes in fair value	6	(1)	(14)	4
Reclassification to income [1]	(3)	4	4	8
Net tax impact	1	(1)	(1)	(2)
Balance at end of period	4	(1)	4	(1)
Pension and postretirement plans				
Balance at beginning of period	(2)	—	—	1
Reclassification to income	(1)	(1)	(4)	(3)
Net tax impact	—	—	1	1
Balance at end of period	(3)	(1)	(3)	(1)
Accumulated other comprehensive loss, end of period	$ (1,051)	$ (870)	$ (1,051)	$ (870)

[1] Refer to Note 11, "Derivative Instruments and Hedging Activities," of the notes to the consolidated financial statements for disclosure of the line items in the consolidated statements of income affected by reclassifications from AOCI into income related to derivatives.

16. PENSION AND RETIREMENT PLANS

The components of the Company's net periodic benefit cost (credit) associated with its defined benefit pension and postretirement plans, which are primarily recorded in selling, general and administrative expenses in the consolidated statements of income, are shown in the tables below in accordance with ASC 715, "Compensation – Retirement Benefits" (in millions):

	U.S. Pension Plans			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Interest cost	$ 20	$ 21	$ 59	$ 62
Expected return on plan assets	(30)	(34)	(90)	(101)
Net actuarial loss (gain)	—	(6)	—	17
Settlement loss	—	—	—	1
Net periodic benefit credit	$ (10)	$ (19)	$ (31)	$ (21)

	Non-U.S. Pension Plans			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Service cost	$ 4	$ 4	$ 12	$ 11
Interest cost	17	18	51	51
Expected return on plan assets	(18)	(20)	(54)	(57)
Net periodic benefit cost	$ 3	$ 2	$ 9	$ 5

	Postretirement Benefits			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Interest cost	$ 1	$ 1	$ 3	$ 3
Expected return on plan assets	(3)	(3)	(7)	(7)
Amortization of prior service credit	(1)	(1)	(4)	(3)
Net periodic benefit credit	$ (3)	$ (3)	$ (8)	$ (7)

Cumulative fiscal 2023 lump sum payouts triggered remeasurement events for certain pension plans in each quarter of fiscal 2023. During the three months ended June 30, 2023, the Company recognized net actuarial gains of $6 million, primarily due to increases in discount rates, partially offset by unfavorable asset performance. During the nine months ended June 30, 2023, the Company recognized net actuarial losses of $17 million, primarily due to net decreases in discount rates, partially offset by net favorable plan asset performance.

17. RESTRUCTURING AND RELATED COSTS

To better align its resources with its growth strategies and reduce the cost structure of its global operations in certain underlying markets, the Company commits to various restructuring activities as necessary. Restructuring activities generally result in charges for workforce reductions, plant closures, asset impairments and other related costs which are reported as restructuring and impairment costs in the Company’s consolidated statements of income. The Company expects the restructuring activities to reduce cost of sales and selling, general and administrative expenses ("SG&A") due to reduced employee-related costs, depreciation and amortization expense.

In the third and fourth quarters of fiscal 2023, the Company developed a restructuring plan which included workforce reductions and other actions focused on continued scaling of SG&A expenses to its planned growth. Additional restructuring charges related to this plan were recorded in the three and nine months ended June 30, 2024 and are expected in subsequent quarters.

The following table summarizes restructuring and related costs (in millions):

	Three Months Ended June 30, 2024	Nine Months Ended June 30, 2024
Building Solutions North America	$ —	$ 4
Building Solutions EMEA/LA	9	22
Building Solutions Asia Pacific	4	7
Global Products	20	56
Corporate	7	14
Total	$ 40	$ 103

The following table summarizes changes in the restructuring reserve, which is included within other current liabilities in the consolidated statements of financial position (in millions):

	Employee Severance and Termination Benefits	Long-Lived Asset Impairments	Other	Total
Restructuring and related costs	$ 204	$ 38	$ 34	$ 276
Utilized—cash	(111)	—	(19)	(130)
Utilized—noncash	—	(38)	(3)	(41)
Balance at September 30, 2023	93	—	12	105
Additional restructuring and related costs	50	36	17	103
Utilized—cash	(121)	—	(12)	(133)
Utilized—noncash	—	(36)	(1)	(37)
Other	32		—	32
Balance at June 30, 2024	$ 54	$ —	$ 16	$ 70

18. INCOME TAXES

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted, as appropriate, based upon changed facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and each interim period thereafter.

The statutory tax rate in Ireland is being used as a comparison since the Company is domiciled in Ireland.

For the three months ended June 30, 2024, the Company's effective tax rate was 17.7% and was higher than the statutory tax rate of 12.5% primarily due to the tax impact of the water systems Aqueous Film Forming Foam ("AFFF") insurance proceeds and tax rate differentials, partially offset by the benefits of continuing global tax planning.

For the nine months ended June 30, 2024, the Company's effective tax rate was 7.5% and was lower than the statutory tax rate of 12.5% primarily due to the net tax impact of the water systems AFFF settlement costs and insurance proceeds, Swiss tax reform, and the benefits of continuing global tax planning, partially offset by the tax impact of an impairment charge, the establishment of a deferred tax liability on the outside basis difference of the Company's investment in certain consolidated subsidiaries and tax rate differentials.

For the three months ended June 30, 2023, the Company's effective tax rate was (41.5)% and was lower than the statutory tax rate of 12.5% primarily due to reserve adjustments resulting from tax audit developments and the benefits of continuing global tax planning, partially offset by tax rate differentials.

For the nine months ended June 30, 2023, the Company's effective tax rate was (22.4)% and was lower than the statutory tax rate of 12.5% primarily due to reserve adjustments resulting from tax audit developments and the benefits of continuing global tax planning, partially offset by the tax impact of an impairment charge and tax rate differentials.

Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further disclosure related to the water systems AFFF settlement.

Uncertain Tax Positions

At September 30, 2023, the Company had gross tax-effected unrecognized tax benefits of $2.2 billion, of which $1.6 billion, if recognized, would impact the effective tax rate. Accrued interest, net at September 30, 2023 was approximately $335 million (net of tax benefit). Interest accrued during the nine months ended June 30, 2024 and 2023 was approximately $92 million and $33 million (both net of tax benefit), respectively. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

In the U.S., fiscal years 2019 through 2020 are currently under audit and fiscal years 2017 through 2018 are currently under appeal with the Internal Revenue Service ("IRS") for certain legal entities. In addition, fiscal years 2016 through 2019 are also under exam by the IRS in relation to a separate consolidated filing group. Additionally, the Company is currently under exam in the following major non-U.S. jurisdictions:

Tax Jurisdiction	Tax Years Covered
Belgium	2015 - 2022
Germany	2007 - 2021
Mexico	2016 - 2019
United Kingdom	2014 - 2015; 2018; 2020 - 2021

It is reasonably possible that tax examinations and/or tax litigation will conclude within the next twelve months, which could have a material impact on tax expense. Based upon the circumstances surrounding these examinations, the impact is not currently quantifiable.

Impacts of Tax Legislation

On September 11, 2023, the Schaffhausen parliament approved a partial revision of the cantonal act on direct taxation: Immediate Minimum Taxation Measure ("IMTM"). On November 19, 2023, IMTM was approved in a public referendum in the canton of Schaffhausen, was published in the cantonal official gazette on December 8, 2023, and is effective starting January 1, 2024. The IMTM increased Switzerland's combined statutory income tax rate to approximately 15%. As a result, in the nine months ended June 30, 2024, the Company recorded a noncash discrete net tax benefit of $80 million due to the remeasurement of deferred tax assets and liabilities related to Switzerland and the canton of Schaffhausen.

19. SEGMENT INFORMATION

ASC 280, "Segment Reporting," establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it has four reportable segments for financial reporting purposes.

The Company conducts its business through four operating segments, all of which are reportable segments:

- *Building Solutions North America* which operates in the United States and Canada;
- *Building Solutions EMEA/LA* which operates in Europe, the Middle East, Africa and Latin America;
- *Building Solutions Asia Pacific* which operates in Asia Pacific; and

- *Global Products* which operates worldwide and includes the Johnson Controls-Hitachi joint venture.

The Building Solutions segments:

- Design, sell, install and service HVAC, controls, building management, refrigeration, integrated electronic security and integrated fire-detection and suppression systems; and
- Provide energy-efficiency solutions and technical services, including data-driven "smart building" solutions as well as inspection, scheduled maintenance, and repair and replacement of mechanical and controls systems.

The Global Products segment designs, manufactures and sells:

- HVAC equipment, controls software and software services for residential and commercial applications;
- Refrigeration equipment and controls;
- Fire protection and suppression; and
- Security products, including intrusion security, anti-theft devices, access control, and video surveillance and management systems.

The Company's segments provide products and services to commercial, institutional, industrial, data center, governmental and residential customers.

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income before income taxes and noncontrolling interests, excluding corporate expenses, amortization of intangible assets, restructuring and impairment costs, the water systems AFFF settlement costs and insurance recoveries, net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments, and net financing charges.

Financial information relating to the Company's reportable segments is as follows (in millions):

	Net Sales			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Building Solutions North America	$ 2,899	$ 2,665	$ 8,125	$ 7,552
Building Solutions EMEA/LA	1,081	1,045	3,183	3,051
Building Solutions Asia Pacific	575	736	1,573	2,049
Global Products	2,676	2,687	7,143	7,235
Total net sales	$ 7,231	$ 7,133	$ 20,024	$ 19,887

	Segment EBITA			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Building Solutions North America	$ 521	$ 385	$ 1,179	$ 967
Building Solutions EMEA/LA	111	90	280	234
Building Solutions Asia Pacific	67	102	167	249
Global Products	655	593	1,453	1,463
Total segment EBITA	1,354	1,170	3,079	2,913
Corporate expenses	135	122	373	362
Amortization of intangible assets	119	111	366	319
Restructuring and impairment costs	106	81	399	844
Water systems AFFF settlement [1]	—	—	750	—
Water systems AFFF insurance recoveries [1]	(351)	—	(351)	—
Net mark-to-market gains	(5)	(17)	(42)	(16)
Net financing charges	71	80	263	218
Income before income taxes	$ 1,279	$ 793	$ 1,321	$ 1,186

[1] Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further disclosure related to the water systems AFFF settlement.

20. GUARANTEES

Certain of the Company's subsidiaries at the business segment level guarantee the performance of third parties and provide financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from the current fiscal year through the completion of such transactions and would typically be triggered in the event of nonperformance. Performance under the guarantees, if required, would not have a material effect on the Company's financial position, results of operations or cash flows.

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company repair or replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical costs to repair or replace products and other known factors. The Company monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates.

The Company’s product warranty liability is recorded in the consolidated statements of financial position in other current liabilities for estimated costs to be incurred within 12 months and in other non-current liabilities for estimated costs to be incurred in more than one year.

The following table summarizes changes in the total product warranty liability (in millions):

Balance at September 30, 2023	$ 203
Accruals for warranties issued during the period	107
Settlements made (in cash or in kind) during the period	(101)
Changes in estimates to pre-existing warranties	26
Currency translation	(2)
Balance at June 30, 2024	$ 233

21. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. The following table presents the location and amount of reserves for environmental liabilities in the Company's consolidated statements of financial position (in millions):

	June 30, 2024	September 30, 2023
Other current liabilities	$ 37	$ 31
Other noncurrent liabilities	180	211
Total reserves for environmental liabilities	$ 217	$ 242

The Company periodically examines whether the contingent liabilities related to the environmental matters described below are probable and reasonably estimable based on experience and ongoing developments in those matters, including continued study and analysis of ongoing remediation obligations. The Company expects that it will pay the amounts recorded over an estimated period of up to 20 years. The Company is not able to estimate a possible loss or range of loss, if any, in excess of the established accruals for environmental liabilities at this time.

A substantial portion of the Company's environmental reserves relates to ongoing long-term remediation efforts to address contamination relating to Aqueous Film Forming Foam ("AFFF") containing perfluorooctane sulfonate ("PFOS"), perfluorooctanoic acid ("PFOA"), and/or other per- and poly-fluoroalkyl substances ("PFAS") at or near the Tyco Fire Products L.P. ("Tyco Fire Products") Fire Technology Center ("FTC") located in Marinette, Wisconsin and surrounding areas in the City of Marinette and Town of Peshtigo, Wisconsin, as well as the continued remediation of PFAS, arsenic and other contaminants at the Tyco Fire Products Stanton Street manufacturing facility also located in Marinette, Wisconsin (the "Stanton Street Facility").

PFOA, PFOS, and other PFAS compounds are being studied by the U.S. Environmental Protection Agency ("EPA") and other environmental and health agencies and researchers. In March 2021, EPA published its final determination to regulate PFOS and PFOA in drinking water. On April 10, 2024, EPA announced the final National Primary Drinking Water Regulation ("NPDWR") for six PFAS compounds including PFOA and PFOS. The NPDWR established legally enforceable levels, called Maximum Contaminant Levels, of 4.0 parts per trillion ("ppt") for each of PFOA and PFOS, 10 ppt for each of PFHxS, PFNA, and HFPO-DA (commonly known as GenX Chemicals), and a Hazard Index of one for mixtures containing two or more of PFHxS, PFNA, HFPO-DA, and PFBA. In February 2024, EPA released two proposed rules relating to PFAS under the Resource Conservation and Recovery Act ("RCRA"): one rule proposes to list nine PFAS (including PFOA and PFOS) as "hazardous constituents," and a second rule proposes to clarify that hazardous waste regulated under the rule includes not only substances listed or identified as hazardous waste in the regulations, but also any substances that meet the statutory definition of hazardous waste.

In August 2022, EPA published a proposed rule that would designate PFOA and PFOS as "hazardous substances" under Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). In April 2023, EPA issued an Advanced Notice of Proposed Rulemaking ("ANPR") seeking input on whether it should expand the proposed rule to designate as "hazardous substances" under CERCLA: (1) seven additional PFAS; (2) the precursors to PFOA, PFOS, and the seven additional PFAS; or (3) entire categories of PFAS. On April 17, 2024, the EPA Administrator signed the final rule designating PFOA and PFOS, along with their salts and structural isomers, as "hazardous substances."

It is not possible to estimate the Company's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the financial viability of other potentially responsible parties and third-party indemnitors, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, changes in environmental regulations, changes in permissible levels of specific compounds in soil, groundwater and drinking water sources, or changes in enforcement theories and policies, including efforts to recover natural resource damages, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. It is possible that technological, regulatory or enforcement developments, the results of additional environmental studies or other factors could change the Company's expectations with respect to future charges and cash outlays, and such changes could be material to the Company's future results of operations, financial condition or cash flows. Nevertheless, the Company does not currently believe that any claims, penalties or costs in addition to the amounts accrued will have a material adverse effect on the Company's financial position, results of operations or cash flows.

In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities. Conditional asset retirement obligations were $8 million and $13 million at June 30, 2024 and September 30, 2023, respectively.

FTC-Related Matters

FTC Remediation

The use of fire-fighting foams at the FTC was primarily for training and testing purposes to ensure that such products sold by the Company's affiliates, Chemguard, Inc. ("Chemguard") and Tyco Fire Products, were effective at suppressing high intensity fires that may occur at military installations, airports or elsewhere. During the three months ended June 30, 2024, Tyco Fire Products completed its previously announced plan to discontinue the production and sale of fluorinated firefighting foams, including AFFF products, and has transitioned to non-fluorinated foam alternatives.

Tyco Fire Products has been engaged in remediation activities at the Stanton Street Facility since 1990. Its corporate predecessor, Ansul Incorporated ("Ansul"), manufactured arsenic-based agricultural herbicides at the Stanton Street Facility, which resulted in significant arsenic contamination of soil and groundwater on the site and in parts of the adjoining Menominee River. In 2009, Ansul entered into an Administrative Consent Order (the "Consent Order") with EPA to address the presence of arsenic at the site. Under this agreement, Tyco Fire Products' principal obligations are to contain the arsenic contamination on the site, pump and treat on-site groundwater, dredge, treat and properly dispose of contaminated sediments in the adjoining river areas, and monitor contamination levels on an ongoing basis. Activities completed under the Consent Order since 2009 include the installation of a subsurface barrier wall around the facility to contain contaminated groundwater, the installation and ongoing operation and monitoring of a groundwater extraction and treatment system and the dredging and offsite disposal of treated river sediment. In addition to ongoing remediation activities, the Company is also working with the Wisconsin Department of Natural Resources ("WDNR") to investigate and remediate the presence of PFAS at or near the Stanton Street Facility as part of the evaluation and remediation of PFAS in the Marinette region.

Tyco Fire Products is operating and monitoring at the FTC a Groundwater Extraction and Treatment System ("GETS"), a permanent groundwater remediation system that extracts groundwater containing PFAS, treats it using advanced filtration systems, and returns the treated water to the environment. Tyco Fire Products has also completed the removal and disposal of PFAS-affected soil from the FTC. The Company's reserves for continued remediation of the FTC, the Stanton Street Facility and surrounding areas in Marinette and Peshtigo are based on estimates of costs associated with the long-term remediation actions, including the continued operation of the GETS, the implementation of long-term drinking water solutions for the area impacted by groundwater migrating from the FTC, continued monitoring and testing of groundwater monitoring wells, the operation and wind-down of other legacy remediation and treatment systems and the completion of ongoing investigation obligations.

FTC-Related Litigation

On June 21, 2019, the WDNR announced that it had received from the Wisconsin Department of Health Services ("WDHS") a recommendation for groundwater quality standards as to, among other compounds, PFOA and PFOS. The WDHS recommended a groundwater enforcement standard for PFOA and PFOS of 20 parts per trillion. Although Wisconsin approved final regulatory standards for PFOA and PFOS in drinking water and surface water in February 2022, the Wisconsin Natural Resources Board did not approve WDNR's proposed standards for PFOA and PFOS in groundwater. The WDNR initiated a rulemaking proceeding that would establish groundwater quality standards for PFOA, PFOS, perfluorobutane sulfonic acid and its potassium salt ("PFBS") and hexafluoropropylene oxide dimer acid and its ammonium salt ("HFPO-DA"). Pursuant to state law, the WDNR has stopped work on the proposed rule and notified the state legislature that, following economic analysis, the proposed costs would exceed statutory thresholds. As a result, the state legislature is required to authorize the WDNR to allow the rulemaking to continue.

In July 2019, the Company received a letter from the WDNR directing the expansion of the evaluation of PFAS in the Marinette region to include (1) biosolids sludge produced by the City of Marinette Waste Water Treatment Plant and spread on certain fields in the area and (2) the Menominee and Peshtigo Rivers. On October 16, 2019, the WDNR issued a "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. regarding the WDNR's July 2019 letter. The WDNR issued a further letter regarding the issue on November 4, 2019. In February 2020, the WDNR sent a letter to Tyco Fire Products and Johnson Controls, Inc. further directing the expansion of the evaluation of PFAS in the Marinette region to include investigation activities south and west of the previously defined FTC study area. In September 2021, the WDNR sent an additional "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids, which reviewed and responded to the Company's biosolids investigation conducted to that date. On April 10, 2023, the WDNR issued a third "Notice of Noncompliance" to Tyco Fire Products and Johnson Controls, Inc. concerning land-applied biosolids in the Marinette region. Tyco Fire Products and Johnson Controls, Inc. believe that they have complied with all applicable environmental laws and regulations. The Company cannot predict what regulatory or enforcement actions, if any, might result from the WDNR's actions, or the consequences of any such actions, including the potential assessment of penalties.

In March 2022, the Wisconsin Department of Justice ("WDOJ") filed a civil enforcement action against Johnson Controls Inc. and Tyco Fire Products in Wisconsin state court relating to environmental matters at the FTC (*State of Wisconsin v. Tyco Fire Products, LP and Johnson Controls, Inc.*, Case No. 22-CX-1 (filed March 14, 2022 in Circuit Court in Marinette County, Wisconsin)). The WDOJ alleges that the Company failed to timely report the presence of PFAS chemicals at the FTC, and that the Company has not sufficiently investigated or remediated PFAS at or near the FTC. The WDOJ seeks monetary penalties and an injunction ordering these two subsidiaries to complete a site investigation and cleanup of PFAS contamination in accordance with the WDNR's requests. The parties are engaged in summary judgment and pretrial motions and the court has set a trial date of December 3, 2024.

In October 2022, the Town of Peshtigo filed a tort action in Wisconsin state court against Tyco Fire Products, Johnson Controls Inc., Chemguard, Inc., and ChemDesign, Inc. relating to environmental matters at the FTC (*Town of Peshtigo v. Tyco Fire Products L.P. et al.*, Case No. 2022CV000234 (filed October 18, 2022 in Circuit Court in Marinette County, Wisconsin)). The Town alleges that use of AFFF products at the FTC caused contamination of water supplies in Peshtigo. The Town seeks monetary penalties and an injunction ordering abatement of PFAS contamination in Peshtigo. The case has been removed to federal court and transferred to a multi-district litigation ("MDL") before the United States District Court for the District of South Carolina.

In November 2022, individuals filed six actions in Dane County, Wisconsin alleging personal injury and/or property damage against Tyco Fire Products, Johnson Controls Inc., Chemguard, and other unaffiliated defendants related to environmental matters at the FTC. Plaintiffs allege that use of AFFF products at the FTC and activities by third parties unrelated to the Company contaminated nearby drinking water sources, surface waters, and other natural resources and properties, including their personal properties. The individuals seek monetary damages for their personal injury and/or property damage. These lawsuits have been transferred to the MDL. Subsequently, several additional plaintiffs have direct-filed in the MDL complaints with similar allegations.

The Company is vigorously defending each of these cases and believes that it has meritorious defenses, but it is presently unable to predict the duration, scope, or outcome of these actions.

Aqueous Film-Forming Foam ("AFFF") Matters

AFFF Litigation

Two of the Company's subsidiaries, Chemguard and Tyco Fire Products, have been named, along with other defendant manufacturers, suppliers and distributors, and, in some cases, certain subsidiaries of the Company affiliated with

Chemguard and Tyco Fire Products, in a number of class action and other lawsuits relating to the use of fire-fighting foam products by the U.S. Department of Defense (the "DOD") and others for fire suppression purposes and related training exercises. Plaintiffs generally allege that the firefighting foam products contain or break down into the chemicals PFOS and PFOA and/or other PFAS compounds and that the use of these products by others at various airbases, airports and other sites resulted in the release of these chemicals into the environment and ultimately into communities' drinking water supplies neighboring those airports, airbases and other sites. Plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, diminution in property values, investigation and remediation costs, and natural resources damages, and also seek punitive damages and injunctive relief to address remediation of the alleged contamination.

In September 2018, Tyco Fire Products and Chemguard filed a Petition for Multidistrict Litigation with the United States Judicial Panel on Multidistrict Litigation ("JPML") seeking to consolidate all existing and future federal cases into one jurisdiction. On December 7, 2018, the JPML issued an order transferring various AFFF cases to the MDL. Additional cases have been identified for transfer to or are being directly filed in the MDL.

AFFF Municipal and Water Provider Cases

Chemguard and Tyco Fire Products have been named as defendants in more than 950 cases in federal and state courts involving municipal or water provider plaintiffs that were filed in state or federal courts originating from 35 states and territories. The vast majority of these cases have been transferred to or were directly filed in the MDL, and it is anticipated that the remaining cases will be transferred to the MDL. These municipal and water provider plaintiffs generally allege that the use of the defendants' fire-fighting foam products at fire training academies, municipal airports, Air National Guard bases, or Navy or Air Force bases released PFOS and PFOA into public water supply wells and/or other public property, allegedly requiring remediation.

Tyco Fire Products and Chemguard are also periodically notified by other municipal entities that those entities may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

Water Systems AFFF Settlement Agreement

On April 12, 2024, Tyco Fire Products agreed to a settlement with a nationwide class of public water systems that detected PFAS in their drinking water systems that they allege to be associated with the use of AFFF. Under the terms of the agreement, Tyco Fire Products agreed to contribute $750 million to resolve these PFAS claims. The settlement releases these claims against Tyco Fire Products, Chemguard, and other related corporate entities. In connection with the settlement, a charge for $750 million was recorded in selling, general and administrative expenses in the consolidated statements of income in the three months ended March 31, 2024.

Tyco Fire Products contributed an initial payment of $250 million in June 2024, with the remaining $500 million due by the first quarter of fiscal 2025. Prior to the date of the final contribution, Tyco Fire Products has agreed to contribute any applicable insurance recoveries in excess of the initial $250 million payment, up to the remaining $500 million due, within a specified period following the receipt of such recovery. During the three months ended June 30, 2024, the Company recorded expected insurance recoveries of $351 million in selling, general and administrative expenses in the consolidated statements of income, substantially all of the proceeds of which are expected to be received in the fourth quarter of fiscal 2024. In accordance with its agreement and recent insurance recovery, Tyco Fire Products will make an additional payment during the fourth quarter of fiscal 2024 of approximately $90 million, reducing its final payment to approximately $410 million. The amounts and timing of any additional insurance recoveries are uncertain.

There are still several procedural and legal steps that must occur before the settlement is final and the remaining payment is made. The settlement is subject to final approval by the MDL court and other contingencies, and that process is expected to take several months.

The class of public water systems included in this settlement broadly includes any public water system (as defined in the settlement agreement) that has detected PFAS in its drinking water sources as of May 15, 2024. The following systems are excluded from the settlement class: water systems owned and operated by a State or the United States government; systems that have not detected the presence of PFAS as of May 15, 2024; small transient water systems; privately-owned drinking water wells; and the water system in the city of Marinette, Wisconsin (which is included only if it so requests). The settlement does not resolve claims of public water systems that request exclusion from the class ("opt out") pursuant to the process to be established by the MDL court. It also does not resolve potential future claims of public water systems that detect PFAS in their water systems for the first time after May 15, 2024, or certain claims not related to drinking water, such as separate alleged claims relating to real property damage or stormwater or wastewater treatment. Finally, this settlement does not affect the other categories of cases that remain at issue in the MDL, such as personal injury cases, property damage cases, other types of class actions, claims brought by state or territory attorneys general, or other types of damages alleged to be related to the historic use of AFFF manufactured and sold by Tyco Fire Products and Chemguard. While it is reasonably possible that the excluded systems or claims could result in additional future lawsuits, claims, assessments or proceedings, it is not possible to predict the outcome of any such matters, and as such, the Company is unable to develop an estimate of a possible loss or range of losses, if any, at this time.

The settlement does not constitute an admission of liability or wrongdoing by Tyco Fire Products or Chemguard. If the MDL court does not approve the agreement or certain terms are not fulfilled, Tyco Fire Products and Chemguard will continue to defend themselves in the litigation.

AFFF Putative Class Actions

Chemguard and Tyco Fire Products are named in 46 pending putative class actions in federal courts originating from 18 states and territories. All of these cases have been direct-filed in or transferred to the MDL. It is anticipated that the remaining state-court action will be similarly tagged and transferred. Tyco Fire Products was also recently named in class actions in British Columbia and Quebec, Canada.

AFFF Individual or Mass Actions

There are more than 7,800 individual or "mass" actions pending that were filed in state or federal courts originating from 52 states and territories against Chemguard and Tyco Fire Products and other defendants in which the plaintiffs generally seek compensatory damages, including damages for alleged personal injuries, medical monitoring, and alleged diminution in property values. The cases involve plaintiffs from various states including approximately 7,000 plaintiffs in Colorado and more than 7,800 other plaintiffs. The vast majority of these matters have been tagged for transfer to, transferred to, or directly-filed in the MDL, and it is anticipated that several newly-filed state court actions will be similarly tagged and transferred. There are several matters that are proceeding in state courts, including actions in Arizona, Illinois and Virginia.

Tyco and Chemguard are also periodically notified by other individuals that they may assert claims regarding PFOS and/or PFOA contamination allegedly resulting from the use of AFFF.

AFFF State or U.S. Territory Attorneys General Litigation

In June 2018, the State of New York filed a lawsuit in New York state court (*State of New York v. The 3M Company et al* No. 904029-18 (N.Y. Sup. Ct., Albany County)) against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at locations across New York, including Stewart Air National Guard Base in Newburgh and Gabreski Air National Guard Base in Southampton, Plattsburgh Air Force Base in Plattsburgh, Griffiss Air Force Base in Rome, and unspecified "other" sites throughout the State. The lawsuit seeks to recover costs and natural resource damages associated with contamination at these sites. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL.

In February 2019, the State of New York filed a second lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In July 2019, the State of New York filed a third lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to the United States District Court for the Northern District of New York and transferred to the MDL. In November 2019, the State of New York filed a fourth lawsuit in New York state court (*State of New York v. The 3M Company et al* (N.Y. Sup. Ct., Albany County)), against a number of manufacturers, including affiliates of the Company, with respect to alleged PFOS and PFOA contamination purportedly resulting from firefighting foams used at further additional locations across New York. This suit has been removed to federal court and transferred to the MDL.

In April 2021, the State of Alaska filed a lawsuit in the superior court of the State of Alaska against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State's land and natural resources allegedly resulting from the use of firefighting foams at various locations throughout the State. The State's case has been removed to federal court and transferred to the MDL. The State of Alaska has also named a number of manufacturers and other defendants, including affiliates of the Company, as third-party defendants in two cases brought by individuals against the State. These two cases have also been transferred to the MDL.

In early November 2021, the Attorney General of the State of North Carolina filed four individual lawsuits in the superior courts of the State of North Carolina against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFOS and PFOA damage of the State's land, natural resources, and property allegedly resulting from the use of firefighting foams at four separate locations throughout the State. These four cases have been removed to federal court and transferred to the MDL. In October 2022, the Attorney General filed two similar lawsuits in the superior courts of the State of North Carolina regarding alleged PFAS damages at two additional locations. These two cases have also been removed to federal court and transferred to the MDL.

In addition, 33 other states and territories have filed 35 lawsuits against a number of manufacturers and other defendants, including affiliates of the Company, with respect to PFAS damage of each of those State's environmental and natural resources allegedly resulting from the manufacture, storage, sale, distribution, marketing, and use of PFAS-containing AFFF within each respective State. The states and territories are: Arkansas, Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Hawaii, Illinois, Indiana, Kentucky, Massachusetts, Maryland, Maine, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Washington, Wisconsin, Guam, the Northern Mariana Islands, and Puerto Rico. All of these complaints, if not filed directly in the MDL, have been removed to federal court and transferred to the MDL.

Other AFFF Related Matters

In March 2020, the Kalispel Tribe of Indians (a federally recognized Tribe) and two tribal corporations filed a lawsuit in the United States District Court for the Eastern District of Washington against a number of manufacturers, including affiliates of the Company, and the United States with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF by the United States Air Force at and around Fairchild Air Force Base in eastern Washington. This case has been transferred to the MDL.

In October 2022, the Red Cliff Band of Lake Superior Chippewa Indians (a federally recognized tribe) filed a lawsuit in the United States District Court for the Western District of Wisconsin against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota. This complaint has been transferred to the MDL.

In July 2023, the Fond du Lac Band of Lake Superior Chippewa (a federally recognized tribe) direct-filed a lawsuit in the MDL against a number of manufacturers, including affiliates of the Company, with respect to PFAS contamination allegedly resulting from the use and disposal of AFFF at Duluth Air National Guard Base in Duluth, Minnesota.

The Company is vigorously defending all of the above AFFF matters and believes that it has meritorious defenses to class certification and the claims asserted, including statutes of limitations, the government contractor defense, various medical and scientific defenses, and other factual and legal defenses. The Company has a historical general liability insurance program and is pursuing coverage under the program from various insurers through insurance claims discussions and litigation pending in a state court in Wisconsin and a federal district court in South Carolina. The insurance litigation involves numerous factual and legal issues. There are numerous factual and legal issues to be resolved in connection with these claims. The Company is presently unable to predict the outcome or ultimate financial exposure beyond the water systems AFFF settlement discussed above, if any, represented by these matters, and there can be no assurance that any such exposure will not be material.

Asbestos Matters

The Company and certain of its subsidiaries, along with numerous other third parties, are named as defendants in personal injury lawsuits based on alleged exposure to asbestos containing materials. These cases have typically involved product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were used with asbestos containing components.

The following table presents the location and amount of asbestos-related assets and liabilities in the Company's consolidated statements of financial position (in millions):

	June 30, 2024	September 30, 2023
Other current liabilities	$ 58	$ 58
Other noncurrent liabilities	353	364
Total asbestos-related liabilities	411	422
Other current assets	18	28
Other noncurrent assets	310	273
Total asbestos-related assets	328	301
Net asbestos-related liabilities	$ 83	$ 121

The following table presents the components of asbestos-related assets (in millions):

	June 30, 2024	September 30, 2023
Restricted		
Cash	$ 10	$ 20
Investments	271	231
Total restricted assets	281	251
Insurance receivables for asbestos-related liabilities	47	50
Total asbestos-related assets	$ 328	$ 301

The amounts recorded for asbestos-related liabilities and insurance-related assets are based on the Company's strategies for resolving its asbestos claims, currently available information, and a number of estimates and assumptions. Key variables and assumptions include the number and type of new claims that are filed each year, the average cost of resolution of claims, the identity of defendants, the resolution of coverage issues with insurance carriers, amount of insurance, and the solvency risk with respect to the Company's insurance carriers. Many of these factors are closely linked, such that a change in one variable or assumption may impact one or more of the others, and no single variable or assumption predominately influences the determination of the Company's asbestos-related liabilities and insurance-related assets. Furthermore, predictions with respect to these variables are subject to greater uncertainty in the later portion of the projection period. Other factors that may affect the Company's liability and cash payments for asbestos-related matters include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms of state or federal tort legislation and the applicability of insurance policies among subsidiaries. As a result, actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the Company's calculations vary significantly from actual results.

Self-Insured Liabilities

The Company records liabilities for its workers' compensation, product, general and auto liabilities. The determination of these liabilities and related expenses is dependent on claims experience. For most of these liabilities, claims incurred but not yet reported are estimated by utilizing actuarial valuations based upon historical claims experience. The Company maintains captive insurance companies to manage a portion of its insurable liabilities.

The following table presents the location and amount of self-insured liabilities in the Company's consolidated statements of financial position (in millions):

	June 30, 2024	September 30, 2023
Other current liabilities	$ 98	$ 86
Accrued compensation and benefits	23	21
Other noncurrent liabilities	232	226
Total self-insured liabilities	$ 353	$ 333

The following table presents the location and amount of insurance receivables in the Company's consolidated statements of financial position (in millions):

	June 30, 2024	September 30, 2023
Other current assets	$ 6	$ 6
Other noncurrent assets	14	14
Total insurance receivables	$ 20	$ 20

Other Matters

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other casualty matters. Although the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, it is management’s opinion that none of these will have a material adverse effect on the Company’s financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

22. SUBSEQUENT EVENT

On July 23, 2024, the Company entered into a Stock and Asset Purchase Agreement (“Purchase Agreement”) with Bosch GmbH, a Gesellschaft mit beschränkter Haftung (“Purchaser”). Pursuant to the Purchase Agreement, on the terms and subject to the conditions therein, the Company has agreed to sell, and Purchaser has agreed to acquire, the Company’s Residential and Light Commercial HVAC business (the “R&LC Business”), including the Company’s North America Ducted business and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., the Company’s global Residential joint venture with Hitachi Global Life Solutions, Inc. (“Hitachi”), of which the Company owns 60% and Hitachi owns 40%. The total consideration payable by Purchaser to the Company and Hitachi is approximately $8.1 billion in cash, and the Company’s portion of the aggregate consideration is approximately $6.7 billion in cash, in each case, subject to adjustment, plus the assumption by Purchaser or its affiliates of certain liabilities of the R&LC Business specified in the Purchase Agreement. Net cash proceeds to the Company are expected to be approximately $5.0 billion after tax and transaction-related expenses. The transaction is expected to close in the fourth quarter of fiscal 2025, subject to required regulatory approvals and other customary closing conditions. The Company expects to report the operating results of the R&LC HVAC business, which is currently reported in the Global Products segment, in discontinued operations beginning in the fourth quarter of fiscal 2024.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statements for Forward-Looking Information

Unless otherwise indicated, references to "Johnson Controls," the "Company," "we," "our" and "us" in this Quarterly Report on Form 10-Q refer to Johnson Controls International plc and its consolidated subsidiaries.

The Company has made statements in this document that are forward-looking and therefore are subject to risks and uncertainties. All statements in this document other than statements of historical fact are, or could be, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In this document, statements regarding the Company’s future financial position, sales, costs, earnings, cash flows, other measures of results of operations, synergies and integration opportunities, capital expenditures, debt levels and market outlook are forward-looking statements. Words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "forecast," "project" or "plan" and terms of similar meaning are also generally intended to identify forward-looking statements. However, the absence of these words does not mean that a statement is not forward-looking. The Company cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond the Company’s control, that could cause the Company’s actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: The Company's ability to develop or acquire new products and technologies that achieve market acceptance and meet applicable quality and regulatory requirements; the ability to manage general economic, business and capital market conditions, including the impact of recessions, economic downturns and global price inflation; fluctuations in the cost and availability of public and private financing for the Company's customers; the ability to innovate and adapt to emerging technologies, ideas and trends in the marketplace, including the incorporation of technologies such as artificial intelligence; the ability to manage macroeconomic and geopolitical volatility, including shortages impacting the availability of raw materials and component products and the conflicts between Russia and Ukraine and Israel and Hamas; managing the risks and impacts of potential and actual security breaches, cyberattacks, privacy breaches or data breaches, including business, service, or operational disruptions, the unauthorized access to or disclosure of data, financial loss, reputational damage, increased response and remediation costs, legal, and regulatory proceedings or other unfavorable outcomes; the Company's ability to remediate its material weakness; maintaining and improving the capacity, reliability and security of the Company's enterprise information technology infrastructure; the ability to manage the lifecycle cybersecurity risk in the development, deployment and operation of the Company's digital platforms and services; the Company's ability to successfully execute and complete portfolio simplification, including the possibility that the expected benefits will not be realized or will not be realized within the expected time frame; changes to laws or policies governing foreign trade, including economic sanctions, tariffs, foreign exchange and capital controls, import/export controls or other trade restrictions; fluctuations in currency exchange rates; changes or uncertainty in laws, regulations, rates, policies, or interpretations that impact the Company's business operations or tax status; the ability to adapt to global climate change, climate change regulation and successfully meet the Company's public sustainability commitments; risks and uncertainties related to the settlement with a nationwide class of public water systems concerning the use of AFFF; the outcome of litigation and governmental proceedings; the risk of infringement or expiration of intellectual property rights; the Company's ability to manage disruptions caused by catastrophic or geopolitical events, such as natural disasters, armed conflict, political change, climate change, pandemics and outbreaks of contagious diseases and other adverse public health developments; the ability of the Company to drive organizational improvement; any delay or inability of the Company to realize the expected benefits and synergies of recent portfolio transactions; the ability to hire and retain senior management and other key personnel; the tax treatment of recent portfolio transactions; significant transaction costs and/or unknown liabilities associated with such transactions; labor shortages, work stoppages, union negotiations, labor disputes and other matters associated with the labor force; and the cancellation of or changes to commercial arrangements. A detailed discussion of risks related to Johnson Controls' business is included in the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2023 filed with the United States Securities and Exchange Commission ("SEC") on December 14, 2023, which is available at www.sec.gov and www.johnsoncontrols.com under the "Investors" tab. The forward-looking statements included in this document are made only as of the date of this document, unless otherwise specified, and, except as required by law, Johnson Controls assumes no obligation, and disclaims any obligation, to update such statements to reflect events or circumstances occurring after the date of this document.

Overview

Johnson Controls International plc, headquartered in Cork, Ireland, is a global leader in smart, healthy and sustainable buildings, serving a wide range of customers in more than 150 countries. The Company’s products, services, systems and solutions advance the safety, comfort and intelligence of spaces to serve people, places and the planet. The Company is committed to helping its customers win and creating greater value for all of its stakeholders through its strategic focus on buildings.

The Company is a global leader in engineering, manufacturing, commissioning and retrofitting building products and systems, including residential and commercial heating, ventilating, air-conditioning ("HVAC") equipment, industrial refrigeration systems, controls, security systems, fire-detection systems and fire-suppression solutions. The Company further serves customers by providing technical services, including maintenance, management, repair, retrofit and replacement of equipment (in the HVAC, industrial refrigeration, controls, security and fire-protection space), energy-management consulting and data-driven “smart building” services and solutions powered by its OpenBlue software platform and capabilities. The Company partners with customers by leveraging its broad product portfolio and digital capabilities powered by OpenBlue, together with its direct channel service and solutions capabilities, to deliver outcome-based solutions across the lifecycle of a building that address customers’ needs to improve energy efficiency, enhance security, create healthy environments and reduce greenhouse gas emissions.

The following information should be read in conjunction with the September 30, 2023 consolidated financial statements and notes thereto, along with management’s discussion and analysis of financial condition and results of operations included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023 filed with the SEC on December 14, 2023. References in the following discussion and analysis to "Three Months," "Third Quarter" or similar language refer to the three months ended June 30, 2024 compared to the three months ended June 30, 2023, while "Year-to-Date" refers to nine months ended June 30, 2024 compared to the nine months ended June 30, 2023.

Macroeconomic Trends

Much of the demand for the Company’s products and solutions is driven by construction, facility expansion, retrofit and maintenance projects within the commercial, institutional, industrial, data center, governmental and residential sectors. Construction projects are heavily dependent on general economic conditions, localized demand for real estate and the availability of credit, public funding or other financing sources. Positive or negative fluctuations in construction, industrial facility expansion, retrofit activity, maintenance projects and other capital investments in buildings within the sectors that the Company serves, as well as availability of credit, financing or funding for such projects, could have a corresponding impact on the Company’s financial condition, results of operations and cash flows. During the nine months ended June 30, 2024, the Company observed continued softening of economic conditions in China, negatively impacting the performance of the Building Solutions Asia Pacific segment. The Company expects economic conditions in China to remain soft throughout the remainder of fiscal 2024, which could impact the performance of the Building Solutions Asia Pacific segment.

As a result of the Company’s global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar. The Company is therefore subject to non-U.S. currency risks and non-U.S. exchange exposure. While the Company employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate it completely from those exposures. In addition, the currency exposure from the translation of non-U.S. dollar functional currency subsidiaries are not able to be hedged. Exchange rates can be volatile and a substantial weakening or strengthening of foreign currencies against the U.S. dollar could increase or reduce the Company’s profit margin, respectively, and impact the comparability of results from period to period. Revenue and profits were negatively impacted by movements in foreign exchange rates against the U.S. dollar during the three and nine months ended June 30, 2024.

The Company continues to observe trends demonstrating increased interest and demand for its products and services that enable smart, safe, efficient and sustainable buildings. This demand is driven in part by government tax incentives, building performance standards and other regulations designed to limit emissions and combat climate change. In particular, legislative and regulatory initiatives such as the U.S. Climate Smart Buildings Initiative, U.S. Inflation Reduction Act and EU Energy Performance of Buildings Directive include provisions designed to fund and encourage investment in decarbonization and digital technologies for buildings. This demand is supplemented by an increase in commitments in both the public and private sectors to reduce emissions and/or achieve net zero emissions. The Company seeks to capitalize on these trends to drive growth by developing and delivering technologies and solutions to create smart, sustainable and healthy buildings. The Company is investing in new digital and product capabilities, including its OpenBlue platform, to enable it to deliver sustainable, high-efficiency products and tailored services to enable customers to achieve their sustainability goals. The Company is leveraging its install base, together with data-driven products and services, to offer outcome-based solutions to customers with a focus on generating accelerated growth in services and recurring revenue.

The Company has experienced, and could continue to experience, increased material cost inflation and component shortages, as well as disruptions and delays in its supply chain, as a result of global macroeconomic trends, including increased global demand, geopolitical and economic tensions, including the conflict between Russia and Ukraine and Israel and Hamas, and labor shortages. Actions taken by the Company to mitigate supply chain disruptions and inflation, including expanding and redistributing its supplier network, supplier financing, price increases and productivity improvements, have generally been successful in offsetting some, but not all, of the impact of these trends. The collective impact of these trends has been favorable to revenue due to increased demand and price increases to offset inflation, while negatively impacting margins primarily due to ongoing cost pressures. Although the Company has experienced recent improvement, further disruptions, shortages and cost increases could occur in the future, the effect of which will depend on the Company's ability to successfully mitigate and offset the impact of these events.

The extent to which the Company's results of operations and financial condition are impacted by these and other factors in the future will depend on developments that are highly uncertain and cannot be predicted. See the section entitled "Risk Factors" in Johnson Controls' Annual Report on Form 10-K for the year ended September 30, 2023 filed with the United States Securities and Exchange Commission ("SEC") on December 14, 2023.

Portfolio Simplification Transactions

The Company has been engaged in an ongoing evaluation of its non-core product lines in connection with its objective to be a pure-play provider of comprehensive solutions for commercial buildings. During the third quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Air Distribution Technologies business included within the Global Products segment. During the fourth quarter of fiscal 2024, the Company entered into a definitive agreement to sell its Residential and Light Commercial ("R&LC") HVAC business to Robert Bosch GmbH ("Bosch"). The RL&C business includes the Company's North America Ducted business and Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd., the Company's global Residential joint venture with Hitachi Global Life Solutions, Inc. ("Hitachi"), of which the Company owns 60% and Hitachi owns 40%. The Company expects to report the operating results of the R&LC HVAC business in discontinued operations beginning in the fourth quarter of fiscal 2024. The Company expects that the sale of the Air Distribution Technologies business will close in the fourth quarter of fiscal 2024 and the sale of the RL&C business will close in the fourth quarter of fiscal 2025.

Cybersecurity Incident

During the weekend of September 23, 2023, the Company experienced a cybersecurity incident impacting its internal information technology ("IT") infrastructure and applications. The cybersecurity incident consisted of unauthorized access, data exfiltration and deployment of ransomware by a third party to a portion of the Company's internal IT infrastructure. The incident caused disruptions and limitation of access to portions of the Company's business applications supporting aspects of the Company's operations and corporate functions, which disruptions and limitations continued into the early portion of the first quarter of fiscal 2024. The Company has contained the unauthorized access and restored the impacted applications and systems.

The Company's investigation and remediation efforts remain ongoing, including the analysis of data accessed, exfiltrated or otherwise impacted during the cybersecurity incident. Based on the information reviewed to date, the Company has not observed evidence of any impact to its digital products, services and solutions, including OpenBlue and Metasys.

The overall impact of the cybersecurity incident did not have a material impact on net income, net of insurance recoveries, or cash flows from operations in the third quarter of fiscal 2024, nor is the impact expected to be material for the full year fiscal 2024.

The Company maintains insurance covering certain losses associated with cybersecurity incidents. The Company currently expects that a substantial portion of its direct costs incurred related to containing, investigating and remediating the incident, as well as business interruption losses, will be reimbursed through insurance recoveries. The timing of recognizing insurance recoveries may differ from the timing of recognizing the associated expenses.

Restructuring Activities

In the third and fourth quarters of fiscal 2023, the Company developed a restructuring plan which included workforce reductions and other actions focused on continued scaling of selling, general and administrative expenses ("SG&A") to its planned growth. The costs of the plan were recorded to restructuring and impairment costs in the consolidated statements of income. In the three and nine months ended June 30, 2024, an additional $40 million and $103 million, respectively, of restructuring charges related to this plan were incurred. Additional restructuring charges are expected in subsequent quarters. The Company expects savings from the restructuring initiatives to be substantially offset by incremental ongoing operating costs and investments to grow the business.

Net Sales

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions)	2024	2023	Change	2024	2023	Change
Net sales	$ 7,231	$ 7,133	1%	$ 20,024	$ 19,887	1%

The increase in net sales for the three months ended June 30, 2024 was due to higher organic sales ($240 million) and the net impact of acquisitions and divestitures ($7 million), partially offset by the unfavorable impact of foreign currency translation ($149 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, net sales increased 3% over the prior year, as strong high single-digit Service growth more than offset continued weakness in China's Systems/Install business.

The increase in net sales for the nine months ended June 30, 2024 was due to higher organic sales ($273 million) and the net impact of acquisitions and divestitures ($69 million), partially offset by the unfavorable impact of foreign currency translation ($205 million). Excluding the impact of foreign currency translation and business acquisitions and divestitures, net sales increased 1% over the prior year, as growth in Services was offset primarily by weakness in China's Systems/Install business and declines in global residential HVAC.

Refer to the "Segment Analysis" below within this Item 2 for a discussion of net sales by segment.

Cost of Sales / Gross Profit

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions)	2024	2023	Change	2024	2023	Change
Cost of sales	$ 4,743	$ 4,702	1 %	$ 13,363	$ 13,124	2 %
Gross profit	2,488	2,431	2	6,661	6,763	(2)
% of sales	34.4%	34.1%	30 bp	33.3%	34.0%	(70) bp

Gross profit increased for the three months ended June 30, 2024, primarily due to higher gross profit in the Systems/Install business of the Building Solutions segments.

Gross profit decreased for the nine months ended June 30, 2024, primarily due to unfavorable mix and lower volumes in the Global Products segment, partially offset by higher gross profit in the Systems/Install business of the Building Solutions segments and the Services business.

Refer to the "Segment Analysis" below within this Item 2 for a discussion of segment earnings before interest, taxes and amortization ("EBITA").

Selling, General and Administrative Expenses

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions)	2024	2023	Change	2024	2023	Change
SG&A	$ 1,090	$ 1,555	(30) %	$ 4,854	$ 4,705	3 %
% of sales	15.1%	21.8%	(670) bp	24.2%	23.7%	50 bp

For the three months ended June 30, 2024, decreases in SG&A were due to lower costs due to operating efficiencies ($36 million), water systems AFFF insurance recoveries ($351 million), favorable earn-out adjustments ($61 million) and reductions in miscellaneous other expenses including transaction and separation costs ($17 million).

For the nine months ended June 30, 2024, increases in SG&A were due to the net unfavorable impact of the water systems AFFF settlement agreement costs and insurance recoveries ($399 million), partially offset by lower costs due to operating efficiencies ($104 million), favorable earn-out adjustments ($38 million), the favorable impact of a prior year loss associated with a fire at a leased warehouse facility ($40 million), and reductions in miscellaneous other expenses including transaction and separation costs ($68 million).

Refer to the "Segment Analysis" below within this Item 2 for a discussion of segment EBITA. Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for further disclosure related to the water systems AFFF settlement and related insurance recoveries.

Restructuring and Impairment Costs

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2024	2023	2024	2023
Goodwill impairments	$ 21	$ —	$ 251	$ 184
Held for sale impairments	35	—	35	498
Other impairments	10	—	10	—
Restructuring and related costs	40	81	103	162
Restructuring and impairment costs	$ 106	$ 81	$ 399	$ 844

Refer to Note 4, "Assets and Liabilities Held for Sale," Note 8, "Goodwill and Other Intangible Assets," and Note 17, "Restructuring and Related Costs," of the notes to the consolidated financial statements for further disclosure related to the Company's restructuring actions and impairment costs.

Net Financing Charges

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions)	2024	2023	Change	2024	2023	Change
Interest expense, net of capitalized interest costs	$ 105	$ 79	33 %	$ 296	$ 219	35 %
Other financing charges	6	13	(54)	34	34	—
Gain on debt extinguishment	(25)	—	*	(25)	—	*
Interest income	(5)	(10)	(50)	(15)	(17)	(12)
Net foreign exchange results for financing activities	(10)	(2)	*	(27)	(18)	50
Net financing charges	$ 71	$ 80	(11)%	$ 263	$ 218	21 %

* Measure not meaningful

Refer to Note 10, "Debt and Financing Arrangements," of the notes to the consolidated financial statements for further disclosure related to the Company's debt.

Income Tax (Benefit) Provision

(in millions)	Three Months Ended June 30, 2024	2023	Change	Nine Months Ended June 30, 2024	2023	Change
Income tax (benefit) provision	$ 227	$ (329)	*	$ 99	$ (266)	*
Effective tax rate	17.7%	(41.5)%	*	7.5%	(22.4)%	*

* Measure not meaningful

Refer to Note 18, "Income Taxes" of the notes to the consolidated financial statements for further disclosure related to the Company's income taxes.

Segment Analysis

Management evaluates the performance of its segments primarily on segment earnings before interest, taxes and amortization ("EBITA"), which represents income before income taxes and noncontrolling interests, excluding corporate expenses, amortization of intangible assets, restructuring and impairment costs, the water systems AFFF settlement costs and insurance recoveries, net mark-to-market gains and losses related to pension and postretirement plans and restricted asbestos investments, and net financing charges.

Net Sales

(in millions)	Three Months Ended June 30, 2024	2023	Change	Nine Months Ended June 30, 2024	2023	Change
Building Solutions North America	$ 2,899	$ 2,665	9%	$ 8,125	$ 7,552	8%
Building Solutions EMEA/LA	1,081	1,045	3	3,183	3,051	4
Building Solutions Asia Pacific	575	736	(22)	1,573	2,049	(23)
Global Products	2,676	2,687	—	7,143	7,235	(1)
	$ 7,231	$ 7,133	1%	$ 20,024	$ 19,887	1%

<u>Three Months:</u>

- The increase in Building Solutions North America was primarily due to organic growth ($216 million) and incremental sales related to business acquisitions ($16 million). Excluding the impact of business acquisitions, sales growth was led by growth greater than 20% in Applied HVAC & Controls. System sales increased 9% and Services increased 6%.

- The increase in Building Solutions EMEA/LA was primarily due to organic growth across the portfolio ($82 million), partially offset by the unfavorable impact of foreign currency translation ($46 million). Excluding the impact of foreign currency translation, sales growth was led by mid-teen growth in Services and low single-digit growth in Systems.

- The decrease in Building Solutions Asia Pacific was primarily due to organic sales declines ($134 million) and the unfavorable impact of foreign currency translation ($25 million). Excluding the impact of foreign currency translation, sales decreased as high single-digit Services growth was more than offset by continued weakness in System sales in China.

- Global Products net sales were flat as organic growth ($76 million) was offset by the unfavorable impact of foreign currency translation ($80 million). Excluding the impact of foreign currency translation, sales increased as growth in Commercial and Residential HVAC was offset by declines in Fire & Security.

<u>Year-to-Date:</u>

- The increase in Building Solutions North America was primarily due to organic growth ($510 million), incremental sales related to business acquisitions ($48 million) and the favorable impact of foreign currency translation ($15 million). Excluding the impacts of foreign currency translation and business acquisitions, sales growth was led by growth in Applied HVAC & Controls.

- The increase in Building Solutions EMEA/LA was primarily due to organic growth ($136 million), partially offset by the unfavorable impact of foreign currency translation ($8 million). Excluding the impact of foreign currency translation, sales growth was led by growth in Services.

- The decrease in Building Solutions Asia Pacific was primarily due to organic sales declines ($408 million) and the unfavorable impact of foreign currency translation ($68 million). Excluding the impact of foreign currency translation, sales decreased as Services growth was more than offset by weakness in the China Systems business.

- The decrease in Global Products was due to the unfavorable impact of foreign currency translation ($144 million), partially offset by organic growth ($35 million) and the net impact of business acquisitions and divestitures ($17 million). Excluding the impacts of foreign currency translation and business acquisitions and divestitures, sales increased as growth in Commercial HVAC was partially offset by declines in Residential HVAC.

Segment EBITA

	Three Months Ended June 30,			Nine Months Ended June 30,		
(in millions)	2024	2023	Change	2024	2023	Change
Building Solutions North America	$ 521	$ 385	35%	$ 1,179	$ 967	22%
Building Solutions EMEA/LA	111	90	23	280	234	20
Building Solutions Asia Pacific	67	102	(34)	167	249	(33)
Global Products	655	593	10	1,453	1,463	(1)

Three Months:

- The increase in Building Solutions North America was primarily due to higher margin backlog conversion, improved productivity and a favorable earn-out liability adjustment in the current quarter.

- The increase in Building Solutions EMEA/LA was primarily driven by positive mix from the growth in Services and the conversion of higher margin Systems backlog.

- The decrease in Building Solutions Asia Pacific was primarily driven by weakness in China, partially offset by positive mix from the Service business.

- The increase in Global Products was primarily due to positive price/cost and improved productivity, partially offset by unfavorable mix primarily from ongoing weakness in China.

Year-to-Date:

- The increase in Building Solutions North America was primarily due to higher margin backlog conversion and continued growth in Services. A favorable earn-out liability adjustment also contributed to the increase.

- The increase in Building Solutions EMEA/LA was primarily due to growth in higher margin Services.

- The decrease in Building Solutions Asia Pacific was primarily due to continued weakness in the Systems business in China.

- The decrease in Global Products was primarily the result of unfavorable mix, the negative impact of a product quality issue and less favorable earn-out liability adjustments in the current year, partially offset by productivity improvements and the absence of the prior year loss associated with a fire at a leased warehouse facility.

Backlog and Orders

Backlog and orders are additional metrics that are meant to provide management with a deeper level of insight into the progress of specific strategic and growth initiatives. Backlog is applicable to sales of systems and services and totaled $15.5 billion at June 30, 2024, including both Building Solutions and Global Products. Orders provide management with a signal of customer demand for the Company's products and services, as well as an indication of future revenues and performance. However, the timing and conversion of backlog and orders are subject to numerous uncertainties and risks and are not necessarily indicative of the amount of revenue to be earned in the upcoming fiscal year.

The following table summarizes backlog and orders for the Building Solutions segments:

	Backlog		Orders	
(in billions)	June 30, 2024	Year-over-Year Change [1]	Three months ended June 30, 2024	Year-over-Year Change [1]
Building Solutions North America	$ 9.0	14 %	$ 3.1	5 %
Building Solutions EMEA/LA	2.5	12 %	1.1	11 %
Building Solutions Asia Pacific	1.4	(12)%	0.8	(2)%
Total Building Solutions	$ 12.9	10 %	$ 5.0	5 %

[1] Change is compared to June 30, 2023 (backlog) and the three months ended June 30, 2023 (orders) and excludes the impact of mergers, acquisitions, dispositions and foreign currency.

Remaining performance obligations were $21.4 billion at June 30, 2024. Differences between the Company's remaining performance obligations and backlog are primarily due to:

- Remaining performance obligations include large, multi-purpose contracts to construct hospitals, schools and other governmental buildings, which are services to be performed over the building's lifetime with average initial contract terms of 25 to 35 years for the entire term of the contract versus backlog which includes only the lifecycle period of these contracts which approximates five years;
- Remaining performance obligations exclude service contracts with an original expected duration of one year or less and contracts that are cancellable without substantial penalty versus backlog which includes short-term and cancellable contracts; and
- Remaining performance obligations include the full remaining term of service contracts with substantial termination penalties versus backlog which includes only one year for all outstanding service contracts.

The Company reports backlog, which it believes is a useful measure of evaluating the Company's operational performance and relationship to total orders.

Liquidity and Capital Resources

Working Capital

(in millions)	June 30, 2024	September 30, 2023	Change
Current assets	$ 12,153	$ 10,737	
Current liabilities	12,724	11,084	
Working capital	$ (571)	$ (347)	(65)%
Accounts receivable - net	$ 6,667	$ 6,006	11%
Inventories	2,863	2,776	3%
Accounts payable	4,128	4,268	(3)%

- The decrease in working capital was primarily due to higher current and short-term borrowings and the water systems AFFF settlement accrual, partially offset by increases in accounts receivable, AFFF insurance recovery receivables and the net impact of various other current assets and liabilities.

- In March 2024, the Company discontinued its receivables factoring programs. The Company did not factor any receivables during the three months ended June 30, 2024, and does not expect to engage in any receivables factoring during the remainder of fiscal year 2024, resulting in an unfavorable impact of approximately $700 million on operating cash flows in fiscal 2024.

- Material cash requirements primarily consist of working capital, capital expenditures, dividends, minimum pension contributions, debt maturities and interest, operating leases, payments related to the water systems AFFF settlement, and any potential acquisitions or stock repurchases. The Company expects cash requirements for the remainder of fiscal 2024 will be funded from operations, supplemented by other sources of short- and long-term borrowings, including term loans, commercial paper and the issuance of debt securities. The Company also expects to fund a portion of the payments related to the water systems AFFF settlement through insurance recoveries.

Cash Flows From Continuing Operations

	Nine Months Ended June 30,	
(in millions)	2024	2023
Cash provided by operating activities	$ 572	$ 831
Cash used by investing activities	(310)	(576)
Cash used by financing activities	(322)	(1,111)

- The decrease in cash provided by operating activities was primarily due to increases in accounts receivable due to the discontinuation of factoring programs and to other assets due to AFFF insurance recovery receivables, partially offset by decreases in accounts payable and other accrued liabilities and reduced inventory growth.

- The decrease in cash used by investing activities was primarily due to lower capital expenditures and lower cash usage for acquisitions.

- The decrease in cash used by financing activities was primarily due to changes in net debt activity, primarily commercial paper, partially offset by higher share repurchases in the nine months ended June 30, 2024.

Capitalization

(in millions)	June 30, 2024	September 30, 2023
Short-term debt	$ 1,523	$ 385
Current portion of long-term debt	998	645
Long-term debt	7,867	7,818
Total debt	10,388	8,848
Less: Cash and cash equivalents	862	835
Net debt	$ 9,526	$ 8,013
Shareholders’ equity attributable to Johnson Controls ordinary shareholders ("Equity")	$ 15,968	$ 16,545
Total capitalization (Total debt plus Equity)	26,356	25,393
Net capitalization (Net debt plus Equity)	25,494	24,558
Total debt as a % of Total capitalization	39.4%	34.8%
Net debt as a % of Net capitalization	37.4%	32.6%

- Net debt and net debt as a percentage of net capitalization are non-GAAP financial measures. The Company believes the percentage of net debt to net capitalization is useful to understanding the Company’s financial condition as it provides a view of the extent to which the Company relies on external debt financing for its funding and is a measure of risk to its shareholders.

- As of June 30, 2024, approximately $2.1 billion remains available under the Company's share repurchase authorization, which does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. The Company expects to repurchase outstanding shares from time to time depending on market conditions, alternate uses of capital, liquidity, and the economic environment.

- The Company declared a dividend of $0.37 per common share in the quarter ended June 30, 2024 and intends to continue paying dividends throughout fiscal 2024.

- On April 12, 2024, Tyco Fire Products, a subsidiary of the Company, agreed to a settlement with a nationwide class of public water systems that detected PFAS in their drinking water systems that they allege to be associated with the use of AFFF. Under the terms of the agreement, Tyco Fire Products agreed to contribute $750 million to resolve these PFAS claims. Tyco Fire Products contributed an initial payment of $250 million in June 2024, with the remaining $500 million due by the first quarter of fiscal 2025. Prior to the date of the final contribution, Tyco Fire Products has agreed to contribute any applicable insurance recoveries in excess of the initial $250 million payment, up to the remaining $500 million due, within a specified period following the receipt of such recovery. During the three months ended June 30, 2024, the Company recorded expected insurance recoveries of $351 million in selling, general and administrative expenses in the consolidated statements of income, substantially all of the proceeds of which are expected to be received in the fourth quarter of fiscal 2024. In accordance with its agreement and recent insurance recovery, Tyco Fire Products will make an additional payment during the fourth quarter of fiscal 2024 of approximately $90 million, reducing its final payment to approximately $410 million. The amounts and timing of any additional insurance recoveries are uncertain. Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for additional discussion of the water systems settlement.

- The Company believes its capital resources and liquidity position, including cash and cash equivalents of $862 million at June 30, 2024, are adequate to fund operations and meet its cash obligations for the foreseeable future.

  - The Company manages its short-term debt position in the U.S. and euro commercial paper and bank loan markets. Commercial paper outstanding totaled $941 million as of June 30, 2024 and $200 million as of September 30, 2023.

  - The Company maintains a shelf registration statement with the SEC under which it may issue additional debt securities, ordinary shares, preferred shares, depository shares, warrants purchase contracts and units that may be offered in one or more offerings on terms to be determined at the time of the offering. The Company anticipates that the proceeds of any offering would be used for general corporate purposes, including repayment of indebtedness, acquisitions, additions to working capital, repurchases of ordinary shares, dividends, capital expenditures and investments in the Company's subsidiaries.

  - The Company also has the ability to draw on its $2.5 billion revolving credit facility which is scheduled to expire in December 2028 or its $0.5 billion revolving credit facility which is scheduled to expire in December 2024. There were no draws on the revolving credit facilities as of June 30, 2024 and September 30, 2023.

  - In April 2024, the Company and its wholly-owned subsidiary, Tyco Fire & Security Finance S.C.A, co-issued $700 million unsecured, unsubordinated senior notes with an interest rate of 5.50% which is due April 2029. In June 2024, the Company completed a debt tender offer to purchase $119 million of its 5.125% Notes due 2045.

- The Company's ability to access the global capital markets and the related cost of financing is dependent upon, among other factors, the Company's credit ratings. As of June 30, 2024, the Company's credit ratings and outlook were as follows:

Rating Agency	Short-Term Rating	Long-Term Rating	Outlook
S&P	A-2	BBB+	Stable
Moody's	P-2	Baa2	Positive

The security ratings set forth above are issued by unaffiliated third party rating agencies and are not a recommendation to buy, sell or hold securities. The ratings may be subject to revision or withdrawal by the assigning rating organization at any time.

- Financial covenants in the Company's revolving credit facilities require a minimum consolidated shareholders' equity attributable to Johnson Controls of at least $3.5 billion at all times. The revolving credit facility also limits the amount of debt secured by liens that may be incurred to a maximum aggregated amount of 10% of consolidated shareholders' equity attributable to Johnson Controls for liens and pledges. For purposes of calculating these covenants, consolidated shareholders' equity attributable to Johnson Controls is calculated without giving effect to (i) the application of Accounting Standards Codification ("ASC") 715-60, "Defined Benefit Plans - Other Postretirement," or (ii) the cumulative foreign currency translation adjustment. As of June 30, 2024, the Company was in compliance with all covenants and other requirements set forth in its credit agreements and the indentures governing its notes, and expects to remain in compliance for the foreseeable future. None of the Company's debt agreements limit access to stated borrowing levels or require accelerated repayment in the event of a decrease in the Company's credit rating.

- The Company earns a significant amount of its income outside of the parent company. Outside basis differences in these subsidiaries are deemed to be permanently reinvested except in limited circumstances. However, in the first quarter of fiscal 2024, the Company provided income tax expense related to a change in the Company's assertion over the outside basis differences of the Company's investment in certain consolidated subsidiaries. The Company currently does not intend nor foresee a need to repatriate undistributed earnings included in the outside basis differences other than in tax efficient manners. The Company's intent is to reduce basis differences only when it would be tax efficient. The Company expects existing U.S. cash and liquidity to continue to be sufficient to fund the Company's U.S. operating activities and cash commitments for investing and financing activities for at least the next twelve months and thereafter for the foreseeable future. In the U.S., should the Company require more capital than is generated by its operations, the Company could elect to raise capital in the U.S. through debt or equity issuances. The Company has borrowed funds in the U.S. and continues to have the ability to borrow funds in the U.S. at reasonable interest rates. In addition, the Company expects existing non-U.S. cash, cash equivalents, short-term investments and cash flows from operations to continue to be sufficient to fund the Company's non-U.S. operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next twelve months and thereafter for the foreseeable future. Should the Company require more capital at its Luxembourg and Ireland holding and financing entities, other than amounts that can be provided in tax efficient methods, the Company could also elect to raise capital through debt or equity issuances. These alternatives could result in increased interest expense or other dilution of the Company's earnings.

- The Company may from time to time purchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Purchases or retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

- Refer to Note 10, "Debt and Financing Arrangements," and Note 21, "Commitments and Contingencies" of the notes to the consolidated financial statements for additional information on debt balances, the water systems AFFF settlement agreement and items impacting capitalization.

Co-Issued Securities: Summarized Financial Information

The following information is provided in compliance with Rule 13-01 of Regulation S-X under the Securities Exchange Act of 1934 with respect to the following unsecured, unsubordinated senior notes (collectively, ("the Notes) which were issued by Johnson Controls International plc ("Parent Company") and Tyco Fire & Security Finance S.C.A. ("TFSCA"):

- €500 million aggregate principal amount of 0.375% Senior Notes due 2027
- €600 million aggregate principal amount of 3.000% Senior Notes due 2028
- $700 million aggregate principal amount of 5.500% Senior Notes due 2029
- $625 million aggregate principal amount of 1.750% Senior Notes due 2030
- $500 million aggregate principal amount of 2.000% Sustainability-Linked Senior Notes due 2031
- €500 million aggregate principal amount of 1.000% Senior Notes due 2032
- $400 million aggregate principal amount of 4.900% Senior Notes due 2032
- €800 million aggregate principal amount of 4.25% Senior Notes due 2035

TFSCA is a corporate partnership limited by shares (*société en commandite par actions*) incorporated and organized under the laws of the Grand Duchy of Luxembourg ("Luxembourg") and is a wholly-owned consolidated subsidiary of the Company that is 99.924% owned directly by the Parent Company and 0.076% owned by TFSCA's sole general partner and manager, Tyco Fire & Security S.à r.l., which is itself wholly-owned by the Company. The Parent Company is incorporated and organized under the laws of Ireland. TFSCA is incorporated and organized under the laws of Luxembourg. The bankruptcy, insolvency, administrative, debtor relief and other laws of Luxembourg or Ireland, as applicable, may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could adversely affect noteholders' ability to enforce their rights under the Notes in those jurisdictions or limit any amounts that they may receive.

The following table presents the net loss attributable to the Parent Company and TFSCA (collectively, the "Obligor Group") and the net income (loss) attributable to intercompany transactions between the Obligor Group and subsidiaries of the Parent Company other than TFSCA (collectively, the "Non-Obligor Subsidiaries") which are excluded from the Net loss attributable to the Obligor Group (in millions):

	Nine Months Ended June 30, 2024	Year Ended September 30, 2023
Net loss attributable to the Obligor Group	$ 404	$ 458
Net income (loss) attributable to intercompany transactions	422	(139)

The Obligor Group does not have sales, gross profit or amounts attributable to noncontrolling interests.

The following table presents summarized balance sheet information of the Obligor Group and intercompany balances between the Obligor Group and the Non-Obligor Subsidiaries which are excluded from the Obligor Group amounts (in millions):

	Obligor Group		Intercompany Balances	
	June 30, 2024	September 30, 2023	June 30, 2024	September 30, 2023
Current assets	$ 927	$ 26	$ 785	$ 5,608
Noncurrent assets	256	270	7,031	1,882
Current liabilities	5,912	3,652	4,457	9,289
Noncurrent liabilities	7,713	7,585	7,062	3,462

The same accounting policies as described in Note 1, "Summary of Significant Accounting Policies," of the Company's Annual Report on 10-K for the year ended September 30, 2023 are used by the Parent Company and each of its subsidiaries in connection with the summarized financial information presented above.

New Accounting Standards

Refer to Note 2, "New Accounting Standards," of the notes to the consolidated financial statements.

Critical Accounting Estimates

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The Company's critical accounting estimates requiring significant judgement that could materially impact the Company's results of operations, financial position and cash flows are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023. Since the date of the Company's most recent Annual Report, there have been no material changes in the Company's critical accounting estimates or assumptions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2024, the Company had not experienced any adverse changes in market risk exposures that materially affected the quantitative and qualitative disclosures presented in its Annual Report on Form 10-K for the year ended September 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2024. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the Commissions’ rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Based on such evaluations, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2024, the Company’s disclosure controls and procedures were not effective because of the material weakness in its internal control over financial reporting discussed below and described in the Company's Annual Report on Form 10-K for the year ended September 30, 2023. Notwithstanding the material weakness in internal control over financial reporting, management believes and has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company’s financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

Remediation Plan for Material Weakness in Internal Control Over Financial Reporting

The Company is committed to remediating the above noted material weakness and has actively implemented measures designed to help ensure the material weakness is remediated as soon as possible. The Company’s remediation plan includes, among other things, the following:

- engaging security specialists to assist in the review, assessment and remediation of the Company's IT controls;
- additional strengthening of access requirements and unauthorized access detection to the Company's financial reporting systems; and
- implementing additional procedures to facilitate more effective backup and recovery of the Company's financial reporting systems.

As of June 30, 2024, the Company completed the design and implementation of most controls necessary to remediate the material weakness. The remediation plan is subject to oversight by the Audit Committee of the Board of Directors and the identified material weakness will not be considered remediated until the remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and the Company has concluded that newly implemented controls are operating effectively.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company’s internal control over financial reporting during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Gumm v. Molinaroli, et al.

In May 2024, stockholders of Johnson Controls, Inc., filed a putative class action Complaint against Johnson Controls, Inc., certain former officers and directors of Johnson Controls, Inc., and two related entities (Jagara Merger Sub LLC and Johnson Controls International plc) in Wisconsin state court relating to the 2016 merger of Johnson Controls and Tyco (Gumm et al. v. Molinaroli et al., Case No. 30106, filed May 23, 2024 in the Circuit Court for Milwaukee County, Wisconsin). The filing of the state court Complaint follows the dismissal of a related lawsuit filed in federal court, which dismissal was affirmed on appeal in

November 2023. The 12-count state court Complaint asserts claims for (1) breach of fiduciary duty; (2) aiding and abetting breach of fiduciary duty; (3); unjust enrichment; (4) violations of Wisconsin Business Corporation Law §§ 180.1101-.1103; (5) breach of JCI’s Articles of Incorporation; (6) conversion; (7) violations of Wisconsin Securities Act §§ 551.501 and 551.509; (8) breach of covenant of good faith and fair dealing; (9) promissory estoppel; (10) tortious interference with contract; (11) negligent or intentional misrepresentation/equitable fraud; and (12) statutory fraud. Defendants’ response to the Complaint is due September 13, 2024. No other case deadlines have been set at this time.

Refer to Note 21, "Commitments and Contingencies," of the notes to the consolidated financial statements for discussion of environmental, asbestos, self-insured liabilities and other litigation matters, which is incorporated by reference herein and is considered an integral part of Part II, Item 1, "Legal Proceedings."

ITEM 1A. RISK FACTORS

The following should be read in conjunction with, and supplements and amends, the factors that may affect the Company’s business or operations described under “Risk Factors” in Part I, Item 1A, of the Company’s Annual Report on Form 10-K for the year ended September 30, 2023. Other than as described in this Item 1A, there have been no other material changes to our risk factors from the risk factors previously disclosed in the 2023 Annual Report.

The following updates and replaces the risk factor entitled “Divestitures of some of our businesses or product lines may materially adversely affect our financial condition, results of operations or cash flows".

We may not realize the benefits of our ongoing efforts to simplify our portfolio.

We continually evaluate the performance and strategic fit of all of our businesses and may sell businesses or product lines. Recently, we have been engaged in a strategic evaluation of our non-core product lines and have entered into separate agreements to divest our Air Distribution Technologies business and Residential and Light Commercial business. Divestitures such as these involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain environmental or other contingent liabilities related to the divested business. We may also experience unfavorable reaction to the divestiture by customers, competitors, suppliers and employees, making it more difficult to maintain business and operational relationships. Some divestitures may be dilutive to earnings and we may not be successful in executing restructurings and other actions to minimize or offset dilution. We may also fail to achieve the strategic objectives of divestitures or not realize such objectives within the expected time frame, including our objective to simplify our portfolio to be a pure-play provider of comprehensive solutions for commercial buildings. In addition, divestitures may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. In the event we are unable to successfully divest a business or product line, we may be forced to wind down such business or product line, which could materially and adversely affect our results of operations and financial condition. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows, and may also result in a diversion of management attention, operational difficulties and losses.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As of June 30, 2024, approximately $2.1 billion remains available under the share repurchase program which was authorized by the Company's Board of Directors in March 2021. The share repurchase authorization does not have an expiration date and may be amended or terminated by the Board of Directors at any time without prior notice. During the three and nine months ended June 30, 2024, the Company repurchased and immediately retired $402 million and $876 million of its ordinary shares, respectively, on an open market.

The following table presents information regarding the repurchase of the Company's ordinary shares by the Company as part of its publicly announced program during the three months ended June 30, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs
04/01/24 - 04/30/24	2,559,479	$ 64.82	2,559,479	$ 2,346,543,921
05/01/24 - 05/31/24	2,440,912	67.30	2,440,912	2,182,258,480
06/01/24 - 06/30/24	988,145	69.55	988,145	2,113,530,789

ITEM 5. OTHER INFORMATION

Officer Rule 10b5-1 Plan

During the three months ended June 30, 2024, except as provided below, none of the Company's directors or Section 16 officers adopted, amended or terminated a "Rule 10b5–1 trading arrangement" or "non-Rule 10b5–1 trading arrangement" (as each term is defined in Item 408(a) of Regulation S-K).

George Oliver Rule 10b5-1 Plan

On June 5, 2024, George Oliver, Chairman and Chief Executive Officer of the Company, entered into a Rule 10b5–1 trading arrangement with respect to 331,846 ordinary shares of Company stock issuable upon the exercise of option awards scheduled to expire in 2024 (the "Oliver 10b5-1 Plan"). The Oliver 10b5-1 Plan was executed during the Company's most recent open trading window and is expected to become effective on or about September 15, 2024. Under the Oliver 10b5-1 Plan, the options are expected to be exercised in regular intervals between the plan's start date and termination date, provided that the market price of the Company's ordinary shares exceeds the exercise price of the options at the time of exercise. With respect to the options to be exercised, a portion of the ordinary shares are expected to be sold in the market to cover the exercise price and taxes associated with the exercise of the options. The remaining ordinary shares underlying the options will be sold in the open market at the times and prices specified in the plan. All transactions under the Oliver 10b5-1 Plan, if they occur, are expected to be completed by or before November 25, 2024. The Oliver 10b5-1 Plan will automatically terminate upon the earlier of the completion of all transactions contemplated under the plan or November 25, 2024.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

Exhibit No.	Description
4.1	Eleventh Supplemental Indenture, dated as of April 19, 2024, among Johnson Controls International plc, Tyco Fire & Security Finance S.C.A. and U.S. Bank Trust Company, National Association, as trustee (attaching form of the Notes) (incorporated by reference to Exhibit 4.2 to the registrant's Current Report on Form 8-K dated April 19, 2024)
10.1	Settlement Agreement for Water Systems by and among Tyco Fire Products LP, and the representatives of certain U.S. active public water systems as set forth therein, dated April 12, 2024 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated April 12, 2024)*
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101	The following materials from Johnson Controls International plc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Position, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders' Equity and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)
*	The registrant has omitted certain schedules and other similar attachments to such agreement pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish a copy of such omitted documents to the SEC upon request.

SIGNATURES

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.

JOHNSON CONTROLS INTERNATIONAL PLC

Date: July 31, 2024

By: */s/ Marc Vandiepenbeeck*

Marc Vandiepenbeeck

Executive Vice President and
Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, George R. Oliver, of Johnson Controls International plc, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Johnson Controls International plc;

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 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 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 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: July 31, 2024

/s/ George R. Oliver

George R. Oliver
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Marc Vandiepenbeeck, of Johnson Controls International plc, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Johnson Controls International plc;

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 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 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 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: July 31, 2024

/s/ Marc Vandiepenbeeck

Marc Vandiepenbeeck
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, George R. Oliver and Marc Vandiepenbeeck, of Johnson Controls International plc, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (Periodic Report) to which this statement is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and

2. information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Johnson Controls International plc.

Date: July 31, 2024

/s/ George R. Oliver

George R. Oliver
Chairman and Chief Executive Officer

/s/ Marc Vandiepenbeeck

Marc Vandiepenbeeck
Executive Vice President and
Chief Financial Officer