UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 30, 2023
or

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

For the transition period from ________ to ________
Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

Ohio	**31-0958666**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
7000 Cardinal Place Dublin , Ohio	**43017**
(Address of principal executive offices)	**(Zip Code)**

(614) 757-5000

(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares (without par value)	**CAH**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 þ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	þ	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

þ

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. o

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No þ

The aggregate market value of voting stock held by non-affiliates on December 31, 2022, was the following: $19,775,475,828.

The number of the registrant’s common shares, without par value, outstanding as of July 31, 2023, was the following: 250,681,620.

Documents Incorporated by Reference:

Portions of the registrant’s Definitive Proxy Statement to be filed for its 2023 Annual Meeting of Shareholders are incorporated by reference into the sections of this Form 10-K addressing the requirements of Part III of Form 10-K.

Cardinal Health

Fiscal 2023 Form 10-K

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Introduction

References to Cardinal Health and Fiscal Years

As used in this report, "we," "our," "us," "Cardinal Health" and similar pronouns refer to Cardinal Health, Inc. and its majority-owned and consolidated subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2024, 2023, 2022, 2021, 2020 and 2019 are to the fiscal years ended June 30, 2024, 2023, 2022, 2021, 2020 and 2019, respectively. Except as otherwise specified, information in this report is provided as of June 30, 2023.

Non-GAAP Financial Measures

In this report, we use financial measures that are derived from consolidated financial data but are not presented in our financial statements that are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the "Explanation and Reconciliation of Non-GAAP Financial Measures" section following MD&A in this report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Our MD&A within this Form 10-K generally discusses fiscal 2023 and fiscal 2022 items and year-over-year comparisons between fiscal 2023 and fiscal 2022. Fiscal 2021 items and discussions of year-over-year comparisons between fiscal 2022 and fiscal 2021 that are not included in this Form 10-K can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022 (the "Fiscal 2022 Form 10-K").

Important Information Regarding Forward-Looking Statements

This report (including information incorporated by reference) includes forward-looking statements addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in MD&A and Risk Factors, but there are others throughout this report, which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these risks and uncertainties are described in "Risk Factors" in this report and in Exhibit 99.1 to the Form 10-K included in this report. Forward-looking statements in this report speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge on our website (www.cardinalhealth.com), under the "Investor Relations — Financial Reporting — SEC Filings" caption, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The SEC also maintains a website (www.sec.gov) where you can search for annual, quarterly and current reports, proxy and information statements and other information regarding us and other public companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations

About Cardinal Health

Cardinal Health, Inc., an Ohio corporation formed in 1979, is a global healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physician offices and patients in the home. We provide pharmaceuticals and medical products and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical.

Pharmaceutical Segment

Our Pharmaceutical segment distributes branded and generic pharmaceutical, specialty pharmaceutical and over-the-counter healthcare and consumer products in the United States. This segment also provides services to pharmaceutical manufacturers and healthcare providers for specialty pharmaceutical products; provides pharmacy management services to hospitals and operates a limited number of pharmacies, including pharmacies in community health centers; operates nuclear pharmacies and radiopharmaceutical manufacturing facilities; and repackages generic pharmaceuticals and over-the-counter healthcare products.

Medical Segment

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. This segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

Consolidated Results

Fiscal 2023 Overview

Revenue

Revenue for fiscal 2023 was $205.0 billion, a 13 percent increase from the prior year, primarily driven by Pharmaceutical segment sales growth.

GAAP and Non-GAAP Operating Earnings/(Loss)

(in millions)	2023	2022	Change
GAAP operating earnings/(loss)	**$ 727**	$ (596)	**N.M.**
Surgical gown recall costs/(income)	**—**	1	
State opioid assessment related to prior fiscal years	**(6)**	—	
Shareholder cooperation agreement costs	**8**	—	
Restructuring and employee severance	**95**	101	
Amortization and other acquisition-related costs	**285**	324	
Impairments and (gain)/loss on disposal of assets, net	**1,250**	2,050	
Litigation (recoveries)/charges, net	**(302)**	109	
Non-GAAP operating earnings	**$ 2,057**	$ 1,990	**3 %**

The sum of the components and certain computations may reflect rounding adjustments.

We had GAAP operating earnings of $727 million and a GAAP operating loss of $596 million during fiscal 2023 and 2022, respectively, which included $1.2 billion and $2.1 billion pre-tax non-cash goodwill impairment charges related to the Medical segment, respectively. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Consolidated Financial Statements" for additional detail. GAAP operating earnings during fiscal 2023 were favorably impacted by litigation recoveries as described further in Note 7 of the "Notes to Consolidated Financial Statements."

Non-GAAP operating earnings during fiscal 2023 increased 3 percent to $2.1 billion, primarily driven by an increase in Pharmaceutical segment profit, partially offset by a decrease in Medical segment profit.

GAAP and Non-GAAP Diluted EPS

($ per share)	2023 [2]	2022 [2][3]	Change
GAAP diluted EPS [1]	**$ 1.00**	$ (3.35)	**N.M.**
State opioid assessment related to prior fiscal years	**(0.02)**	—	
Shareholder cooperation agreement costs	**0.02**	—	
Restructuring and employee severance	**0.28**	0.27	
Amortization and other acquisition-related costs	**0.80**	0.87	
Impairments and (gain)/loss on disposal of assets, net [4]	**4.44**	6.93	
Litigation (recoveries)/charges, net	**(0.73)**	0.31	
Loss on early extinguishment of debt	**—**	0.03	
Non-GAAP diluted EPS [1]	**$ 5.79**	$ 5.06	**14 %**

The sum of the components and certain computations may reflect rounding adjustments.

(1) Diluted earnings/(loss) per share attributable to Cardinal Health, Inc. ("diluted EPS" or "diluted loss per share").

(2) The reconciling items are presented within this table net of tax. See quantification of tax effect of each reconciling item in our GAAP to Non-GAAP Reconciliations in the section titled "Explanation and Reconciliation of Non-GAAP Financial Measures."

(3) For fiscal 2022, GAAP diluted loss per share attributable to Cardinal Health, Inc. and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 279 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Fiscal 2022 non-GAAP diluted EPS is calculated using a weighted average of 280 million common shares, which includes potentially dilutive shares.

(4) Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of $1.2 billion and $2.1 billion, respectively, related to the Medical segment recorded during fiscal 2023 and 2022. The net tax benefits related to these charges were $82 million and $150 million, respectively.

During fiscal 2023 and 2022, GAAP diluted EPS was adversely impacted by the goodwill impairment charges related to the Medical segment, which had a $(4.38) and $(6.94) per share after-tax impact, respectively. See "Critical Accounting Policies and Sensitive

Accounting Estimates" section of this MD&A, and Note 4 and Note 8 of the "Notes to Consolidated Financial Statements" for additional detail.

During fiscal 2023, GAAP diluted EPS was favorably impacted by litigation recoveries. See Note 7 of the "Notes to Consolidated Financial Statements."

During fiscal 2023, non-GAAP diluted EPS increased 14 percent to $5.79 due to a lower share count, the factors impacting non-GAAP operating earnings described above and lower interest expense, net.

Cash and Equivalents

Our cash and equivalents balance was $4.0 billion at June 30, 2023 compared to $4.7 billion at June 30, 2022. During fiscal 2023, net cash provided by operating activities was $2.8 billion, which was offset by $2.0 billion in share repurchases, $579 million in debt repayments, $525 million of dividends and $481 million of capital expenditures.

Significant Developments in Fiscal 2023 and Trends

Pharmaceutical Segment

Generics Program

The performance of our Pharmaceutical segment generics program positively impacted the year-over-year comparison of Pharmaceutical segment profit in fiscal 2023. The Pharmaceutical segment generics program includes, among other things, the impact of generic pharmaceutical product launches, customer volumes, pricing changes, the Red Oak Sourcing, LLC venture ("Red Oak Sourcing") with CVS Health Corporation ("CVS Health") and generic pharmaceutical contract manufacturing and sourcing costs.

The frequency, timing, magnitude and profit impact of generic pharmaceutical customer volumes, pricing changes, customer contract renewals, generic pharmaceutical manufacturer pricing changes and generic pharmaceutical contract manufacturing and sourcing costs all impact Pharmaceutical segment profit and are subject to risks and uncertainties. These risks and uncertainties may impact Pharmaceutical segment profit and consolidated operating earnings in fiscal 2024.

Medical Segment

Inflationary Impacts

Beginning in fiscal 2022, Medical segment profit was negatively affected by inflationary impacts, primarily related to transportation (including ocean and domestic freight), commodities, labor and global supply chain constraints. Since that time, we have taken actions to partially mitigate these impacts, including implementing certain price increases and evolving our pricing and commercial contracting processes to provide us with greater pricing flexibility. In addition, decreases in some product-related costs have been recognized as the higher-cost inventory moved through our supply chain and was replaced by lower cost inventory. These net inflationary impacts negatively affected Medical segment profit during fiscal 2023.

We expect these net inflationary impacts to continue to affect Medical segment profit in fiscal 2024 and beyond, but to a significantly lesser extent than in fiscal 2023 and prior periods, due to our mitigation actions, together with continued decreases in certain product-related costs. However, these inflationary costs are difficult to predict and may be greater than we expect or continue longer than our current expectations. Our actions to increase prices and evolve our contracting strategies are subject to contingencies and uncertainties and it is possible that our results of operations will be adversely impacted to a greater extent than we currently anticipate or that we may not be able to mitigate the negative impact to the extent or on the timeline we anticipate**.**

Volumes within Products and Distribution

Medical segment profit was adversely impacted during fiscal 2023 on a year-over-year basis in part due to lower volumes within products and distribution, which includes our Cardinal Health branded medical products. We expect Cardinal Health branded medical products sales growth in fiscal 2024 and beyond. The timing, magnitude and profit impact of this anticipated sales growth is subject to risks and uncertainties, which may impact Medical segment profit.

Medical Unit Goodwill

Due to previously communicated changes in our long-term financial plan assumptions, including those related to Cardinal Health branded medical products sales growth, and increases in the risk-free interest rate, we performed goodwill impairment testing for the Medical operating segment (excluding our Cardinal Health at-Home Solutions division) (“Medical Unit”) during fiscal 2023. This testing resulted in cumulative pre-tax charges of $1.2 billion which were included in impairments and (gain)/loss on disposal of assets, net in our consolidated statements of earnings/(loss). See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Consolidated Financial Statements" for additional detail. Adverse changes in key assumptions or a significant change in industry or economic trends during fiscal 2024 could result in additional goodwill impairment.

Shareholder Cooperation Agreement

In September 2022, we entered into a Cooperation Agreement (the "Cooperation Agreement") with Elliott Associates, L.P. and Elliott International, L.P.(together, "Elliott") under which our Board of Directors (the "Board"), among other things, (1) appointed four new independent directors, including a representative from Elliott, and (2) formed an advisory Business Review Committee of the Board, which is tasked with undertaking a comprehensive review of our strategy, portfolio, capital-allocation framework and operations. In May 2023, we extended the term of the Cooperation Agreement until the later of July 15, 2024 or until Elliott's representative ceases to serve on, or resigns from, the Board. In connection with this extension, the Board has extended the term of the Business Review Committee until July 15, 2024.

The evaluation and implementation of any actions recommended by the Business Review Committee and the Board have impacted and may continue to impact our business, financial position and results of operations during fiscal 2024 and beyond. During fiscal 2023, we incurred $8 million of expenses related to the negotiation and finalization of the Cooperation Agreement and other consulting expenses. We have incurred, and expect to continue to incur additional legal, consulting and other expenses related to the Cooperation Agreement and the activities of the Business Review Committee. See "Risk Factors" section for additional detail related to risks associated with the Cooperation Agreement.

Results of Operations

Revenue

3637

(in millions)	Revenue 2023	Revenue 2022	Change
Pharmaceutical	**$190,009**	$165,491	**15 %**
Medical	**15,014**	15,887	**(5)%**
Total segment revenue	**205,023**	181,378	**13 %**
Corporate [1]	**(11)**	(14)	**N.M.**
Total revenue	**$205,012**	$181,364	**13 %**

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

Pharmaceutical Segment

Fiscal 2023 Pharmaceutical segment revenue grew by 15 percent primarily due to branded and specialty pharmaceutical sales growth largely from existing and net new customers, which increased revenue by $24.2 billion.

Medical Segment

Fiscal 2023 Medical segment revenue decrease was driven by products and distribution, which decreased revenue by $1.1 billion, primarily related to lower sales, largely due to an adverse impact from personal protective equipment ("PPE") pricing and volumes. This decrease was partially offset by sales growth in at-Home Solutions, which increased revenue by $215 million.

Cost of Products Sold

Cost of products sold for fiscal 2023 increased $23.3 billion (13 percent) due to the factors affecting the changes in revenue and gross margin.

Gross Margin

818 820

(in millions)	Consolidated Gross Margin 2023	2022	Change
Gross margin	**$ 6,889**	$ 6,545	**5 %**

Fiscal 2023 consolidated gross margin increased primarily due to the Pharmaceutical segment, which reflected the positive performance of our generics program and a higher contribution from branded and specialty pharmaceutical products. This increase was partially offset by the performance of products and distribution within the Medical segment, primarily driven by lower volumes and unfavorable product sales mix, partially offset by a net positive contribution from PPE.

Gross margin rate declined 25 basis points during fiscal 2023 mainly due to changes in overall product mix, primarily driven by increased pharmaceutical distribution branded sales, which have a dilutive impact on our overall gross margin rate. This decline in gross margin rate was partially offset by a net positive contribution from PPE.

Distribution, Selling, General and Administrative ("SG&A") Expenses

(in millions)	SG&A Expenses 2023	2022	Change
SG&A expenses	**$ 4,834**	$ 4,557	**6 %**

Fiscal 2023 SG&A expenses increased primarily due to inflationary impacts, primarily related to increased transportation and labor costs, higher operating expenses, including higher costs to support sales growth, and enterprise-wide incentive compensation. These increases were partially offset by the beneficial impact of enterprise-wide cost-savings measures.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. See Note 13 of the "Notes to Consolidated Financial Statements" for additional information on segment profit.

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(in millions)	Segment Profit and Operating Earnings 2023	2022	Change
Pharmaceutical	**$ 1,999**	$ 1,770	**13 %**
Medical	**111**	216	**(49)%**
Total segment profit	**2,110**	1,986	**6 %**
Corporate	**(1,383)**	(2,582)	**N.M.**
Total consolidated operating earnings/(loss)	**$ 727**	$ (596)	**N.M.**

Pharmaceutical Segment Profit

Fiscal 2023 Pharmaceutical segment profit increased primarily due to the positive performance of our generics program and an increased contribution from branded and specialty pharmaceutical products, partially offset by inflationary impacts, primarily related to increased transportation and labor costs.

Medical Segment Profit

Fiscal 2023 Medical segment profit decreased primarily due to the performance of products and distribution, largely driven by net inflationary impacts, lower volumes and unfavorable product sales mix, partially offset by a net positive contribution from PPE.

Corporate

The changes in Corporate during fiscal 2023 are due to the factors discussed in the "Other Components of Consolidated Operating Earnings/(Loss)" section that follows.

Other Components of Consolidated Operating Earnings/(Loss)

In addition to revenue, gross margin and SG&A expenses discussed previously, consolidated operating earnings/(loss) were impacted by the following:

(in millions)	2023	2022
Restructuring and employee severance	**$ 95**	$ 101
Amortization and other acquisition-related costs	**285**	324
Impairments and (gain)/loss on disposal of assets, net	**1,250**	2,050
Litigation (recoveries)/charges, net	**(302)**	109

Restructuring and Employee Severance

Restructuring and employee severance costs during fiscal 2023 and 2022 were primarily related to the implementation of certain enterprise-wide cost-savings measures and the divestiture of the Cordis business. During fiscal 2023, we also incurred restructuring costs related to certain projects resulting from reviews of our strategy, portfolio, capital-allocation framework and operations. During fiscal 2022, restructuring costs also included facility exit costs related to decreasing our overall office space.

Amortization and Other Acquisition-Related Costs

Amortization of acquisition-related intangible assets was $281 million and $311 million for fiscal 2023 and 2022, respectively.

Impairments and (Gain)/Loss on Disposal of Assets, Net

During fiscal 2023 and 2022, we recognized $1.2 billion and $2.1 billion of pre-tax non-cash goodwill impairment charges, respectively, related to our Medical segment, as discussed further in the "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and Note 4 of the "Notes to Consolidated Financial Statements."

Litigation (Recoveries)/Charges, Net

During fiscal 2023, we recognized income of $103 million, primarily related to a reduction of the reserve for the estimated settlement and defense costs for the Cordis OptEase and TrapEase inferior vena cava ("IVC") product liability due to the execution of certain settlement agreements. During fiscal 2022, we recognized estimated losses and legal defense costs associated with the IVC filter product liability claims of $87 million. See Note 7 of the "Notes to Consolidated Financial Statements" for additional information.

During fiscal 2023, we recognized income of $93 million due to net proceeds from the settlement of a shareholder derivative litigation matter as described further in the "Legal Proceedings" section.

During fiscal 2023 and 2022, we recognized income of $130 million and $18 million, respectively, for net recoveries in class action antitrust lawsuits in which we were a class member or plaintiff.

Other Components of Earnings/(Loss) Before Income Taxes

In addition to the items discussed above, earnings/(loss) before income taxes was impacted by the following:

(in millions)	2023	2022	Change
Other (income)/expense, net	**$ (4)**	$ 16	**N.M.**
Interest expense, net	**93**	149	**(38)%**
Loss on early extinguishment of debt	**—**	10	**N.M.**
(Gain)/Loss on sale of equity interest in naviHealth	**—**	(2)	**N.M.**

Interest Expense, Net

Fiscal 2023 interest expense decreased from fiscal 2022 primarily due to increased interest income from cash and equivalents.

Loss On Early Extinguishment of Debt

During fiscal 2022, we recognized a loss of $10 million connection with the debt redemption as described further in Note 6 of the "Notes to Consolidated Financial Statements."

Provision for Income Taxes

Fluctuations in the effective tax rates are primarily due to the impact of the goodwill impairment charges recognized in fiscal 2023 and 2022 related to the Medical segment .

A reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations is as follows (see Note 8 of the "Notes to Consolidated Financial Statements" for additional information):

	2023 (1)	2022 (1)
Provision at Federal statutory rate	**21.0 %**	21.0 %
State and local income taxes, net of federal benefit	**6.6**	2.2
Tax effect of foreign operations	**(4.2)**	3.5
Nondeductible/nontaxable items	**(1.1)**	1.2
Impact of Divestitures	**—**	(4.9)
Withholding Taxes	**1.0**	(1.1)
Change in Valuation Allowances	**(5.3)**	3.5
US Taxes on International Income (2)	**(0.7)**	3.2
Impact of Resolutions with IRS and other related matters	**5.8**	(0.6)
Opioid litigation	**0.1**	(0.5)
Goodwill Impairment	**36.9**	(49.5)
Other	**(1.2)**	0.8
Effective income tax rate	**58.9 %**	(21.2)%

(1) This table reflects fiscal 2023 pretax income with tax expense and fiscal 2022 pretax loss with tax expense.

(2) Includes the tax impact of Global Intangible Low-Taxed Income ("GILTI") tax, the Foreign-Derived Intangible Income deduction and other foreign income that is taxable under the U.S. tax code.

During fiscal 2023 and 2022, the effective tax rate was 58.9 percent and (21.2) percent, respectively. Included in the effective tax rate for fiscal 2023 and 2022 was $82 million and $150 million, respectively, of benefit related to the goodwill impairment charges related to the Medical Unit.

Ongoing Audits

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal 2015 through the current fiscal year. Tax laws are complex and subject to varying interpretations. New challenges related to future audits may adversely affect our effective tax rate or tax payments.

Liquidity and Capital Resources

We currently believe that, based on available capital resources and projected operating cash flow, we have adequate capital resources to fund our operations and expected future cash needs as described below. If we decide to engage in one or more acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

Cash and Equivalents

Our cash and equivalents balance was $4.0 billion at June 30, 2023 compared to $4.7 billion at June 30, 2022. Net cash provided by operating activities was $2.8 billion, which includes the impact of our second annual payment of $372 million related to the April 2022 agreement to settle the vast majority of the opioid lawsuits filed by states and local governmental entities (the "National Opioid Settlement Agreement"). In addition, we deployed $2.0 billion for share repurchases, $579 million for debt repayments, $525 million for dividends and $481 million for capital expenditures. At June 30, 2023, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

At June 30, 2022, our cash and equivalents were $4.7 billion. During fiscal 2022, net cash provided by operating activities of $3.1 billion included a refund of $966 million for the tax benefit from the net operating loss carryback related to a self-insurance pre-tax loss. We also received proceeds of $923 million, net of cash transferred, from the divestiture of the Cordis business and we deployed $1.0 billion for share repurchases, $885 million for debt repayments, $559 million for dividends and $387 million for capital expenditures.

Changes in working capital, which impact operating cash flow, can vary significantly depending on factors such as the timing of customer payments, inventory purchases, payments to vendors and tax payments in the regular course of business, as well as fluctuating working capital needs driven by customer and product mix.

The cash and equivalents balance at June 30, 2023 included $533 million of cash and equivalents held by subsidiaries outside of the United States.

In fiscal 2023, we returned $189 million of cash held by foreign subsidiaries to the U.S.

At June 30, 2023, foreign earnings of approximately $976 million are considered indefinitely reinvested for working capital and other offshore investment needs. The computation of tax required if those earnings are repatriated is not practicable. For amounts not considered indefinitely reinvested, we have recorded an immaterial amount of income tax expense in our consolidated financial statements in fiscal 2023.

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at June 30, 2023 include a $2.0 billion commercial paper program, backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At June 30, 2023, we had no amounts outstanding under our commercial paper program, revolving credit facility or our committed receivables sales facility. During fiscal 2023, under our commercial paper program and our committed receivables program, we had maximum combined total daily amounts outstanding of $445 million.

In February 2023, we extended our revolving credit facility through February 25, 2028. In September 2022, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through September 30, 2025.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of June 30, 2023, we were in compliance with this financial covenant.

Long-Term Obligations

At June 30, 2023, we had total long-term obligations, including the current portion and other short-term borrowings of $4.7 billion.

During fiscal 2023, we repaid the full principal of $550 million of the 3.2% Notes due 2023.

During fiscal 2022, we redeemed all outstanding $572 million principal amount of 2.616% Notes due 2022 and recorded a $10 million loss on early extinguishment of debt. We also repaid the full principal of the $282 million Floating Rate Notes due 2022 as they became due.

The early redemption and repayments were funded with available cash.

Capital Deployment

Opioid Litigation Settlement Agreement

We had $5.87 billion accrued at June 30, 2023 related to certain opioid litigation, as further described within Note 7 of the "Notes to Consolidated Financial Statements." We expect the majority of payments to occur through 2038. During fiscal 2023, we paid our second annual payment of $372 million under the National Opioid Settlement Agreement. In July 2023, we made our third annual payment of $378 million under the National Opioid Settlement Agreement. The amounts of these future payments may differ from the payments that we have already made.

Capital Expenditures

Capital expenditures during fiscal 2023 and 2022 were $481 million and $387 million, respectively.

We expect capital expenditures in fiscal 2024 to be approximately $500 million and primarily related to manufacturing and distribution infrastructure projects and technology investments.

Dividends

During fiscal 2023, we paid quarterly dividends totaling $1.98 per share, an increase of 1 percent from fiscal 2022.

On May 11, 2023, our Board of Directors approved a quarterly dividend of $0.5006 per share, or $2.00 per share on an annualized basis, which was paid on July 15, 2023, to shareholders of record on July 3, 2023.

On August 9, 2023, our Board of Directors approved a quarterly dividend of $0.5006 per share, or $2.00 per share on an annualized basis, which will be paid on October 15, 2023, to shareholders of record on October 3, 2023.

Share Repurchases

During fiscal 2023 and 2022, we deployed $2.0 billion and $1.0 billion, respectively, for repurchases of our common shares. We funded the repurchases with available cash. See Note 11 of the "Notes to Consolidated Financial Statements" for additional information.

On November 4, 2021, our Board of Directors approved a $3.0 billion share repurchase program, which will expire on December 31, 2024. On June 7, 2023, our Board of Directors approved a $3.5 billion share repurchase program, which will expire on December 31, 2027. At June 30, 2023, we had $4.3 billion remaining authorized for share repurchases under these programs.

Contractual Obligations and Cash Requirements

At June 30, 2023, our contractual obligations and future cash requirements, including estimated payments due by period, were as follows:

(in millions)	2024	2025 to 2026	2027 to 2028	There-after	Total
Long-term debt and short-term borrowings (1)	$ 764	$ 917	$ 1,308	$ 1,626	**$ 4,615**
Interest on long-term debt	218	326	215	1,336	**2,095**
Finance lease obligations (2)	28	41	16	7	**92**
Operating lease obligations (3)	113	189	123	97	**522**
Purchase obligations and other payments (4)	645	311	188	105	**1,249**
Opioid litigation settlement agreements (5)	426	837	832	3,715	**5,810**
Total contractual obligations and cash requirements (6)	**$2,194**	**$2,621**	**$2,682**	**$6,886**	**$14,383**

(1) Represents maturities of our long-term debt obligations and other short-term borrowings excluding finance lease obligations described below. See Note 6 of the “Notes to Consolidated Financial Statements” for further information.

(2) Represents minimum finance lease obligations included within current portion of long-term obligations and other short-term borrowings and long-term obligations, less current portion in our consolidated balance sheets and further described in Note 5 of the “Notes to Consolidated Financial Statements.”

(3) Represents minimum operating lease obligations included within other accrued liabilities and deferred income taxes and other liabilities in our consolidated balance sheets and further described in Note 5 of the “Notes to Consolidated Financial Statements.”

(4) A purchase obligation is defined as an agreement to purchase goods or services that is legally enforceable and specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally canceled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period. Purchase obligations and other payments also includes quarterly payments to CVS Health in connection with Red Oak Sourcing. See Note 7 of the “Notes to Consolidated Financial Statements” for additional information.

(5) Represents future cash obligations under the National Opioid Settlement Agreement as well as future cash obligations under separate settlement agreements with the States of Oklahoma, Washington and West Virginia and the Cherokee Nation. We have $5.87 billion accrued at June 30, 2023, of which $426 million is included in other accrued liabilities, and the remainder is included in deferred income taxes and other liabilities in our consolidated balance sheets. See Note 7 of the “Notes to Consolidated Financial Statements” for additional information.

(6) Long-term liabilities, such as unrecognized tax benefits, deferred taxes and other tax liabilities, have been excluded from the above table due to the inherent uncertainty of the underlying tax positions or because of the inability to reasonably estimate the timing of any cash outflows. See Note 8 of the "Notes to Consolidated Financial Statements" for further discussion of income taxes.

Recent Financial Accounting Standards

See Note 1 of the “Notes to Consolidated Financial Statements” for further information.

Critical Accounting Policies and Sensitive Accounting Estimates

Critical accounting policies are those accounting policies that (i) can have a significant impact on our financial condition and results of operations and (ii) require the use of complex and subjective estimates based upon past experience and management's judgment. Other people applying reasonable judgment to the same facts and circumstances could develop different estimates. Because estimates are inherently uncertain, actual results may differ. In this section, we describe the significant policies applied in preparing our consolidated financial statements that management believes are the most dependent on estimates and assumptions. See Note 1 of the "Notes to Consolidated Financial Statements" for further discussion.

Allowance for Doubtful Accounts

The allowance for doubtful accounts includes general and specific reserves. We determine our allowance for doubtful accounts by reviewing accounts receivable aging, historical write-off trends, payment history, pricing discrepancies, industry trends, customer financial strength, customer credit ratings or bankruptcies. We regularly evaluate how changes in economic conditions may affect credit risks.

A hypothetical 0.1 percent increase or decrease in the reserve as a percentage of trade receivables at June 30, 2023, would result in an increase or decrease in bad debt expense of $11 million. We believe the reserve maintained and expenses recorded in fiscal 2023 are appropriate.

At this time, we are not aware of any analytical findings or customer issues that are likely to lead to a significant future increase in the allowance for doubtful accounts as a percentage of revenue. The following table presents information regarding our allowance for doubtful accounts over the past three fiscal years:

(in millions, except percentages)	**2023**	2022	2021
Allowance for doubtful accounts at beginning of period	**$ 273**	$ 243	$ 207
Charged to costs and expenses	**197**	155	130
Reduction to allowance for customer deductions and write-offs	**(171)**	(125)	(94)
Allowance for doubtful accounts at end of period	**$ 299**	$ 273	$ 243
Allowance as a percentage of customer receivables	**2.6 %**	2.6 %	2.7 %
Allowance as a percentage of revenue	**0.15 %**	0.15 %	0.15 %

Inventories

LIFO Inventory

A portion of our inventories (55 percent and 52 percent at June 30, 2023 and 2022, respectively) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These are primarily merchandise inventories at the core pharmaceutical distribution facilities within our Pharmaceutical segment (“distribution facilities”). The LIFO impact on the consolidated statements of earnings/(loss) depends on pharmaceutical manufacturer price appreciation or deflation and our fiscal year-end inventory levels, which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end. Historically, prices for branded pharmaceuticals have generally tended to rise, resulting in an increase in cost of products sold, whereas prices for generic pharmaceuticals generally tend to decline, resulting in a decrease in cost of products sold.

Using LIFO, if there is a decrease in inventory levels that have experienced pharmaceutical price appreciation, the result generally will be a decrease in future cost of products sold as our older inventory is held at a lower cost. Conversely, if there is a decrease in inventory levels that have experienced a pharmaceutical price decline, the result generally will be an increase in future cost of products sold as our older inventory is held at a higher cost.

We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation. At June 30, 2023 and 2022, respectively, inventories valued at LIFO cost were $476 million and $416 million higher than the average cost value. We do not record inventories in excess of replacement cost. As such, we did not write-up the value of our inventory from average cost to LIFO cost at June 30, 2023 or 2022.

FIFO Inventory

Our remaining inventory, including inventory in our Medical segment and certain inventory in our Pharmaceutical segment, that is not valued at the lower of LIFO cost or market is stated at the lower of cost, using the first-in, first-out ("FIFO") method, or net realizable value. We reserve for the lower of cost or net realizable value using the estimated selling prices and estimated sales demand in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. In fiscal 2021, we recorded a reserve of $197 million, primarily related to certain categories of gloves, to reduce the carrying value of certain PPE to its net realizable value. Our estimates for selling prices and demand are inherently uncertain and if our assumptions decline in the future, additional inventory reserves may be required.

Excess and Obsolete Inventory

We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $139 million and $147 million at June 30, 2023 and 2022, respectively. If actual conditions are less favorable than our assumptions, additional inventory reserves may be required.

Goodwill and Other Indefinite-Lived Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for the annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (which are components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists and, if necessary, the estimation of the fair value of the applicable reporting unit.

Our determination of estimated fair value of our reporting units in fiscal 2023 was based on a combination of the income-based and market-based approaches (using discount

determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. The use of alternate estimates and assumptions, changes in the industry or peer groups, or changes in weightings assigned to the discounted cash flow method, guideline public company method or guideline transaction method could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment. If a reporting unit fails to achieve expected earnings or operating cash flow, or otherwise fails to meet current financial plans, or if there were changes to any other key assumptions used in the tests, the reporting unit could incur a goodwill impairment in a future period.

We performed annual impairment testing in fiscal 2023, 2022 and 2021 and concluded that there were no impairments of goodwill for Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; and Cardinal Health at-Home Solutions division as the estimated fair value of each reporting unit exceeded its carrying value. See additional detail on Medical Unit goodwill below.

Medical Unit Goodwill

Due to previously communicated changes in our long-term financial plan assumptions made during fiscal 2023, including those related to Cardinal Health branded medical products sales growth and net inflationary impacts, we elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Medical Unit at June 30, 2023. This quantitative testing resulted in the carrying amount of the Medical Unit exceeding the fair value, resulting in a pre-tax impairment charge of $368 million in the fourth quarter and cumulative pre-tax impairment charges of $1.2 billion due to the impairment charges recognized during the second and first quarters of fiscal 2023 as described further below. The fourth quarter impairment charge was primarily driven by the impact of the reductions in our long-term financial plan assumptions. The impairment charges are

We performed interim quantitative goodwill impairment testing for the Medical Unit at December 31, 2022 and September 30, 2022, which resulted in pre-tax impairment charges of $709 million and $154 million, respectively. The impairment charge recognized in the second quarter was driven by certain reductions in our long-term financial plan assumptions, and the impairment charge recognized in the first quarter was driven by an increase in the discount rate primarily due to an increase in the risk-free interest rate. We also performed quantitative goodwill impairment testing at March 31, 2023 and concluded that there was no impairment of goodwill at March 31, 2023 as the estimated fair value of the Medical Unit exceeded its carrying value by approximately 4 percent.

Our determinations of the estimated fair value of the Medical Unit were based on a combination of the income-based approach (using a terminal growth rate of 2 percent), and the market-based approaches. Additionally, we assigned a weighting of 80 percent to the discounted cash flow method, 10 percent to the guideline public company method and 10 percent to the guideline transaction method. For the income-based approach, we used discount rates of 10 percent, 10 percent, 10.5 percent and 10.5 percent for fourth, third, second and first quarters, respectively. The decrease in the discount rate for the testing performed at March 31, 2023 and June 30, 2023 was primarily due to a decrease in the risk-free interest rate.

While we consider the assumptions used in our determination of the estimated fair value of the Medical Unit to be reasonable and appropriate, they are complex and subjective, and additional adverse changes in one key assumption or a combination of key assumptions during fiscal 2024 may significantly affect future estimates. These assumptions include, among other things, a failure to meet expected earnings or other financial plans, including the execution of key initiatives related to optimizing and growing sales of Cardinal Health branded medical products, increasing growth in certain strategic divisions within our Medical segment, and driving simplification efforts and cost optimization projects, or unanticipated events and circumstances, such as changes in assumptions about the supply chain and commodities costs and our efforts to mitigate such impact, including price increases or surcharges; further disruptions in the supply chain; manufacturing cost inefficiencies resulting from lower than anticipated sales volume; an increase in the discount rate; a decrease in the terminal growth rate; increases in tax rates; or a significant change in industry or economic trends.

Adverse changes in key assumptions may result in a decline in fair value below the carrying value in the future and therefore, an impairment of our Medical Unit goodwill in future periods, which could adversely affect our results of operations. For example, if we were to increase the discount rate by a hypothetical 0.5 percent to 10.5 percent or decrease the terminal growth rate by a hypothetical 1.75 percent to 0.25 percent, the fair value for the Medical Unit would have further decreased by approximately $250 million. Additionally, a hypothetical 25 basis point decrease in long-term gross margin rates, which could be impacted by changes in Cardinal Health branded medical product sales growth rate assumptions, would have increased the impairment charge by approximately $220 million.

Other indefinite-lived intangibles

The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

See Note 1 of "Notes to Consolidated Financial Statements" for additional information regarding goodwill and other intangible assets.

Loss Contingencies and Self-Insurance

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

Loss Contingencies

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or outcomes can occur, assessing contingencies is highly subjective and requires judgments about future events.

Examples of such contingencies include various lawsuits related to the distribution of prescription opioid pain medications and the IVC filter lawsuits.

We develop and periodically update reserve estimates for all litigation matters, including IVC claims, received to date and expected to be received in the future and related costs. In April 2023, we executed a settlement agreement that, if certain conditions are satisfied, will resolve approximately 4,376 IVC filter product liability claims for $275 million. These settlements will not resolve all IVC filter product liability claims and we intend to continue to vigorously defend ourselves in the remaining lawsuits. To project future IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, blended average payout influenced by claim severity, historical sales data, implant and injury to report lag patterns and estimated defense costs.

Self-Insurance

We self-insure through a wholly-owned insurance subsidiary for employee healthcare, certain product liability matters, auto liability, property and workers' compensation and maintain insurance for losses exceeding certain limits.

Self-insurance accruals include an estimate for expected settlements on pending claims, defense costs, administrative fees, claims adjustment costs and an estimate for claims incurred but not reported. For certain types of exposures, we develop the estimate of expected ultimate costs to settle each claim based on specific information related to each claim if available. Other estimates are based on an assessment of outstanding claims, historical analysis and current payment trends. For claims incurred but not reported, the liabilities are calculated and derived in accordance with generally accepted actuarial practices or using an estimated lag period.

The amount of loss may differ materially from these estimates. See Note 7 of the "Notes to Consolidated Financial Statements" for additional information regarding loss contingencies and product liability lawsuits.

Provision for Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. Our income tax expense, deferred income tax assets and liabilities and unrecognized tax benefits reflect management’s assessment of estimated future taxes to be paid on items in the consolidated financial statements.

The following table presents information about our tax position at June 30:

(in millions)	2023	2022
Total deferred income tax assets (1)	**$ 1,540**	$ 1,584
Valuation allowance for deferred income tax assets (2)	**(421)**	(468)
Net deferred income tax assets	**1,119**	1,116
Total deferred income tax liabilities	**(3,164)**	(3,110)
Net deferred income tax liability	**$(2,045)**	$(1,994)

(1) Total deferred income tax assets included $671 million and $778 million of loss and tax credit carryforwards at June 30, 2023 and 2022, respectively.

(2) The valuation allowance primarily relates to federal, state and international loss and credit carryforwards for which the ultimate realization of future benefits is uncertain.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly when it is more likely than not that at least a portion of the respective deferred tax assets will not be realized. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described previously.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

For tax benefits that do not qualify for recognition, we recognize a liability for unrecognized tax benefits.

We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

Tax Effects of Goodwill Impairment Charges

During fiscal 2023 and 2022, we recognized cumulative pre-tax goodwill impairment charges of $1.2 billion and $2.1 billion, respectively, related to the Medical Unit. The net tax benefits related to these charges were $82 million and $150 million, respectively.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year. Tax laws are complex and subject to varying interpretations. During fiscal 2021, we resolved all open issues with respect to the Company’s activity within fiscal years 2008 through 2014 with the U.S. Internal Revenue Service ("IRS"). This resolution resulted in an adjustment to our provision for income taxes, including an impact to reserves for later years. New challenges related to future audits may adversely affect our effective tax rate or tax payments.

Our assumptions and estimates around uncertain tax positions require significant judgment; the actual amount of tax benefit related to uncertain tax positions may differ from these estimates. See Note 8 of the “Notes to Consolidated Financial Statements” for additional information regarding unrecognized tax benefits.

We believe that our estimates for the valuation allowances against deferred tax assets and unrecognized tax benefits are appropriate based on current facts and circumstances. The amount we

ultimately pay when matters are resolved may differ from the amounts accrued. Changes in our current estimates due to unanticipated market conditions, tax law changes or other factors could have a material effect on our ability to utilize deferred tax assets. For a further discussion on Provision for Income Taxes, see Note 8 of the "Notes to the Consolidated Financial Statements."

The calculation of our tax liabilities includes estimates for uncertainties in the application of broad and complex changes to the U.S. tax code as per the Tax Act as enacted by the United States government on December 22, 2017. We have made reasonable estimates and recorded amounts based on management judgment and our current understanding of the Tax Act which is subject to further interpretation by the IRS. See Note 8 of the "Notes to Consolidated Financial Statements" for additional information.

Explanation and Reconciliation of Non-GAAP Financial Measures

This report, including the "Fiscal 2023 Overview" section within MD&A, contains financial measures that are not calculated in accordance with GAAP.

In addition to analyzing our business based on financial information prepared in accordance with GAAP, we use these non-GAAP financial measures internally to evaluate our performance, engage in financial and operational planning and determine incentive compensation because we believe that these measures provide additional perspective on and, in some circumstances are more closely correlated to, the performance of our underlying, ongoing business. We provide these non-GAAP financial measures to investors as supplemental metrics to assist readers in assessing the effects of items and events on our financial and operating results on a year-over-year basis and in comparing our performance to that of our competitors. However, the non-GAAP financial measures that we use may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements set forth below should be carefully evaluated.

Exclusions from Non-GAAP Financial Measures

Management believes it is useful to exclude the following items from the non-GAAP measures presented in this report for its own and for investors' assessment of the business for the reasons identified below:

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results. We did not recognize any LIFO charges or credits during the periods presented.
- Surgical gown recall costs or income includes inventory write-offs and certain remediation and supply disruption costs, net of related insurance recoveries, arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.

- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the period in which the expense is incurred. This portion is excluded from non-GAAP financial measures because it is retrospectively applied to sales in prior fiscal years and inclusion would obscure analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while states' laws may require us to make payments on an ongoing basis, the portion of the assessment related to sales in prior periods are contemplated to be one-time, nonrecurring items. Income from state opioid assessments related to prior fiscal years represents reversals of accruals due to changes in estimates or when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.
- Shareholder cooperation agreement costs includes costs such as legal, consulting and other expenses incurred in relation to the agreement (the "Cooperation Agreement") entered into among Elliott Associates, L.P., Elliott International, L.P. (together, "Elliott") and Cardinal Health, including costs incurred to negotiate and finalize the Cooperation Agreement and costs incurred by the Business Review Committee of the Board of Directors, which was formed under this Cooperation Agreement. We have excluded these costs from our non-GAAP metrics because they do not occur in or reflect the ordinary course of our ongoing business operations and may obscure analysis of trends and financial performance.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business and include, but are not limited to, costs related to divestitures, closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance and realigning operations.
- Amortization and other acquisition-related costs, which include transaction costs, integration costs and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group

companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.

- Impairments and gain or loss on disposal of assets, net are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount. During fiscal 2022, we incurred a one-time contingent attorneys' fee of $18 million related to the finalization of the settlement agreement (the "National Opioid Settlement Agreement") resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the National Opioid Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation recoveries or charges, net. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a $16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment. During fiscal 2021, we incurred a tax benefit related to a carryback of a net operating loss. Some pre-tax amounts, which contributed to this loss, relate to litigation charges. As a result, we allocated substantially all of the tax benefit to litigation charges.
- Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- (Gain)/Loss on sale of equity interest in naviHealth was incurred in connection with the sale of our remaining equity interest in naviHealth in fiscal 2020. The equity interest was retained in connection with the initial sale of our majority interest in naviHealth during fiscal 2019. We exclude this significant gain because gains or losses on investments of this magnitude do not typically occur in the normal course of business and are similar in nature to a gain or loss from a divestiture of a majority interest, which we exclude from non-GAAP results. The gain on the initial sale of our majority interest in naviHealth in fiscal 2019 was also excluded from our non-GAAP measures.

The tax effect for each of the items listed above is determined using the tax rate and other tax attributes applicable to the item and the jurisdiction(s) in which the item is recorded. The gross, tax and net impact of each item are presented with our GAAP to non-GAAP reconciliations.

Definitions

Growth rate calculation: growth rates in this report are determined by dividing the difference between current period results and prior period results by prior period results.

Non-GAAP operating earnings: operating earnings/(loss) excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net and (8) litigation (recoveries)/charges, net.

Non-GAAP earnings before income taxes: earnings/(loss) before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth.

Non-GAAP net earnings attributable to Cardinal Health, Inc.: net earnings/(loss) attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth, each net of tax.

Non-GAAP effective tax rate: provision for/(benefit from) income taxes adjusted for the tax impacts of (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) shareholder cooperation agreement costs, (5) restructuring and employee severance, (6) amortization and other acquisition-related costs, (7) impairments and (gain)/loss on disposal of assets, net, (8) litigation (recoveries)/charges, net, (9) loss on early extinguishment of debt and (10) (gain)/loss on sale of equity interest in naviHealth divided by (earnings before income taxes adjusted for the ten items above).

Non-GAAP diluted earnings per share attributable to Cardinal Health, Inc.: non-GAAP net earnings attributable to Cardinal Health, Inc. divided by diluted weighted-average shares outstanding.

GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings/ (Loss)	Operating Earnings/ (Loss) Growth Rate	Earnings/ (Loss) Before Income Taxes	Provision for/ (Benefit From) Income Taxes	Net Earnings/ (Loss)[1]	Net Earnings/ (Loss)[1] Growth Rate	Effective Tax Rate	Diluted EPS[1,2]	Diluted EPS[1] Growth Rate
	Fiscal Year 2023								
GAAP	**$ 727**	**N.M.**	**$ 638**	**$ 376**	**$ 261**	**N.M.**	**58.9 %**	**$ 1.00**	**N.M.**
State opioid assessment related to prior fiscal years	(6)		(6)	(2)	(4)			(0.02)	
Shareholder cooperation agreement costs	8		8	2	6			0.02	
Restructuring and employee severance	95		95	21	74			0.28	
Amortization and other acquisition-related costs	285		285	74	211			0.80	
Impairments and (gain)/loss on disposal of assets, net[3]	1,250		1,250	86	1,164			4.44	
Litigation (recoveries)/ charges, net	(302)		(302)	(109)	(193)			(0.73)	
Non-GAAP	**$ 2,057**	**3 %**	**$ 1,968**	**$ 448**	**$ 1,519**	**7 %**	**22.8 %**	**$ 5.79**	**14 %**
	Fiscal Year 2022								
GAAP	$ (596)	N.M.	$ (769)	$ 163	$ (933)	N.M.	(21.2)%	$ (3.35)	N.M.
Surgical gown recall costs/(income)	1		1	—	1			—	
Restructuring and employee severance	101		101	26	75			0.27	
Amortization and other acquisition-related costs	324		324	84	240			0.87	
Impairments and (gain)/loss on disposal of assets, net[3]	2,050		2,050	107	1,943			6.93	
Litigation (recoveries)/ charges, net[4,5]	109		109	21	88			0.31	
Loss on early extinguishment of debt	—		10	3	7			0.03	
Loss on sale of equity interest in naviHealth	—		(2)	—	(2)			—	

[1] Attributable to Cardinal Health, Inc.

[2] For fiscal 2022, GAAP diluted loss per share attributable to Cardinal Health, Inc. and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 279 million common shares, which excludes potentially dilutive securities from the denominator due to their anti dilutive effects resulting from our GAAP net loss for the period. Fiscal 2022 non-GAAP diluted EPS is calculated using a weighted average of 280 million common shares, which includes potentially dilutive shares.

[3] Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of $1.2 billion and $2.1 billion, related to the Medical segment recorded during fiscal 2023 and 2022, respectively. For fiscal 2023 and 2022, the net tax benefits related to these charges were $82 million and $150 million, respectively, and were included in the annual effective tax rate.

[4] Litigation (recoveries)/charges, net includes a one-time contingent attorneys' fee of $18 million recorded during fiscal 2022 related to the finalization of the National Opioid Settlement Agreement resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the National Opioid Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation (recoveries)/charges, net.

[5] Litigation (recoveries)/charges, net for fiscal 2022 does not include a $16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit.

[6] Litigation (recoveries)/charges, net includes pre-tax charges of $1.17 billion recorded in fiscal 2021, related to the opioid litigation. The net tax benefit associated with the opioid litigation charges was $228 million.

[7] Litigation (recoveries)/charges, net, includes a tax benefit recorded during fiscal 2021 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not

impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The total benefit from the net operating loss carryback was $424 million; however, for purposes of Non-GAAP financial measures, we allocated $389 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of $35 million was included in non-GAAP measures.

The sum of the components and certain computations may reflect rounding adjustments.

We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to foreign exchange, interest rate and commodity price-related changes. We maintain a hedging program to manage volatility related to some of these market exposures which employs operational, economic and derivative financial instruments in order to mitigate risk. See Note 1 and Note 10 of the “Notes to Consolidated Financial Statements” for further discussion regarding our use of derivative instruments.

Foreign Exchange Rate Sensitivity

By the nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. The following foreign currencies represent the principal drivers of our foreign exchange exposure: Canadian dollar, euro, Thai baht, Mexican peso, Chinese renminbi, Australian dollar, British pound, Japanese yen, Philippine peso, Swiss franc and Indian rupee.

We apply a Value-At-Risk ("VAR") methodology to our transactional and translational exposures. The VAR model is a risk estimation tool and is not intended to represent actual losses in fair value that could be incurred.

Transactional Exposure

Transactional exposure arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our subsidiaries. At the end of each fiscal year, we perform sensitivity analyses on our forecasted transactional exposure for the upcoming fiscal year. These analyses include the estimated impact of our hedging program, which is designed to mitigate transactional exposure. Applying a VAR methodology to our transactional exposure and including the impact of our hedging program, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $10 million, which is based on a one-year horizon and a 95 percent confidence level.

Translational Exposure

We have exposure related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Applying a VAR methodology to our translational exposure, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be $5 million, which is based on a one-year horizon and a 95 percent confidence level.

Interest Rate Sensitivity

We are exposed to changes in interest rates primarily as a result of our borrowing and investing activities to maintain liquidity and fund operations. The nature and amount of our long-term and short-term debt can be expected to fluctuate as a result of business requirements, market conditions and other factors. Our policy is to manage exposures to interest rates using a mix of fixed and floating rate debt as deemed appropriate by management. We utilize interest rate swap instruments to mitigate our exposure to interest rate movements.

As part of our risk management program related to our debt, we perform an annual sensitivity analysis on our forecasted exposure to interest rates for the upcoming fiscal year. At June 30, 2023, a hypothetical increase or decrease of 50 basis points in interest rates would result in an increase or decrease in interest expense of $6 million, respectively.

We are also exposed to market risk from changes in interest rates related to our cash and cash equivalents, which includes marketable securities that are carried at fair value in the consolidated balance sheets. The fair value of our cash and cash equivalents is subject to change primarily as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. At June 30, 2023, a hypothetical increase or decrease of 50 basis points in interest rates would result in an increase or decrease in interest income of $12 million, respectively.

Commodity Price Sensitivity

We are directly exposed to market price changes for certain commodities, including oil-based resins, nitrile, cotton, diesel fuel and latex. We typically purchase raw materials at either market prices or prices tied to a commodity index and some finished goods at prices based in part on a commodity price index. During fiscal 2023, the prices of certain commodities continued to experience fluctuation due to inflationary impacts.

As part of our risk management program, we perform sensitivity analysis on our forecasted direct commodity exposure for the upcoming fiscal year. Our forecasted direct commodity exposure at June 30, 2023 increased approximately $40 million from June 30, 2022. There were no outstanding commodity contracts in our hedging program at June 30, 2023.

Our forecasted direct commodity exposures for the upcoming fiscal year is $540 million. The potential gain/loss given a hypothetical 10 percent fluctuation in commodity prices, assuming pricing collectively shifts in the same direction and we are unable to change customer pricing in response to those shifts or otherwise offset, for the upcoming fiscal year is $54 million at June 30, 2023.

Business

General

Cardinal Health, Inc. is a global healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physician offices and patients in the home. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency.

Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

- through its Pharmaceutical Distribution division, distributes branded and generic pharmaceutical and over-the-counter healthcare and consumer products to retailers (including chain and independent drug stores and pharmacy departments of supermarkets and mass merchandisers), hospitals and other healthcare providers. This division:
  - maintains prime vendor relationships that streamline the purchasing process resulting in greater efficiency and lower costs for our retail, hospital and other healthcare provider customers;
  - provides services to pharmaceutical manufacturers, including distribution, inventory management, data reporting, new product launch support and chargeback administration;
  - distributes specialty pharmaceutical products to hospitals and other healthcare providers and provides consulting, patient support and other services for specialty pharmaceutical products to pharmaceutical manufacturers and healthcare providers;
  - provides pharmacy management services to hospitals and operates a limited number of pharmacies, including in community health centers; and
  - repackages generic pharmaceuticals and over-the-counter healthcare products;
- through its Nuclear and Precision Health Solutions division, operates nuclear pharmacies and manufacturing facilities, which manufacture, prepare and deliver radiopharmaceuticals for use in nuclear imaging and other procedures in hospitals and physician offices. This division also contract manufactures a radiopharmaceutical treatment (Xofigo) and holds the North American rights to manufacture and distribute Lymphoseek, a radiopharmaceutical diagnostic imaging agent.

See Note 13 of the "Notes to Consolidated Financial Statements" for Pharmaceutical segment revenue, profit and assets for fiscal 2023, 2022 and 2021.

Pharmaceutical and Specialty Pharmaceutical Distribution and Services

Our Pharmaceutical Distribution division's gross margin includes margin from our generic pharmaceutical program, from distribution services agreements with branded pharmaceutical manufacturers, including manufacturers of Specialty pharmaceutical products, and from over-the-counter healthcare and consumer products. It also includes manufacturer cash discounts.

Margin from our generic pharmaceutical program includes price discounts, rebates and service fees from manufacturers and may in limited instances include price appreciation. Our earnings on generic pharmaceuticals are generally highest during the period immediately following the initial launch of a product, because generic pharmaceutical selling prices are generally highest during that period and tend to decline over time.

Margin from distribution services agreements with branded pharmaceutical manufacturers is derived from compensation we receive for providing a range of distribution and related services to manufacturers. Our compensation typically is a percentage of the wholesale acquisition cost that is set by manufacturers. In addition, under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers, also serves as part of our compensation.

Specialty pharmaceutical products include oncology, rheumatology, urology, nephrology and other pharmaceutical products. Through our Specialty division, we also distribute human-derived plasma products to hospitals, dialysis clinics, physician offices and other healthcare providers. Our use of the term "specialty pharmaceutical products" may not be comparable to the terminology used by other industry participants. We also provide consulting, patient support, logistics, group purchasing and other services to pharmaceutical manufacturers and healthcare providers.

Sourcing Venture with CVS Health Corporation

Red Oak Sourcing, LLC ("Red Oak Sourcing"),

Medical Segment

Our Medical segment manufactures and sources Cardinal Health branded general and specialty medical, surgical and laboratory products and devices. These products include exam and surgical gloves; needle, syringe and sharps disposal; compression; incontinence; nutritional delivery; wound care; single-use surgical drapes, gowns and apparel; fluid suction and collection systems; urology; operating room supply; and electrode product lines. Our Cardinal Health Brand products are sold directly or through third-party distributors in the United States, Canada, Europe, Asia and other markets. These products are generally higher-margin products.

The Medical segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada and this segment also assembles and sells sterile and non-sterile procedure kits.

Through Cardinal Health at-Home Solutions, this segment also distributes medical products to patients' homes in the United States.

The Medical segment, through its Wavemark division, also provides an automated technology platform for inventory management.

The Medical segment, through its OptiFreight Logistics division, supports the shipping and logistic needs of healthcare providers by optimizing direct shipments through integrated technology solutions.

Acquisitions and Divestitures

Acquisitions

We have acquired a number of businesses over the years that have enhanced the strategic areas of Cardinal Health Brand medical products, generic pharmaceutical distribution and services and specialty pharmaceutical products and services. We expect to continue to pursue additional acquisitions in the future. During the last five fiscal years, we have completed small acquisitions.

Divestitures

Over the past five fiscal years, we have also completed several divestitures.

In June 2023, we signed a definitive agreement to contribute our Outcomes™ business to Transaction Data Systems (TDS), a portfolio company of BlackRock Long Term Private Capital and GTCR, in exchange for a minority stake in the combined entity. The transaction closed in July 2023.

In August 2021, we completed the divestiture of the Cordis business to Hellman & Freidman ("H&F") for net proceeds of $923 million in cash. We have retained certain working capital accounts and product liability for lawsuits related to IVC filters in the U.S. and Canada, as described in Note 7 of the "Notes to the Consolidated Financial Statements." We acquired the Cordis business from Johnson & Johnson for $1.9 billion in October 2015. This divestiture also included Access Closure, Inc., a manufacturer and distributor of extravascular closure devices, that we acquired for approximately $320 million in May 2014.

In August 2018, we completed the sale of our equity interest in naviHealth, Inc. to investor entities controlled by Clayton, Dubilier & Rice, LLC for proceeds of $737 million (after adjusting for certain fees and expenses) and a noncontrolling equity interest in a partnership that owned naviHealth. In May 2020, we sold the remainder of our equity interest in naviHealth.

We had acquired our equity interest in naviHealth through a series of transactions beginning in fiscal 2016, when we acquired a majority equity interest.

Customers

Our largest customers, CVS Health and OptumRx, accounted for 25 percent and 16 percent of our fiscal 2023 revenue, respectively. In the aggregate, our five largest customers, including CVS Health and OptumRx, accounted for 51 percent of our fiscal 2023 revenue.

We have agreements with group purchasing organizations ("GPOs") that act as agents to negotiate vendor contracts on behalf of their members. Our two largest GPO relationships in terms of revenue are with Vizient, Inc. and Premier, Inc. Sales to members of these two GPOs, under numerous contracts across our businesses, collectively accounted for 16 percent of our revenue in fiscal 2023.

Suppliers

We rely on many different suppliers. Products obtained from our five largest suppliers accounted for an aggregate of 39 percent of our revenue during fiscal 2023, and our largest supplier's products accounted for approximately 10 percent of revenue.

Competition

We operate in a highly competitive environment in the distribution of pharmaceuticals and consumer healthcare products. We also operate in a highly competitive environment in the manufacturing and distribution of medical devices and surgical products. We compete on many levels, including price, service offerings, support services, customer service, breadth of product lines and product quality and efficacy.

In the Pharmaceutical segment, we compete with wholesale distributors with national reach, including McKesson Corporation and AmerisourceBergen Corporation, regional wholesale distributors, self-warehousing chains, specialty distributors, third-party logistics companies, companies that provide specialty pharmaceutical services and nuclear pharmacies, among others.

In addition, the Pharmaceutical segment has experienced competition from a number of organizations offering generic pharmaceuticals, including telemarketers. We also compete with manufacturers that distribute their products directly to customers.

In the Medical segment, we compete with many diversified healthcare companies and national medical product distributors, such as Medline Industries, Inc., Owens & Minor, Inc. and Becton, Dickinson and Company, as well as regional medical product distributors and companies that are focused on specific product categories. We also compete with companies that distribute medical products to patients' homes and third-party logistics companies.

Human Capital Management

Employees

Through our employees, we improve the lives of people every day by solving complex healthcare problems. As of June 30, 2023, we had approximately 48,000 employees globally, of which approximately:

- 17,500 are based outside the United States;
- 98% are full time employees,
- 30,900 worked in our distribution centers, manufacturing facilities and pharmacies,
- 16,900 worked in other functions, including finance, information technology, human resources and sales; and
- 11% of whom are covered by collective bargaining agreements or similar representation. The majority of these employees are based outside the United States.

Additionally, we have engaged global professional services firms to perform certain business processes on our behalf, including within finance, information technology and human resources.

Board Oversight

Our Board of Directors assesses and monitors our corporate culture and how it enables our business strategies. To inform the Board about human capital and cultural health, we have developed and annually share with the Board a culture scorecard.

Additionally, the Human Resources and Compensation Committee of the Board of Directors (the “HRCC”) is tasked with, among other things, overseeing and advising the Board about human capital management strategies and policies, including with respect to attracting, developing, retaining and motivating management and employees; workplace diversity, equity and inclusion initiatives and progress; employee relations; and workplace safety and culture. The HRCC is also responsible for overseeing the management succession process.

Culture & Talent Focus

Culture

Cardinal Health’s culture is rooted in our values and behaviors and aligned to the company’s strategic framework. Providing a positive work environment supports our ability to attract, retain and develop

our employees and enables business performance. We reinforce, monitor and assess our culture through a variety of programs and processes which include performance management, talent/ succession planning, as well as employee engagement surveys and other listening strategies.

Talent Management and Learning

Cardinal Health's talent management strategy is a segmented, multi-pronged approach to build capabilities, skills and competencies of leaders and employees throughout the enterprise ensuring employees capabilities connect to business needs and outcomes. This segmented approach includes broad based employee skill development and learning and manager development.

We monitor our turnover data on a monthly and rolling 12-month basis and benchmark against Bureau of Labor and Statistics and competitor data. Although turnover levels vary by site and region, we primarily look at the connection between key operational metrics and employee turnover.

Compensation and Benefits

Our colleagues are essential to our success and we strive to offer comprehensive and competitive wages and benefits. The benefits we offer include annual bonuses and stock awards for eligible employees, 401(k) plans, health care and insurance benefits, paid time off, flexible work schedules, family leave, dependent care resources, employee assistance programs and many others.

Employee Feedback

Cardinal Health solicits feedback from employees through various mechanisms, including our biennial full employee engagement survey, which provides insight into the employee experience. The results of this survey are reviewed with the Board of Directors and at all levels throughout the organization.

Diversity, Equity & Inclusion

At Cardinal Health, we are focused on building a diverse workforce and an inclusive workplace that values the unique perspectives and contributions of all of our employees.

Our work is sponsored by our senior executives, led by our Diversity, Equity and Inclusion ("DE&I") team, including our Chief

Additionally, our seven ERGs include groups focused on various racial and ethnic groups, members of the LGBTQ community, employees with disabilities, veterans and women and are designed to promote a culture of diversity, equity and inclusion.

We also monitor pay equity. We define pay equity as equal pay for people of all gender identities and ethnicities who are performing substantially similar work. We have a pay equity committee, which guides the ongoing analysis and benchmarking, in regular consultation with an independent third-party, to review and help inform our salary and compensation practices. Some of the things we consider include job-related skills, tenure, experience and education level, performance rating and geography.

As of the end of fiscal year 2023, 53% of our Board of Directors were women and 23% were ethnically diverse. 36% of our executive team (made up of the CEO, his direct reports and business presidents) were women and 18% were ethnically diverse. Approximately 50% of our total employee population were women and 50% of U.S. based employees were ethnically diverse.

Worker Health & Safety

The health, safety and security of our employees and contractors is a priority for us. We employ systems designed to continually monitor our facilities and work environment to promote worker safety and identify and prevent or mitigate any potential risks. This includes procedures and equipment for security. We routinely assess facilities to closely monitor adherence to established security and safety standards. Our workers receive specialized training related to their role, work setting and equipment used in their work environment. As our processes evolve, we update relevant safety training modules, which may include new training programs.

For more information on our approach to human capital management, please refer to our annual Environmental, Social & Governance Report, which is available on our website.

Intellectual Property

We rely on a combination of trade secret, patent, copyright and trademark laws, nondisclosure and other contractual provisions and technical measures to protect our products, services and intangible assets. We hold patents, and continue to pursue patent protection throughout the world, relating to the manufacture, operation and use of various medical and surgical products, to certain distribution and logistics systems, to the production and distribution of our nuclear pharmacy products and to other service offerings. We also operate under licenses for certain proprietary technologies, and in certain instances we license our technologies to third parties.

We believe that we have taken all necessary steps to protect our proprietary rights, but no assurance can be given that we will be able to successfully enforce or protect our rights in the event that they are infringed upon by a third party. While all of these proprietary rights are important to our operations, we do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

Our business is highly regulated in the United States, at both the federal and state level, and in foreign countries. Depending upon the specific business, we may be subject to regulation by government entities including:

- the U.S. Drug Enforcement Administration (the “DEA”);
- certain agencies within the U.S. Department of Health and Human Services, including the U.S. Food and Drug Administration (the “FDA”), the Centers for Medicare and Medicaid Services, the Office of Inspector General and the Office for Civil Rights;
- state and local health departments, insurance departments, Medicaid departments or other comparable state agencies;
- state and local boards of pharmacy and other controlled substance authorities;
- the U.S. Nuclear Regulatory Commission (the “NRC”);
- the U.S. Environmental Protection Agency;
- the U.S. Federal Trade Commission (the "FTC");
- U.S. Customs and Border Protection; and
- agencies comparable to those listed above in markets outside the United States.

These regulatory agencies have a variety of civil, administrative and criminal sanctions at their disposal for failure to comply with applicable legal or regulatory requirements. They can suspend our ability to manufacture and distribute products, restrict our ability to import products, require us to initiate product recalls, seize products or impose criminal, civil and administrative sanctions.

Distribution

State Boards of Pharmacy, FDA, DEA and various other state authorities regulate the marketing, purchase, storage and distribution of pharmaceutical and medical products under various federal and state statutes including the federal Prescription Drug Marketing Act of 1987, Drug Quality and Security Act of 2013 (the “DQSA”) and Controlled Substances Act (the "CSA"). The CSA governs the sale, packaging, storage and distribution of controlled substances. Wholesale distributors of controlled substances must hold valid DEA registrations and state-level licenses, meet various security and operating standards including

vendor to act as a clearinghouse for data aggregation and reporting and will fund the clearinghouse for ten years. See Note 7 of the "Notes to Consolidated Financial Statements" for more information about the National Opioid Settlement Agreement and other opioid-related matters.

Manufacturing, Sourcing and Marketing

We sell our manufactured products in the United States, Canada, Europe, Asia, Latin America and other markets. The FDA and other governmental agencies in the United States, as well as foreign governmental agencies, administer requirements that cover the design, testing, safety, effectiveness, manufacturing (including good manufacturing practices), quality systems, labeling, promotion and advertising (including restrictions on promoting or advertising a product other than for the product's cleared or approved uses), distribution, importation and post-market surveillance for most of our manufactured products. We are also subject to these requirements when we source certain Medical segment products from third-party manufacturers.

We need specific approval or clearance from, and registrations with, regulatory authorities before we can market and sell some products in the United States and certain other countries, including countries in the European Union ("EU").

In the United States, authorization to commercially market a medical device is generally received in one of two ways. The first, known as pre-market notification or the 510(k) process, requires us to demonstrate that a medical device is substantially equivalent to a legally marketed medical device. The second more rigorous process, known as pre-market approval (“PMA”), requires us to independently demonstrate that a medical device is safe and effective. Many of our Medical segment branded products are cleared through the 510(k) process and certain products must be approved through the PMA process.

In the EU, we are required to obtain CE Mark Certification in order to market medical devices. In 2017, EU regulatory bodies finalized a new Medical Device Regulation ("MDR") became effective in May 2021. Under the MDR, medical devices marketed in

product, correcting the product at the customer location, revising product labeling and notifying customers.

Any adverse regulatory action, depending on its magnitude, may limit our ability to effectively manufacture, source, market and sell our products, limit our ability to obtain future premarket approvals or result in a substantial modification to our business practices and operations. For additional information, please see our Risk Factor entitled "Our business is subject to rigorous quality regulatory and licensing requirements."

Privacy and Data Protection

We are subject to various and evolving privacy laws and regulations in many jurisdictions. Because we collect, handle and maintain patient-identifiable health information, we are subject to laws that require specified privacy and security measures and that regulate the use and disclosure of such information, including the U.S. Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as augmented by the Health Information Technology for Economic and Clinical Health Act as well as state laws, in the United States.

We also collect, handle and maintain other personal and financial information. Within the U.S., these activities are regulated by certain federal and state laws. Certain states have recently enacted privacy laws that grant specified rights to consumers over the use of their personal information, including increased transparency. Other states are considering adopting similar or different comprehensive privacy laws and a comprehensive federal privacy bill has been proposed in the U.S. House of Representatives. Internationally, we are also subject to privacy and data protection laws that require significant compliance efforts, including the EU's General Data Protection Regulation (GDPR), Canada's Personal Information Protection and Electronic Documents Act, Japan's Act on the Protection of Personal Information and China's Personal Information Protection Law, among many others.

Nuclear Pharmacies and Related Businesses

Our nuclear pharmacies and radiopharmaceutical manufacturing facilities

electronic, interoperable, prescription drug tracing system. In addition, the FDA also has issued regulations requiring most medical device labeling to bear a unique device identifier. The MDR, described above, also introduces a new unique device identifier requirement.

Government Healthcare Programs

We are subject to U.S. federal healthcare fraud and abuse laws. These laws generally prohibit persons from soliciting, offering, receiving or paying any compensation in order to induce someone to order, recommend or purchase products or services that are in any way paid for by Medicare, Medicaid or other federally-funded healthcare programs. They also prohibit submitting any fraudulent claim for payment by the federal government. There are similar state healthcare fraud and abuse laws that apply to Medicaid and other state-funded healthcare programs. Violations of these laws may result in criminal or civil penalties, as well as breach of contract claims and qui tam actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments).

Some businesses within each of our segments are Medicare-certified suppliers or participate in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program. These businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements. Other businesses within each segment manufacture pharmaceutical or medical products or repackage pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs. Failure to comply with applicable eligibility requirements, standards and regulations could result in civil or criminal sanctions, including the loss of our ability to participate in Medicare, Medicaid and other federal and state healthcare programs. For example, during fiscal year 2022, we agreed to pay approximately $13 million to the Department of Justice and our Specialty Pharmaceutical Distribution business entered into a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and

Environmental, Health and Safety Laws

In the United States and other countries, we are subject to various federal, state and local environmental laws, including laws regulating the production or use of hazardous substances, as well as laws relating to safe working conditions and laboratory practices. Additionally, industry participants, including us, rely on ethylene oxide ("EtO") and other compounds to sterilize certain medical products that we manufacture or distribute. Regulatory actions have been taken by certain environmental regulatory authorities to reduce EtO emissions during the sterilization and distribution process, including actions intended to regulate facilities that sterilize medical products.

Antitrust Laws

The U.S. federal government, most U.S. states and many foreign countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Laws Relating to Foreign Trade and Operations

U.S. and foreign laws require us to abide by standards relating to the import and export of finished goods, raw materials and supplies and the handling of information. We also must comply with various export control and trade embargo laws, which may require licenses or other authorizations for transactions within some countries or with some counterparties.

Similarly, we are subject to U.S. and foreign laws concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other foreign anti-bribery laws. Among other things, these laws generally prohibit companies and their intermediaries from offering, promising or making payments to officials of foreign governments for the purpose of obtaining or retaining business.

Other Information

Certain Commercial Practices

Although our agreements with manufacturers sometimes require us to maintain inventory levels within specified ranges, our distribution businesses are generally not required by our customers to maintain particular inventory levels other than as needed to meet service level requirements. Certain customer contracts require us to maintain sufficient inventory to meet emergency demands, but we do not believe those requirements materially affect inventory levels.

Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return product for credit that can be added back to inventory and resold at full value, or that can be returned to vendors for credit.

We offer market payment terms to our customers.

Rule 10b5-1 Plan Adoptions and Modifications

During the quarter ended June 30, 2023, no director or officer adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule10b5-1 trading arrangement" as each term is defined in Section 408(a) of Regulation S-K.

Risk Factors

The risks described below could materially and adversely affect our results of operations, financial condition, liquidity or cash flows. These are not the only risks we face. Our businesses also could be affected by risks we do not currently consider material to our operations or of which we are not presently aware.

Legal, Regulatory & Compliance Risks

Opioid-related legal proceedings and the National Opioid Settlement Agreement we have entered into could have additional or unexpected negative effects on our results of operations or business.

Cardinal Health, along with other pharmaceutical wholesalers and other participants in the pharmaceutical supply chain has been named as a defendant in lawsuits related to the distribution of opioid pain medications. Plaintiffs in these lawsuits include state attorneys general, counties and municipalities, as well as private parties, such as unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals.

We have also received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil subpoenas and other requests for information from other DOJ offices.

In April 2022, an agreement settling the vast majority of opioid-related lawsuits filed against us by state and local governmental entities (the "National Opioid Settlement Agreement") became effective. Under the National Opioid Settlement Agreement, we agreed to pay up to approximately $6.3 billion over 18 years. The National Opioid Settlement Agreement also includes injunctive relief terms relating to distributors' controlled substance anti-diversion programs. A monitor will oversee compliance with these provisions until 2027. In addition, the distributors agreed to engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which the distributors will fund until 2032. It is possible that the maintenance of the required changes to distributors' controlled substance anti-either individually or in the aggregate, could have a negative impact on our results of operations.

We are involved in legal proceedings with insurers related to the availability of insurance coverage for some matters described above, but the defense and resolution of current and future lawsuits and investigations are subject to uncertainty and could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity beyond the amounts accrued and beyond what we may be able to recover from our insurers. Additionally, laws governing insurance coverage vary by state and some state courts have interpreted laws and insurance policies in ways that may negatively impact our ability to receive indemnification under our insurance policies.

Other legislative, regulatory or industry measures related to the public health crisis involving the abuse of prescription opioid pain medication and the distribution of these medications could affect our business in ways that we may not be able to predict. For example, several states have adopted or proposed taxes or other fees on the sale of opioids. These laws and proposals vary in the tax amounts imposed and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted. Additionally, certain states have proposed legislation that may conflict with certain requirements of the National Opioid Settlement Agreement.

Ongoing unfavorable publicity regarding the abuse or misuse of prescription opioid pain medications and the role of wholesale distributors in the supply chain of such prescription medications, as well as the continued proliferation of the opioid lawsuits, investigations, regulations and legislative actions and unfavorable publicity in relation to those lawsuits could continue to have a material adverse effect on our reputation or results of operations.

Our business is subject to other rigorous quality, regulatory and licensing requirements.

As described in greater detail in the "Business" section, products that we

to comply, our results of operations and financial condition could be adversely affected.

To lawfully operate our businesses, we are required to obtain and hold permits, product registrations, licenses and other regulatory approvals from, and to comply with operating and security standards of, numerous governmental bodies. Failure to maintain or renew necessary permits, product registrations, licenses or approvals, or to comply with required standards, could have an adverse effect on our results of operations and financial condition.

We, and third parties acting on our behalf, collect, handle and maintain patient-identifiable health information and other sensitive personal and financial information which are subject to federal, state and foreign laws that regulate the use and disclosure of such information. Regulations currently in place continue to evolve, and they are extensive and complex. Compliance with these laws is difficult and costly. New laws in this area could further restrict our ability to collect, handle and maintain personal or patient information, or could require us to incur additional compliance costs, either of which could have an adverse impact on our results of operations. From time to time, we become aware of certain isolated alleged violations of federal, state or foreign laws concerning privacy and data protection. When we become aware of such allegations, we investigate and, if warranted, notify affected people, entities and regulatory bodies. As a result of these violations we have been and may in the future be subject to civil or criminal penalties, breach of contract claims, lawsuits, costs for remediation and harm to our reputation.

We are required to comply with laws relating to healthcare fraud and abuse. The requirements of these laws are complex and subject to varying interpretations. From time to time, regulatory authorities investigate our policies or practices, and may challenge them. We are periodically subject to federal or state government investigations or qui tam actions (false claims cases initiated by private parties purporting to act on behalf of federal or state governments), which could result in civil or criminal sanctions, including the loss of licenses or the ability to participate in Medicare, Medicaid and other

entities or contract pharmacies for covered entities. Over a dozen pharmaceutical manufacturers have unilaterally restricted sales under the 340B drug pricing program to contract pharmacies. These practices are the subject of ongoing litigation; however, if manufacturers continue this practice and if courts uphold this practice, our customers may be adversely impacted, which could adversely impact our business.

Industry participants, including us, rely on ethylene oxide (“EtO”) and per- and polyfluoroalkyl (“PFA”) compounds to sterilize certain medical products, including products that we manufacture or distribute. Regulatory enforcement actions have been taken by certain environmental regulatory authorities to reduce emissions of these compounds during the sterilization and distribution process. If such measures become more widespread, we could experience increased costs to comply with reduced emissions standards and it is possible that we and other industry participants may be unable to effectively sterilize medical products, possibly resulting in supply shortages or an industry-wide reduction in surgical or medical procedures, which would negatively impact demand for our Medical segment’s products. Such increased costs or industry-wide reductions in surgical and medical procedures would have a negative impact on our Medical segment profit. Additionally, we have been named as a defendant in several lawsuits alleging personal injury as a result of EtO emissions. As a result of a notice of violation we received from an environmental regulator in Georgia, we are making specified changes to a replenishment center in that state. It is possible that these or future regulatory actions or lawsuits could adversely impact our ability to procure products to distribute, resulting in increased costs or industry supply disruptions.

Our government contracts are subject to specific procurement requirements. Failure to comply with applicable rules or regulations or with contractual or other requirements may result in monetary damages and criminal or civil penalties as well as termination of our government contracts or our suspension or debarment from government contract work.

Our global operations (including transition services in connection with divestitures) are

We could be subject to adverse changes in the tax laws or challenges to our tax positions.

We are a large multinational corporation with operations in the United States and many foreign countries. As a result, we are subject to the tax laws of many jurisdictions.

From time to time, proposals are made in the United States and other jurisdictions in which we operate that could adversely affect our tax positions, effective tax rate or tax payments. Specific initiatives that may impact us include possible increases in U.S. or foreign corporate income tax rates or other changes in tax law to raise revenue, the repeal of the LIFO (last-in, first-out) method of inventory accounting for income tax purposes, the establishment or increase in taxation at the U.S. state level on the basis of gross revenues, recommendations of the base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid. In August 2022, the U.S. federal government enacted the Inflation Reduction Act, which imposed a 15 percent corporate minimum tax on certain large corporations and a 1 percent tax on share repurchases after December 31, 2022. These provisions may adversely impact our financial position and results of operations.

Additionally, in connection with the accruals taken in connection with opioid-related lawsuits in fiscal year 2021, we recorded a net tax benefit, reflecting our current assessment of the estimated future deductibility of the amount that may be paid. We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the U.S. Tax Cuts and Act ("Tax Act"); however, these estimates require significant judgment and it is possible that they could be subject to challenges by the U.S. Internal Revenue Service ("IRS").

The U.S. tax law governing deductibility was changed by the Tax Act. The taxing authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits, or tax law could change again. We also regularly review these estimates and assumptions insurance loss, which could negatively impact our financial position.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. Tax laws are complex and subject to varying interpretations. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year. Proposed adjustments in ongoing audits may adversely affect our effective tax rate or tax payments.

Changes to the U.S. healthcare environment may not be favorable to us.

Over a number of years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include a general decline in Medicare and Medicaid reimbursement levels, efforts by healthcare insurance companies to limit or reduce payments to pharmacies and providers, the basis for payments beginning to transition from a fee-for-service model to value-based payments and risk-sharing models and the industry shifting away from traditional healthcare venues like hospitals and into clinics, physician offices and patients' homes.

We expect the U.S. healthcare industry to continue to change significantly in the future. Possible changes include changes in legislation or regulations governing prescription pharmaceutical pricing, healthcare services, mandated benefits, efforts to promote increased transparency in the pharmaceutical supply chain, including with respect to Pharmacy Benefit Managers, further reduction of or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to further limit payments for products and services. These possible changes, and the uncertainty surrounding these possible changes, may directly or indirectly adversely affect us.

Legal proceedings could adversely impact our cash flows or results of operations.

Due to the nature of our business, which includes the distribution of controlled substances and other pharmaceutical products and the sourcing, marketing and

agreements to settle approximately 7,300 product liability claims alleging personal injuries associated with the use of Cordis OptEase and TrapEase IVC filter products. Product liability insurance for these types of claims is becoming more limited and may not be available to us at amounts that we historically have obtained or that we would like to obtain and we do not expect insurance coverage to cover all losses incurred for these matters. It is possible that future settlements of or judgments for product liability claims may not be covered by insurance or exceed available insurance recoveries. If this happens, and if any such settlement or judgment is in excess of any prior accruals, our results of operations and financial condition could be adversely affected.

We also operate in an industry characterized by extensive intellectual property litigation. Patent litigation can result in significant damage awards and injunctions that could prevent the manufacture and sale of affected products or force us to make royalty payments in order to continue selling the affected products.

In connection with legal proceedings, we occasionally enter into settlement agreements or become subject to consent decrees containing ongoing financial or operational obligations, including the injunctive relief provisions of the National Opioid Settlement Agreement and the Corporate Integrity Agreement mentioned above. Failure to comply with obligations under these agreements or decrees could lead to monetary or other penalties.

Business & Operational Risks

Our business and operations depend on the proper functioning of information systems, critical facilities and distribution networks and could be negatively impacted by events outside of our control.

We rely on our and third-party service providers' information systems for a wide variety of critical operations, including to obtain, rapidly process, analyze and manage data to:

- facilitate the purchase and distribution of inventory items from numerous distribution centers;

ransomware or other actions of third parties, including labor strikes or shortages, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product or component is manufactured at a single manufacturing facility with limited alternate facilities. Additionally, we incur costs to remediate these disruptions, and it is possible that these costs could be significant.

Our ability to compete effectively is increasingly dependent on access to and interpretation of data. Data quality impacts customer ordering, order fulfillment and higher order processing. If we fail to effectively implement and maintain data governance structures across our businesses or to effectively interpret and utilize such data, our operations could be impacted and we may be at a competitive disadvantage.

Our business and results of operations could be adversely affected if we experience a material cyber-attack or other systems breach.

Our business relies on the secure transmission, storage and hosting of patient-identifiable health information, financial information and other sensitive protected information relating to our customers, company, workforce and individuals with whom we and our customers conduct business. We have programs in place to detect, contain and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, hardware, software or applications developed internally or procured from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Unauthorized parties have gained access in the past, and will continue to attempt to gain access, to our or a service provider's systems or facilities through fraud, trickery or other forms of deception. We have been the target of cyber attacks. Although we do not believe these incidents had a material

available insurance recoveries. If this happens, our results of operations and financial condition could be adversely affected.

Our goodwill or other long-lived assets could be impaired, which could require us to record additional significant charges to earnings in accordance with generally accepted accounting principles.

U.S. GAAP requires us to test our goodwill for impairment on an annual basis, or more frequently if indicators for potential impairment exist. In addition, we review intangible assets with finite lives and other long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

Due to previously communicated changes in our long-term financial plan assumptions made during fiscal 2023, including those related to Cardinal Health branded medical products sales growth and net inflationary impacts, we performed quantitative goodwill impairment testing for the Medical Unit for periods ended June 30, 2023, March 31, 2023, December 31, 2022 and September 30, 2022, and recorded an aggregate $1.2 billion impairment to goodwill in fiscal year 2023. During fiscal 2022, as a result of adverse financial results in our Medical Unit resulting from inflationary impacts and global supply chain constraints, we performed goodwill impairment testing for the Medical Unit and recorded an aggregate $2.1 billion impairment to goodwill in fiscal year 2022.

Impairment testing involves estimates and significant judgments by management. We believe our assumptions and estimates are reasonable and appropriate; however additional adverse changes in key assumptions, a failure to meet expected earnings or other financial plans, including the execution of key initiatives related to optimizing and growing sales of Cardinal Health branded medical products, increasing growth in certain strategic divisions within our Medical segment and driving simplification efforts and cost optimization projects, or unanticipated events and circumstances, such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our efforts to

trade receivable balance at June 30, 2023 and OptumRx accounted for 16 percent of our fiscal 2023 revenue. Our agreement with OptumRx extends through June 2024. If either of these customers significantly reduces their purchases from us, defaults in payment to us, does not renew their agreements or terminates their agreements, whether due to an alleged default by us or otherwise, our results of operations and financial condition could be adversely affected.

Our results of operations could be adversely impacted if we fail to manage and complete divestitures.

We regularly evaluate our portfolio of businesses to determine whether an asset or business may no longer help us meet our objectives or whether there may be a more advantaged owner for that business. For example, in July 2023, we contributed our Outcomes™ business to Transaction Data Systems in exchange for a minority stake in the combined entity, and in fiscal year 2022, we completed the divestiture of the Cordis business. When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our strategic objectives. We could also incur higher costs or charges than planned or incur unexpected charges and could experience greater dis-synergies than expected, which could have a negative impact on our results of operations.

Our ability to manage and complete acquisitions could impact our strategic objectives and financial condition.

From time to time, we look to acquire other businesses that expand or complement our existing businesses. Completion of acquisitions and the integration of acquired businesses involve a number of risks, including the following: we may overpay for a business or fail to realize the synergies and other benefits we expect from the acquisition; our management's attention may be diverted to integration efforts; we may fail to retain key personnel of the acquired business; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems, including manufacturing facilities; we may assume liabilities related to legal

Our business could be affected by activist shareholders.

In September 2022, we entered into a Cooperation Agreement with Elliott under which our Board of Directors, among other things, (1) appointed four new independent directors, including a representative from Elliott , and (2) formed an advisory Business Review Committee of the Board, which is tasked with undertaking a comprehensive review of our strategy, portfolio, capital-allocation framework and operations. In May 2023, we extended the term of the Cooperation Agreement until the later of July 15, 2024 or until an Elliott representative ceases to serve on, or resigns from, our Board of Directors.

The Cooperation Agreement may create unintended consequences, such as creating uncertainty about our management, operations or future strategic direction, which could result in the loss of future business opportunities or negatively impact our ability to attract and retain qualified talent. Additionally, implementing any actions recommended by the Business Review Committee and the Board may be costly and time-consuming, may be disruptive to our ongoing business operations and may ultimately be unsuccessful.

It is possible that activist shareholders may, among other things, attempt to effect additional changes and exert influence over our Board of Directors and management or initiate a proxy contest, which may disrupt our operations by diverting the attention of management and the Board and be costly and time-consuming. Any such proxy contests, actions or requests, or the mere public presence of activist shareholders, may cause the market price for our shares to experience volatility, which could be significant.

Industry & Economic Risks

We could continue to suffer the adverse effects of competitive pressures.

As described in greater detail in the "Business" section, we operate in markets that are highly competitive and dynamic. In addition, competitive pressures in our pharmaceutical and medical segments may be increased by new business models, new entrants, new regulations, changes in

sourcing generic pharmaceuticals through our Red Oak Sourcing venture with CVS Health. If performance of our generic pharmaceutical program declines in future fiscal years and we are unable to offset the decline, our Pharmaceutical segment profit and consolidated operating earnings will be adversely affected.

With respect to branded pharmaceutical products, compensation under our contractual arrangements with manufacturers for the purchase of branded pharmaceutical products is generally based on the wholesale acquisition cost set by the manufacturer. Sales prices of branded pharmaceutical products to our customers generally are a percentage discount from wholesale acquisition cost.

Also, almost all of our distribution services agreements with branded pharmaceutical manufacturers provide that we receive fees from the manufacturers to compensate us for services we provide them. However, under certain agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers also serves as a part of our compensation. If manufacturers, in the aggregate, change their historical approach to setting and increasing wholesale acquisition cost, decide to reduce prices, not to increase prices or to implement only small increases and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our margins could be adversely affected.

We depend on direct and indirect suppliers to make their products and raw materials available to us and are subject to fluctuations in costs, availability and regulatory risk associated with these products and raw materials.

Our manufacturing businesses use oil-based resins, pulp, cotton, latex and other commodities as raw materials in many products. Prices of oil and gas also affect our distribution and transportation costs. Prices of these commodities are volatile and can fluctuate significantly, causing our costs to produce and distribute our products to fluctuate. Beginning in the fourth quarter of fiscal year 2021, we experienced higher supply chain costs, which had a negative impact on Medical segment profit in fiscal 2021, 2022 and 2023. Supply chain

Risk Factors

certain components and raw materials from a sole supplier. Our supplier relationships could be interrupted, become less favorable to us or be terminated and the supply of these components, compounds, raw materials or products could be interrupted or become insufficient.

These supply interruptions or other disruptions in manufacturing processes could be caused by events beyond our control, including natural disasters, supplier facility shutdowns, defective raw materials, the impact of epidemics or pandemics, such as COVID-19, and actions by U.S. or international governments, including import or export restrictions or tariffs. For example, the Uyghur Forced Labor Prevention Act, which went into effect in June 2022 prohibits the importation of any goods grown, produced, manufactured or mined, wholly or in part, in the Xinjiang Uyghur Autonomous Region of China unless importers can provide clear and convincing evidence that goods were not made using forced labor. We have experienced some supply constraints as a result of these and similar regulations, and it is possible that our business or results of operations could be further negatively impacted by future determinations and disruptions.

In addition, due to the stringent regulatory requirements regarding the manufacture and sourcing of our products, we may not be able to quickly establish additional or replacement sources for certain components, materials or products. A sustained supply reduction or interruption, and an inability to develop alternative and additional sources for such supply, could result in lost sales, increased cost, damage to our reputation, and may have an adverse effect on our business.

Employee attrition may have an adverse impact on our business, results of operations or internal controls.

Our ability to attract, retain and develop qualified and experienced employees, including key executives and other talent, is critical for us to meet our business objectives. We compete with many other businesses to attract and retain employees. It is possible that we could experience loss of key personnel for a variety of causes. If we do not adequately plan for succession of key roles or if we are not successful in attracting or retaining new talent, our

Changes or uncertainty in U.S. or international trade policies and exposure to economic, political and currency and other risks could disrupt our global operations or negatively impact our financial results.

We conduct our operations in various regions of the world outside of the United States, including Europe, Asia and Latin America. Global developments can affect our business in many ways. Our global operations are affected by local economic environments, including inflation, recession and competition. Additionally, divergent or unfamiliar regulatory systems and labor markets can increase the risks and burdens of operating in numerous countries.

Our foreign operations expose us to a number of risks related to trade protection laws, tariffs, excise or other border taxes on goods sourced from certain countries or on the importation or exportation of products or raw materials. Changes or uncertainty in U.S. or international trade policies or tariffs could impact our global operations, as well as our customers and suppliers. We may be required to spend more money to source certain products or materials that we need or to manufacture certain of our products. This could adversely impact our business and results of operations.

In addition, we conduct our business in U.S. dollars and various functional currencies of our foreign subsidiaries. Changes in foreign currency exchange rates could adversely affect our financial results, which are reported in U.S. dollars. We may not be able to hedge to protect us against these exposures, and any hedges may not successfully mitigate these exposures.

Geopolitical dynamics caused by political, economic, social or other conditions in foreign countries and regions may continue to impact our business and results of operations. Both of our segments have experienced increased costs in fiscal years 2022 and 2023, including for fuel, and it is possible that we could experience supply disruptions or shortages if tariffs or other protective measures are enacted.

Properties

In the United States, at June 30, 2023, the Pharmaceutical segment operated one national logistics center; a number of primary pharmaceutical and specialty distribution facilities as well as nuclear pharmacy and radiopharmaceutical manufacturing facilities. The Medical segment operated medical-surgical distribution, assembly, manufacturing and other operating facilities in the United States.

At June 30, 2023, our Medical segment also operated manufacturing facilities in Canada, Costa Rica, the Dominican Republic, Germany, Ireland, Japan, Malaysia, Malta, Mexico and Thailand.

Our principal executive offices are headquartered in an owned building located at 7000 Cardinal Place in Dublin, Ohio.

We consider our operating properties to be in satisfactory condition and adequate to meet our present needs. However, we regularly evaluate operating properties and may make further additions and improvements or consolidate locations as we seek opportunities to expand or enhance the efficiency of our business.

Legal Proceedings

In addition to the proceedings described below, the legal proceedings described in Note 7 of the "Notes to Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

Between June 2019 and January 2020, three purported shareholders filed actions on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances and approving certain payments of executive compensation. In January, 2020, the court consolidated these derivative cases under the caption In re Cardinal Health, Inc. Derivative Litigation and in March 2020, plaintiffs filed an amended complaint.

In December 2021, the parties reached an agreement in principle to settle this matter and in October 2022, the court entered an order approving the settlement and dismissing the case. This settlement does not include any admission of liability. Under the settlement, in December 2022, Cardinal Health's director and officer liability insurance carriers, on behalf of the defendants, paid Cardinal Health $124 million, less approximately $31 million in attorneys' fees and expenses awarded by the court to plaintiffs' counsel.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the New York Stock Exchange under the symbol "CAH."

At July 31, 2023 there were approximately 6,571 shareholders of record of our common shares.

We anticipate that we will continue to pay quarterly cash dividends in the future. The payment and amount of future dividends remain, however, within the discretion of our Board of Directors and will depend upon our future earnings, financial condition, capital requirements and other factors.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (3) (in millions)
April 2023	234	$ 79.43	—	$ 1,243
May 2023	137	83.79	—	1,243
June 2023	4,588,337	87.18	4,588,208	4,343
Total	**4,588,708**	**$ 87.18**	**4,588,208**	**$ 4,343**

(1) Reflects 234, 137 and 129 common shares purchased in April, May and June 2023, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) On June 12, 2023, we entered into an accelerated share repurchase ("ASR") program to purchase common shares for an aggregate purchase price of $500 million and received an initial delivery of 4.6 million common shares using a reference price of $87.18. The ASR program is expected to conclude in the first quarter of fiscal 2024. See Note 11 of the "Notes to Consolidated Financial Statements" for additional information.

(3) On November 4, 2021, our Board of Directors approved a $3.0 billion share repurchase program which will expire on December 31, 2024. On June 7, 2023, our Board of Directors approved a new $3.5 billion share repurchase program which will expire on December 31, 2027. As of June 30, 2023, we have $4.3 billion authorized for share repurchases remaining under these programs.

Five Year Performance Graph

The following line graph compares the cumulative total return of our common shares with the cumulative total return of the Standard & Poor’s Composite—500 Stock Index (the "S&P 500 Index") and the Standard & Poor's Composite—500 Healthcare Index (the "S&P 500 Healthcare Index"). The line graph assumes, in each case, an initial investment of $100 invested at the closing price on June 30, 2018, and is based on the market prices at the end of each fiscal year through and including June 30, 2023, and reinvestment of dividends. The S&P 500 Index and S&P 500 Healthcare Index investments are weighted on the basis of market capitalization at the beginning of each period.

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	June 30					
	2018	2019	2020	2021	2022	**2023**
Cardinal Health, Inc.	100.00	100.33	115.58	131.05	124.56	**231.22**
S&P 500 Index	100.00	110.41	118.68	167.07	149.31	**178.52**
S&P 500 Healthcare Index	100.00	112.99	125.31	160.29	165.69	**174.60**

Management Reports

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2023 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls deemed effective now may become inadequate in the future because of changes in conditions, or because compliance with policies or procedures has deteriorated or been circumvented.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2023. In making this assessment, management used the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the “COSO criteria”). Based on management’s assessment and the COSO criteria, management believes that our internal control over financial reporting was effective as of June 30, 2023.

Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on our internal control over financial reporting. Ernst & Young LLP’s report appears following this "Management Reports" section and expresses an unqualified opinion on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Shareholders and the Board of Directors of Cardinal Health, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cardinal Health, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2023 and 2022, the related consolidated statements of earnings/(loss), comprehensive income/(loss), shareholders' equity/(deficit) and cash flows for each of the three years in the period ended June 30, 2023, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) and our report dated August 15, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio

August 15, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cardinal Health, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries (the Company) as of June 30, 2023 and 2022, the related consolidated statements of earnings/(loss), comprehensive income/(loss), shareholders' equity/(deficit) and cash flows for each of the three years in the period ended June 30, 2023, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated August 15, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Medical Unit Goodwill

Description of the Matter	At June 30, 2023, goodwill related to the Company's Medical segment, including the Medical Unit was $2.0 billion. As discussed in Notes 1 and 4 to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level, or when indicators of impairment exist. During fiscal 2023, the Company recognized goodwill impairment charges related to the Medical Unit of $1.2 billion. Auditing management's goodwill impairment test for the Medical Unit was challenging because there is significant judgement required in determining the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant judgmental assumptions including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company-specific risk premium, which are affected by expectations about future market or economic conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process. For example, we tested controls over management's review of significant judgmental assumptions, including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company-specific risk premium, among other assumptions. To test the estimated fair value of the Company's Medical Unit, we performed audit procedures that included, among others, evaluating methodologies used; involving our valuation specialists to assist with our procedures related to the measurement of the fair value; and testing the underlying data used by the Company in its analysis for completeness and accuracy. We compared the significant assumptions used by management to current industry and economic trends, recent historical performance, changes to customer base or product mix and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We evaluated the assumptions within the model and tested the model's computational accuracy. In addition, we inspected the Company's reconciliation of the fair value of all reporting units to the market capitalization of the Company and assessed the result. We have also assessed the adequacy of the Company's disclosures included in Notes 1 and 4 in relation to this matter.

Uncertain Tax Positions

Description of the Matter	As described in Note 8 to the consolidated financial statements, the Company's unrecognized tax benefits related to its uncertain tax positions were approximately $1.0 billion at June 30, 2023. Uncertain tax positions may arise as tax laws are subject to interpretation. The Company uses significant judgment in (1) determining if the tax position is more likely than not to be sustained upon examination, based on the technical merits of the position and (2) measuring the amount of tax benefit that qualifies for recognition. Auditing management's estimate of the amount of tax benefit related to the Company's uncertain tax positions that qualified for recognition was challenging because management's estimate required significant judgment in evaluating the technical merits of the positions, including interpretations of applicable tax laws and regulations.
How We Addressed	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's process to assess the technical merits

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Grandview Heights, Ohio

August 15, 2023

Financial Statements and Supplementary Data

Consolidated Statements of Earnings/(Loss)

(in millions, except per common share amounts)	**2023**	2022	2021
Revenue	**$ 205,012**	$ 181,364	$ 162,467
Cost of products sold	**198,123**	174,819	155,689
Gross margin	**6,889**	6,545	6,778
Operating expenses:			
Distribution, selling, general and administrative expenses	**4,834**	4,557	4,533
Restructuring and employee severance	**95**	101	114
Amortization and other acquisition-related costs	**285**	324	451
Impairments and (gain)/loss on disposal of assets, net	**1,250**	2,050	79
Litigation (recoveries)/charges, net	**(302)**	109	1,129
Operating earnings/(loss)	**727**	(596)	472
Other (income)/expense, net	**(4)**	16	(47)
Interest expense, net	**93**	149	180
Loss on early extinguishment of debt	**—**	10	14
(Gain)/Loss on sale of equity interest in naviHealth	**—**	(2)	2
Earnings/(loss) before income taxes	**638**	(769)	323
Provision for/(benefit from) income taxes	376	163	(289)
Net earnings/(loss)	**262**	(932)	612
Less: Net earnings attributable to noncontrolling interests	**(1)**	(1)	(1)
Net earnings/(loss) attributable to Cardinal Health, Inc.	**$ 261**	$ (933)	$ 611
Earnings/(loss) per common share attributable to Cardinal Health, Inc.			
Basic	**$ 1.00**	$ (3.35)	$ 2.09
Diluted	**1.00**	(3.35)	2.08
Weighted-average number of common shares outstanding:			
Basic	**261**	279	292
Diluted	**262**	279	294

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Comprehensive Income/(Loss)

(in millions)	2023	2022	2021
Net earnings/(loss)	**$ 262**	$ (932)	$ 612
Other comprehensive income/(loss):			
Foreign currency translation adjustments and other	**(35)**	(56)	46
Net unrealized gain/(loss) on derivative instruments, net of tax	**(2)**	(24)	24
Total other comprehensive income/(loss), net of tax	**(37)**	(80)	70
Total comprehensive income/(loss)	**225**	(1,012)	682
Less: comprehensive income attributable to noncontrolling interests	**(1)**	(1)	(1)
Total comprehensive income/(loss) attributable to Cardinal Health, Inc.	**$ 224**	$ (1,013)	$ 681

The accompanying notes are an integral part of these consolidated statements.

Consolidated Balance Sheets

(in millions)	June 30 2023	2022
Assets		
Current assets:		
Cash and equivalents	**$ 4,043**	$ 4,717
Trade receivables, net	**11,344**	10,561
Inventories, net	**15,940**	15,636
Prepaid expenses and other	**2,362**	2,021
Assets held for sale	**144**	—
Total current assets	**33,833**	32,935
Property and equipment, net	**2,462**	2,361
Goodwill and other intangibles, net	**6,081**	7,629
Other assets	**1,041**	953
Total assets	**$ 43,417**	$ 43,878
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable	**$ 29,813**	$ 27,128
Current portion of long-term obligations and other short-term borrowings	**792**	580
Other accrued liabilities	**3,059**	2,842
Liabilities related to assets held for sale	**42**	—
Total current liabilities	**33,706**	30,550
Long-term obligations, less current portion	**3,909**	4,735
Deferred income taxes and other liabilities	**8,653**	9,299
Shareholders' deficit:		
Preferred shares, without par value:		
Authorized—**500 thousand** shares, Issued—**none**	**—**	—
Common shares, without par value:		
Authorized—755 million shares, Issued— 327 million shares at **June 30, 2023** and 2022	**2,747**	2,813
Accumulated deficit	**(534)**	(280)
Common shares in treasury, at cost: **76 million** shares and 54 million shares at **June 30, 2023** and 2022, respectively	**(4,914)**	(3,128)
Accumulated other comprehensive loss	**(151)**	(114)
Total Cardinal Health, Inc. shareholders' deficit	**(2,852)**	(709)
Noncontrolling interests	**1**	3
Total shareholders' deficit	**(2,851)**	(706)
Total liabilities and shareholders' deficit	**$ 43,417**	$ 43,878

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Shareholders' Equity/(Deficit)

(in millions)	Common Shares			Treasury Shares				**Total Shareholders' Equity/ (Deficit)**
	Shares Issued	Amount	Retained Earnings/ (Accumulated Deficit)	Shares	Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	
Balance at June 30, 2020	327	$ 2,789	$ 1,170	(35)	$ (2,066)	$ (104)	$ 3	**$ 1,792**
Net earnings			611				1	**612**
Other comprehensive income, net of tax						70		**70**
Employee stock plans activity, net of shares withheld for employee taxes	—	17		3	80			**97**
Share repurchase program activity				(4)	(200)			**(200)**
Dividends declared			(576)					**(576)**
Other							(1)	**(1)**
Balance at June 30, 2021	327	2,806	1,205	(36)	(2,186)	(34)	3	**1,794**
Net earnings/ (loss)			(933)				1	**(932)**
Other comprehensive loss, net of tax						(80)		**(80)**
Employee stock plans activity, net of shares withheld for employee taxes	—	7		2	58			**65**
Share repurchase program activity				(20)	(1,000)			**(1,000)**
Dividends declared			(552)					**(552)**
Other							(1)	**(1)**
Balance at June 30, 2022	327	2,813	(280)	(54)	(3,128)	(114)	3	**(706)**
Net earnings			**261**				**1**	**262**

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

(in millions)	2023	2022	2021
Cash flows from operating activities:			
Net earnings/(loss)	**$ 262**	$ (932)	$ 612
Adjustments to reconcile net earnings/(loss) to net cash provided by operating activities:			
Depreciation and amortization	**692**	692	783
Impairments and loss on sale of other investments	**7**	24	—
Impairments and (gain)/loss on disposal of assets, net	**1,250**	2,050	79
(Gain)/Loss on sale of equity interest in naviHealth	**—**	(2)	2
Loss on early extinguishment of debt	**—**	10	14
Share-based compensation	**96**	81	89
Provision for/(benefit from) deferred income taxes	**(31)**	7	496
Provision for bad debts	**99**	68	65
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:			
Increase in trade receivables	**(947)**	(1,526)	(904)
Increase in inventories	**(340)**	(1,071)	(1,584)
Increase in accounts payable	**2,718**	3,428	2,325
Other accrued liabilities and operating items, net	**(967)**	293	452
Net cash provided by operating activities	**2,839**	3,122	2,429
Cash flows from investing activities:			
Additions to property and equipment	**(481)**	(387)	(400)
Proceeds from divestitures, net of cash sold	**—**	923	—
Acquisition of subsidiaries, net of cash acquired	**(10)**	(22)	(3)
Proceeds from disposal of property and equipment	**12**	31	—
Purchase of other investments	**(7)**	(78)	(22)
Proceeds from sale of investments	**3**	29	47
Proceeds from net investment hedge terminations	**29**	71	—
Net cash provided by/(used in) investing activities	**(454)**	567	(378)
Cash flows from financing activities:			
Purchase of noncontrolling interests	**(3)**	—	—
Proceeds from interest rate swap terminations	**—**	—	18
Reduction of long-term obligations	**(579)**	(885)	(570)
Net tax proceeds/(withholding) from share-based compensation	**56**	(19)	8
Dividends on common shares	**(525)**	(559)	(573)
Purchase of treasury shares	**(2,000)**	(1,000)	(200)
Net cash used in financing activities	**(3,051)**	(2,463)	(1,317)
Effect of exchange rates changes on cash and equivalents	**(8)**	(25)	11
Cash reclassified from/(to) assets held for sale	**—**	109	(109)
Net increase/(decrease) in cash and equivalents	**(674)**	1,310	636
Cash and equivalents at beginning of period	**4,717**	3,407	2,771
Cash and equivalents at end of period	**$ 4,043**	$ 4,717	$ 3,407
Supplemental Information:			
Cash payments for interest	**$ 203**	$ 153	$ 182
Net cash payments/(refunds) for income taxes	**156**	(766)	273

The accompanying notes are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Cardinal Health, Inc. is a global healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide pharmaceuticals and medical products and cost-effective solutions that enhance supply chain efficiency. References to “we,” “our,” "us," and similar pronouns in these consolidated financial statements are to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries, unless the context otherwise requires.

Our fiscal year ends on June 30. References to fiscal 2023, 2022 and 2021 in these consolidated financial statements are to the fiscal years ended June 30, 2023, 2022 and 2021, respectively.

Basis of Presentation

Our consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. The results of businesses acquired or disposed of are included in the consolidated financial statements from the date of the acquisition or up to the date of disposal, respectively. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates, judgments and assumptions are used in the accounting and disclosure related to, among other items, allowance for doubtful accounts, inventory valuation and reserves, goodwill and other intangible asset impairment, vendor reserves, loss contingencies (including product liability and self-insurance accruals) and income taxes. Actual amounts may differ from these estimated amounts.

discrepancies, the current economic environment, customer credit ratings or bankruptcies and reasonable and supportable forecasts to develop our allowance for credit losses. We review these factors quarterly to determine if any adjustments are needed to the allowance. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

We provide financing to various customers. Such financing arrangements range from 1 year to 5 years at interest rates that are generally subject to fluctuation. Interest income on these arrangements is recognized as it is earned. The financings may be collateralized, guaranteed by third parties or unsecured. Finance notes, net and related accrued interest were $56 million (current portion $9 million) and $63 million (current portion $12 million) at June 30, 2023 and 2022, respectively, and are included in other assets (current portion is included in prepaid expenses and other) in the consolidated balance sheets. Finance notes receivable allowance for doubtful accounts were $6 million and $8 million at June 30, 2023 and 2022, respectively. We estimate an allowance for these financing receivables based on historical collection rates and the creditworthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

Concentrations of Credit Risk

We maintain cash depository accounts with major banks, and we invest in high quality, short-term liquid instruments, and in marketable securities. Our short-term liquid instruments mature within three months and we have not historically incurred any related losses.

Our trade receivables and finance notes and related accrued interest are exposed to a concentration of credit risk with certain large customers and with customers in the retail and healthcare sectors. Credit risk can be affected by changes in reimbursement and other economic pressures impacting the healthcare industry. With respect to customers in the retail and healthcare sectors, such credit risk is limited due to supporting collateral and the diversity of the customer base, including its wide geographic dispersion. We perform regular credit evaluations of our customers' financial

The following table summarizes historical percent of revenue and gross trade receivables from CVS Health and OptumRx:

	Percent of Revenue			Percent of Gross Trade Receivables at June 30	
	2023	2022	2021	**2023**	2022
CVS Health	**25 %**	25 %	26 %	**23 %**	24 %
OptumRx	**16 %**	16 %	15 %	**6 %**	4 %

We have entered into agreements with group purchasing organizations ("GPOs") which act as purchasing agents that negotiate vendor contracts on behalf of their members. Vizient, Inc. and Premier, Inc. are our two largest GPO member relationships in terms of revenue. Sales to members of these two GPOs collectively accounted for 16 percent, 19 percent and 19 percent of revenue for fiscal 2023, 2022 and 2021, respectively. Our trade receivable balances are with individual members of the GPO, and therefore no significant concentration of credit risk exists with these types of arrangements.

Inventories

A portion of our inventories (55 percent and 52 percent at June 30, 2023 and 2022, respectively) are valued at the lower of cost, using the last-in, first-out ("LIFO") method, or market. These inventories are included within the core pharmaceutical distribution facilities of our Pharmaceutical segment ("distribution facilities") and are primarily merchandise inventories. The LIFO method presumes that the most recent inventory purchases are the first items sold, so LIFO helps us better match current costs and revenue. We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within the distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation.

At June 30, 2023 and 2022, respectively, inventories valued at LIFO cost were $476 million and $416 million higher than the average cost value. We do not record inventories in excess of replacement cost. As such, we did not write-up the value of our hand inventory and manufacturer return policies. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were $139 million and $147 million at June 30, 2023 and 2022, respectively.

Cash Discounts

Manufacturer cash discounts are recorded as a component of inventory cost and recognized as a reduction of cost of products sold as inventory is sold.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Property and equipment held for sale are recorded at the lower of cost less accumulated depreciation before the decision to dispose of the asset was made or fair value less cost to sell. When certain events or changes in operating conditions occur, an impairment assessment may be performed on the recoverability of the carrying amounts.

We capitalize project costs relating to computer software developed or obtained for internal use when the activities related to the project reach the application stage. Costs that are associated with the preliminary stage activities, training, maintenance and all other post-implementation stage activities are expensed as they are incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including finance lease assets which are depreciated over the terms of their respective leases. We generally use the following range of useful lives for our property and equipment categories: buildings and improvements—3 to 39 years; machinery and equipment—3 to 20 years; capitalized software held for internal use—3 to 7 years; and furniture and fixtures—3 to 7 years. We recorded depreciation and amortization of capitalized software of $441 million, $412 million and $377 million for fiscal 2023, 2022 and 2021, respectively.

The following table presents the components of property and equipment, net at June 30:

(in millions)	**2023**	2022
Land, building and improvements	**$ 1,785**	$ 1,724
Machinery and equipment	**2,206**	2,114
Capitalized software held for		

Goodwill and Other Intangible Assets

Purchased goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually or when indicators of impairment exist.

Purchased goodwill is tested for impairment at least annually. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for our annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit.

We have two operating segments, which are the same as our reportable segments: Pharmaceutical and Medical. These operating segments are comprised of divisions (components), for which discrete financial information is available. Components are aggregated into reporting units for purposes of goodwill impairment testing to the extent that they share similar economic characteristics. Our reporting units are: Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; Medical operating segment (excluding our Cardinal Health at-Home Solutions division) ("Medical Unit"); and Cardinal Health at-Home Solutions division.

Fair value can be determined using market, income or cost-based approaches. Our determination of estimated fair value of the reporting units is based on a combination of the income-based and market-based approaches. Under the income-based approach, we use a discounted cash flow confirm fair value, we compare the aggregate fair value of our reporting units to our total market capitalization. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including forecasted operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment.

We performed annual impairment testing in fiscal 2023, 2022 and 2021 and concluded that there were no impairments of goodwill for Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division); Nuclear and Precision Health Solutions division; and Cardinal Health at-Home Solutions division as the estimated fair value of each reporting unit exceeded its carrying value. As discussed further in Note 4, during fiscal 2023 and 2022, we recognized goodwill impairment charges related to our Medical Unit of $1.2 billion and $2.1 billion, respectively, which are included in impairments and (gain)/loss on disposal of assets, net in our consolidated statements of earnings. There were tax benefits related to these goodwill impairment charges. See Note 8 for additional information.

The impairment test for indefinite-lived intangibles other than goodwill involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

Intangible assets with finite lives, primarily customer relationships; trademarks, trade names and patents; and developed technology, are amortized using a combination of straight-line and accelerated

group as held for sale, we test the assets for impairment and cease related depreciation and amortization.

On June 5, 2023, we signed a definitive agreement to contribute our Outcomes™ business to Transaction Data Systems (TDS), a portfolio company of BlackRock Long Term Private Capital and GTCR, in exchange for a minority stake in the combined entity. Upon signing the agreement, we met the criteria for the related assets and liabilities of the Outcomes™ business to be classified as held for sale. The transaction closed on July 10, 2023. See Note 2 for additional information.

Investments

Investments in non-marketable equity securities are accounted for under the fair value, equity or net asset value method of accounting and are included in other assets in the consolidated balance sheets. For equity securities without a readily determinable fair value, we use the fair value measurement alternative and measure the securities at cost less impairment, if any, including adjustments for observable price changes in orderly transactions for an identical or similar investment of the same issuer. For investments in which we can exercise significant influence but do not control, we use the equity method of accounting. Our share of the earnings and losses are recorded in other (income)/ expense, net in the consolidated statements of earnings/(loss). We monitor our investments for impairment by considering factors such as the operating performance of the investment and current economic and market conditions.

Leases

Our leases are primarily for corporate offices, distribution facilities, vehicles and equipment. We determine if an arrangement is a lease at its inception by evaluating whether the arrangement conveys the right to use an identified asset and whether we obtain substantially all of the economic benefits from and have the ability to direct the use of the asset. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and corresponding operating lease liabilities are recognized in our consolidated balance sheets at lease commencement date based

We apply a practical expedient for short-term leases whereby we do not recognize a lease liability and right-of-use asset for leases with a term of less than 12 months. Short-term lease expense recognized in fiscal 2023, 2022 and 2021 was immaterial.

Our leases have remaining lease terms from less than 1 year up to approximately 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain and there is a significant economic incentive to exercise that option.

See Note 5 for additional information regarding leases.

Vendor Reserves

In the ordinary course of business, our vendors may dispute deductions taken against payments otherwise due to them or assert other disputes. These disputes are researched and resolved based upon the findings of the research performed. At any given time, there are outstanding items in various stages of research and resolution. In determining appropriate reserves for areas of exposure with our vendors, we assess historical experience and current outstanding claims. We have established various levels of reserves based on the type of claim and status of review. Though the claim types are relatively consistent, we periodically update our reserve estimates to reflect actual historical experience. The ultimate outcome of certain claims may be different than our original estimate and may require an adjustment. Adjustments to vendor reserves are included in cost of products sold. In addition, the reserve balance will fluctuate due to variations of outstanding claims from period-to-period, timing of settlements and specific vendor issues. Vendor reserves were $117 million and $105 million at June 30, 2023 and 2022 respectively, excluding third-party returns. See "Third-Party Returns" section within this Note for a description of third-party returns.

Distribution Services Agreement and Other Vendor Fees

Our Pharmaceutical segment recognizes fees received from distribution services agreements and other fees received from vendors related to the purchase or distribution of the vendors' inventory when those fees have been earned and we are entitled to payment. Since the benefit provided to a vendor is related to the

agreement (the "National Opioid Settlement Agreement") to settle the vast majority of the opioid lawsuits filed by states and local governmental entities. This National Opioid Settlement Agreement became effective on April 2, 2022.

We develop and periodically update reserve estimates for all litigation matters, including the Cordis OptEase and TrapEase inferior vena cava ("IVC") claims received to date and expected to be received in the future and related costs. To project future IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, blended average payout influenced by claim severity, historical sales data, implant and injury to report lag patterns and estimated defense costs.

The amount of ultimate loss may differ materially from these estimates. We recognize these estimated loss contingencies, income from favorable resolution of litigation and certain defense costs in litigation (recoveries)/charges in our consolidated statements of earnings/(loss). See Note 7 for additional information regarding loss contingencies and product liability lawsuits.

Self-Insurance

We self-insure for employee healthcare, general liability, certain product liability matters, auto liability, property and workers' compensation. Self-insurance accruals include an estimate for expected settlements or pending claims, defense costs, administrative fees, claim adjustment costs and an estimate for claims incurred but not reported.

Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies and other liabilities is highly subjective and requires judgments about future events. We regularly review contingencies and our self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

Guarantees

In the ordinary course of business, we agree to indemnify certain other parties under acquisition and disposition agreements, customer agreements, intellectual property transactions, where we have agreed to make payments based upon the achievement of certain financial performance measures by the acquired business. Generally, the obligation is capped at an explicit amount. There were no material obligations at June 30, 2023.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. We assess the realizability of deferred tax assets on a quarterly basis and provide a valuation allowance for deferred tax assets when it is more likely than not that at least a portion of the deferred tax assets will not be realized. The realizability of deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction and also considers all available positive and negative evidence.

Deferred taxes for non-U.S. liabilities are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are indefinitely reinvested.

We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination of the technical merits of the position, including resolutions of any related appeals or litigation processes. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement. For tax benefits that do not qualify for recognition, we recognize a liability for unrecognized tax benefits.

See Note 8 for additional information regarding income taxes.

Other Accrued Liabilities

Other accrued liabilities represent various current obligations, including certain accrued operating expenses, accrued rebates and taxes payable.

time, of the number of shares that ultimately will be issued. The compensation expense recognized for share-based awards is net of estimated forfeitures and is recognized ratably over the service period of the awards. All income tax effects of share-based awards are recognized in the consolidated statements of earnings/(loss) as awards vest or are settled. We classify share-based compensation expense in distribution, selling, general and administrative ("SG&A") expenses to correspond with the same line item as the majority of the cash compensation paid to employees. If awards are modified in connection with a restructuring activity, the incremental share-based compensation expense is classified in restructuring and employee severance. See Note 14 for additional information regarding share-based compensation.

Dividends

We paid cash dividends per common share of $1.98, $1.96 and $1.94 in fiscal 2023, 2022 and 2021, respectively.

Revenue Recognition

We recognize revenue in an amount that reflects the consideration to which we expect to be entitled in exchange for the transfer of goods or services to customers.

Revenue in both segments is primarily related to the distribution of pharmaceutical and medical products, which include both manufactured and sourced products, and we recognize at a point in time when title transfers to customers and we have no further obligation to provide services related to such merchandise. Service revenues are recognized over the period that services are provided to the customer. Revenues derived from services are not material for either segment for all periods presented.

We are generally the principal in a transaction, therefore our revenue is primarily recorded on a gross basis. When we are a principal in a transaction, we have determined that we control the ability to direct the use of the product or service prior to transfer to a customer, are primarily responsible for fulfilling the promise to provide the product or service to our customer, have discretion in establishing prices and ultimately control the transfer of the product or services provided to the customer.

a reduction of revenue and cost of products sold for the sales price and cost, respectively. At June 30, 2023 and 2022, the accrual for estimated sales returns and allowances was $474 million and $617 million, respectively, which is reflected in trade receivables, net and inventories, net in the consolidated balance sheets. Sales returns and allowances were $2.2 billion, $2.4 billion and $2.6 billion, for fiscal 2023, 2022 and 2021, respectively, and the net impact on net earnings/(loss) in the consolidated statements of earnings/(loss) was immaterial in fiscal 2023, 2022 and 2021.

Third-Party Returns

We generally do not accept non-merchantable pharmaceutical product returns from our customers, so many of our customers return non-merchantable pharmaceutical products to the manufacturer through third parties. Since our customers generally do not have a direct relationship with manufacturers, our vendors pass the value of such returns to us (usually in the form of an accounts payable deduction). We, in turn, pass the value received to our customer. In certain instances, we pass the estimated value of the return to our customer prior to our receipt of the value from the vendor. Although we believe we have satisfactory protections, we could be subject to claims from customers or vendors if our administration of this overall process was deficient in some respect or our contractual terms with vendors are in conflict with our contractual terms with our customers. We have maintained reserves for some of these situations based on their nature and our historical experience with their resolution.

Shipping and Handling

Shipping and handling costs are primarily included in SG&A expenses in our consolidated statements of earnings/(loss) and include all delivery expenses as well as all costs to prepare the product for shipment to the end customer. Shipping and handling costs were $835 million, $748 million and $634 million, for fiscal 2023, 2022 and 2021, respectively.

Restructuring and Employee Severance

Restructuring activities are programs that are not part of the ongoing operations of our underlying business, such as divestitures,

consideration obligations. Transaction costs are incurred during the initial evaluation of a potential acquisition and primarily relate to costs to analyze, negotiate and consummate the transaction as well as due diligence activities. Integration costs relate to activities required to combine the operations of an acquired enterprise into our operations and, in the case of the significant acquisitions with international operations, to stand-up the systems and processes needed to support an expanded geographic footprint. We record changes in the fair value of contingent consideration obligations relating to acquisitions as income or expense in amortization and other acquisition-related costs. See Note 4 for additional information regarding amortization of acquisition-related intangible assets.

Translation of Foreign Currencies

Financial statements of our subsidiaries outside the United States are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign subsidiaries into U.S. dollars are accumulated in shareholders' equity through accumulated and other comprehensive loss ("AOCI") utilizing period-end exchange rates. Revenues and expenses of these foreign subsidiaries are translated using average exchange rates during the year.

The foreign currency translation gains/(losses) included in AOCI at June 30, 2023 and 2022 are presented in Note 11. Foreign currency transaction gains and losses for the period are included in the consolidated statements of earnings/(loss) in the respective financial statement line item.

Interest Rate, Currency and Commodity Risk

All derivative instruments are recognized at fair value on the consolidated balance sheets and all changes in fair value are recognized in net earnings or shareholders' equity through AOCI, net of tax.

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. Any contract not designated as a hedge, or so

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an asset or the price paid to transfer a liability on the measurement date. It focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are:

Level 1 - Observable prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

See Note 9 for additional information regarding fair value measurements.

Recently Adopted Financial Accounting Standards

There were no accounting standards adopted in fiscal 2023 that had a material impact on our consolidated financial statements.

Recently Issued Financial Accounting Standards Not Yet Adopted

We assess the adoption impacts of recently issued accounting standards by the FASB on our consolidated financial statements as well as material updates to previous assessments, if any, from our fiscal 2022 Form 10-K. There were no accounting standards issued in fiscal 2023 that will have a material impact on our consolidated financial statements.

2. Divestitures

Divestitures

Outcomes

On June 5, 2023, we signed a definitive agreement to contribute our Outcomes™ business to TDS, a portfolio company of

During the three months ended June 30, 2023, we met the criteria for the related assets and liabilities of $138 million and $42 million, respectively, of the Outcomes business to be classified as held for sale. We determined that the sale of the Outcomes business does not meet the criteria to be classified as discontinued operations. The Outcomes business operates within our Pharmaceutical segment.

Cordis

In August 2021, we sold the Cordis business to Hellman & Friedman for proceeds of $923 million, net of cash transferred, and we retained certain working capital accounts and certain liabilities. Cardinal Health retained product liability associated with lawsuits and claims related to IVC filters in the U.S. and Canada, as well as authority for these matters discussed in Note 7. The Cordis business operated within our Medical segment.

During fiscal 2021, we met the criteria for the related assets and liabilities of the Cordis business to be classified as held for sale. We determined that the sale of the Cordis business did not meet the criteria to be classified as discontinued operations. In connection with the divestiture, we recognized a $60 million pre-tax loss in impairments and (gain)/loss on disposal of assets, net in our consolidated statement of earnings/(loss) in fiscal 2021.

3. Restructuring and Employee Severance

The following table summarizes restructuring and employee severance costs:

(in millions)	2023	2022	2021
Employee-related costs	**$ 39**	$ 35	$ 53
Facility exit and other costs	**56**	66	61
Total restructuring and employee severance	**$ 95**	$ 101	$ 114

Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated, duplicate payroll costs and retention bonuses incurred during transition periods. Facility exit and other costs primarily consist of project consulting fees, accelerated depreciation, professional, project management and other service fees to support divestitures, costs associated with vacant facilities and certain other

(in millions)	Employee-Related Costs	Facility Exit and Other Costs	Total
Balance at June 30, 2021	$ 53	$ 26	**$ 79**
Additions	49	10	**59**
Payments and other adjustments	(46)	(26)	**(72)**
Balance at June 30, 2022	56	10	**66**
Additions	35	8	**43**
Payments and other adjustments	(47)	(16)	**(63)**
Balance at June 30, 2023	**$ 44**	**$ 2**	**$ 46**

4. Goodwill and Other Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill by segment and in total:

(in millions)	Pharmaceutical (1)	Medical (2)	Total
Balance at June 30, 2021	$ 2,659	$ 5,330	**$7,989**
Goodwill acquired, net of purchase price adjustments	14	—	**14**
Foreign currency translation adjustments and other	—	(64)	**(64)**
Goodwill impairment	—	(2,084)	**(2,084)**
Balance at June 30, 2022	2,673	3,182	**5,855**
Goodwill acquired, net of purchase price adjustments	—	15	**15**
Foreign currency translation adjustments and other	—	(6)	**(6)**
Goodwill impairment	—	(1,231)	**(1,231)**
Outcomes goodwill reclassified to assets held for			

$154 million, respectively. We also performed interim quantitative goodwill impairment testing at March 31, 2023 and concluded that there was no impairment of goodwill at March 31, 2023 as the estimated fair value of the Medical Unit exceeded its carrying value by approximately 4 percent. The impairment charge recognized in the second quarter was driven by certain reductions in our long-term financial plan assumptions, and the impairment charge recognized in the first quarter was driven by an increase in the discount rate primarily due to an increase in the risk-free interest rate.

Our determinations of the estimated fair value of the Medical Unit at June 30, 2023, March 31, 2023, December 31, 2022 and September 30, 2022 were based on a combination of the income-based approach (using a terminal growth rate of 2 percent), and the market-based approaches. For the income-based approach, we used discount rates of 10 percent, 10 percent, 10.5 percent and 10.5 percent for fourth, third, second and first quarters, respectively. The decrease in the discount rate for the interim testing performed at March 31, 2023 and June 30, 2023 was primarily due to a decrease in the risk-free interest rate. Additionally, we assigned a weighting of 80 percent to the discounted cash flow method, 10 percent to the guideline public company method and 10 percent to the guideline transaction method. Our fair value estimates utilize significant unobservable inputs and thus represent Level 3 fair value measurements.

During fiscal 2022, we performed quantitative goodwill impairment testing for the Medical Unit which resulted in cumulative pre-tax impairment charges $2.1 billion, which were included in impairments and (gain)/loss on disposal of assets, net in our consolidated statements of earnings/(loss).

In connection with the divestiture of the Outcomes business, during fiscal 2023, we allocated and reclassified $24 million of goodwill from the Pharmaceutical operating segment (excluding our Nuclear and Precision Health Solutions division) to the Outcomes disposal group based on the estimated relative fair values of the business to be disposed of and the portion of the reporting unit that was retained.

Other Intangible Assets

The following tables summarize other intangible assets by class at June 30:

	2023			
(in millions)	**Gross Intangible**	**Accumulated Amortization**	**Net Intangible**	**Weighted-Average Remaining Amortization Period (Years)**
Indefinite-life intangibles:				
Trademarks and patents	**$ 11**		**$ 11**	**N/A**
Total indefinite-life intangibles	**11**		**11**	**N/A**
Definite-life intangibles:				
Customer relationships	**3,174**	**2,274**	**900**	**9**
Trademarks, trade names and patents	**546**	**380**	**166**	**8**
Developed technology and other	**1,021**	**626**	**395**	**8**
Total definite-life intangibles	**4,741**	**3,280**	**1,461**	**9**
Total other intangible assets	**$ 4,752**	**$ 3,280**	**$ 1,472**	**N/A**

	2022		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
Trademarks and patents	$ 11		$ 11
Total indefinite-life intangibles	11		11
Definite-life intangibles:			
Customer relationships	3,272	2,165	1,107
Trademarks, trade			

5. Leases

The following table summarizes the components of lease cost:

(in millions)	2023	2022	2021
Operating lease cost	**$ 112**	$ 117	$ 119
Finance lease cost	**31**	23	16
Variable lease cost	**21**	13	24
Total lease cost	**$ 164**	$ 153	$ 159

Variable lease cost primarily includes payments for property taxes, maintenance and insurance.

The following table summarizes supplemental balance sheet and other information related to leases at June 30:

(in millions)	2023	2022
Operating Leases		
Operating lease right-of-use assets	**$ 435**	$ 457
Current portion of operating lease liabilities	**100**	102
Long-term operating lease liabilities	**375**	388
Total operating lease liabilities	**475**	490
Finance Leases		
Finance lease right-of-use assets	**82**	68
Current portion of finance lease liabilities	**27**	23
Long-term finance lease liabilities	**59**	49
Total finance lease liabilities	**$ 86**	$ 72
Weighted-average remaining lease term (years)		
Operating leases	**5.7 years**	6.0 years
Finance leases	**4.1 years**	4.1 years
Weighted-average		

The following table summarizes supplemental cash flow information related to leases:

(in millions)	2023	2022	2021
Cash paid for lease liabilities:			
Operating cash flows paid for operating leases	**$ 119**	$ 123	$ 115
Financing cash flows paid for finance leases	**31**	21	15
Non-cash right-of-use assets obtained in exchange for lease obligations:			
New operating leases	**75**	101	138
New finance leases	**42**	28	45

Future lease payments under non-cancellable leases as of June 30, 2023 were as follows:

(in millions)	Operating Leases	Finance Leases	Total
2024	$ 113	$ 28	**$ 141**
2025	103	24	**127**
2026	86	17	**103**
2027	68	10	**78**
2028	55	6	**61**
Thereafter	97	7	**104**
Total future lease payments	522	92	**614**
Less: imputed interest	47	6	**53**
Total lease liabilities	**$ 475**	**$ 86**	**$ 561**

6. Long-Term Obligations and Other Short-Term Borrowings

The following table summarizes long-term obligations and other short-term borrowings at June 30:

(in millions) (1)	2023	2022
3.2% Notes due 2023	**$ —**	$ 556
3.079% Notes due 2024	**764**	779
3.5% Notes due 2024	**404**	407
3.75% Notes due 2025	**513**	518

Long-Term Debt

All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 7.0% Debentures represent unsecured obligations of Allegiance Corporation (a wholly-owned subsidiary), which Cardinal Health, Inc. has guaranteed. None of these obligations are subject to a sinking fund and the Allegiance obligations are not redeemable prior to maturity. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $29.8 billion and $27.1 billion at June 30, 2023 and 2022, respectively.

During fiscal 2023, we repaid the full principal of $550 million of the 3.2% Notes due 2023 at maturity.

During fiscal 2022, we redeemed all outstanding $572 million principal amount of 2.616% Notes due 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with this redemption, we recorded a $10 million loss on early extinguishment of debt. We also repaid the full principal of the $282 million Floating Rate Notes due 2022 as they became due.

During fiscal 2021, we redeemed all outstanding 3.2% Notes due June 2022 for $238 million and $262 million aggregate principal amount of 2.616% Notes due June 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with these redemptions, we recorded a $13 million loss on early extinguishment of debt. We also early repurchased $40 million of the Floating Rate Notes due 2022 and $2 million of the 2.616% Notes due 2022. In connection with the early debt repurchases, we recorded a $1 million loss on early extinguishment of debt.

The repayments, redemptions and repurchases were paid for with available cash and other short-term borrowings.

If we undergo a change of control, as defined in the notes, and if the notes receive specified ratings below investment grade by each of Standard & Poor's Ratings Services, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells receivables to CHF. CHF is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more than 3.75-to-1. As of June 30, 2023, we were in compliance with this financial covenant.

At June 30, 2023 and 2022, we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of $1 million at both June 30, 2023 and 2022.

During fiscal 2023, we had a daily maximum amount outstanding under our commercial paper and committed receivables programs of $445 million.

We had no amounts outstanding as of June 30, 2023 under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of $31 million at both June 30, 2023 and 2022.

We had no amounts outstanding under the commercial paper program as of June 30, 2023 and 2022.

The $86 million and $74 million balance of other obligations at June 30, 2023 and 2022, respectively, consisted of finance leases and short-term borrowings.

7. Commitments, Contingent Liabilities and Litigation

Commitments

Generic Sourcing Venture with CVS Health Corporation

In July 2014, we established Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health for an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. In August 2021, we amended our agreement to extend the term through June 2029. We are required to make quarterly payments to CVS Health for the term of the arrangement. These payments are included as purchase obligations and other payments in the "Contractual Obligations and Cash Requirements" section of MD&A.

Contingencies

New York Opioid Stewardship Act

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate $100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Under the OSA, each licensed manufacturer and distributor would be required to pay a portion of the assessment based on its share of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year, beginning in 2017. Subsequently, New York passed a new statute that modified the assessment going forward and limited the OSA to two years (2017 and 2018).

We accrue contingencies if it is probable that a liability has been incurred and the amount can be estimated. In the second quarter of fiscal year 2022, we paid the State of New York $20 million, our portion of the assessment for calendar year 2017. At June 30, 2022, we had an accrual of $20 million, which represented our estimate of our portion of the assessment for calendar year 2018. During the fiscal 2023, we recorded $6 million of income to reduce this accrual to the invoiced amount for the calendar year 2018 assessment and we paid $11 million.

Legal Proceedings

We become involved from time to time in disputes, litigation and regulatory matters. complaints or concerns relating to accounting, internal accounting controls, financial reporting, auditing, or other ethical matters or relating to compliance with laws such as healthcare fraud and abuse, anti-corruption or anti-bribery laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. In addition, from time to time, we receive subpoenas or requests for information from various federal or state agencies relating to our business or to the business of a customer, supplier or other industry participants. Internal investigations, subpoenas or requests for information could directly or indirectly lead to the assertion of claims or the commencement of legal proceedings against us or result in sanctions.

We have been named from time to time in qui tam actions initiated by private third parties. In such actions, the private parties purport to act on behalf of federal or state governments, allege that false claims have been submitted for payment by the government and may receive an award if their claims are successful. After a private party has filed a qui tam action, the government must investigate the private party's claim and determine whether to intervene in and take control over the litigation. These actions may remain under seal while the government makes this determination. If the government declines to intervene, the private party may nonetheless continue to pursue the litigation on his or her own purporting to act on behalf of the government.

We accrue for contingencies related to disputes, litigation and regulatory matters if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine whether our accruals and related disclosures are adequate. The amount of ultimate loss may differ from these estimates.

We recognize income from the favorable outcome of litigation when we receive the associated cash or assets.

substance laws, the Racketeer Influenced and Corrupt Organizations Act and various other statutes. Plaintiffs in these lawsuits include state attorneys general, counties and municipalities, as well as private parties, such as unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals.

We have also received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil requests for information, subpoenas and other requests from other DOJ offices. These investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures and distribution of certain controlled substances. We are cooperating with these investigations. We are unable to predict the outcome of any of these investigations.

In total, as of June 30, 2023, we have $5.87 billion accrued for these matters, of which $426 million is included in other accrued liabilities and the remainder is included in deferred income taxes and other liabilities in our consolidated balance sheets.

Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual, whether as a result of settlement discussions, a judicial decision or verdict or otherwise, but we are not able to estimate a range of reasonably possible additional losses for these matters. We continue to strongly dispute the allegations made in these lawsuits and none of these agreements is an admission of liability or wrongdoing. Please see below for additional description of these matters.

States & Political Subdivisions

In February 2022, we along with two other national distributors (collectively, the "Distributors") independently approved a settlement and settlement agreement (the "National Opioid Settlement Agreement") to settle the vast majority of opioid lawsuits and claims brought by states and political provisions until 2027. In addition, the Distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which distributors will fund until 2032. As a result of the National Opioid Settlement Agreement, most lawsuits brought against us by states and other political subdivisions have been dismissed. We continue to engage in resolution discussions with certain nonparticipating political subdivisions, including the Attorney General for the State of Alabama, and we intend to defend ourselves vigorously against all remaining lawsuits.

Other Settlements

West Virginia subdivisions and Native American tribes were not a part of the National Opioid Settlement Agreement and we had separate negotiations with these groups. In July 2022, a judgment in favor of the Distributors was entered in bench trial before a federal judge in West Virginia in a case brought by Cabell County and City of Huntington. In July 2022, the Distributors reached an agreement to settle the opioid-related claims of the majority of the remaining West Virginia subdivisions. Under this agreement, we agreed to pay eligible West Virginia subdivisions up to approximately $124 million over an eleven-year period. This agreement became effective in October 2022 when all participating subdivisions dismissed their cases.

In October 2022, we executed a final settlement agreement with the Native American Tribes, pursuant to which we will pay up to approximately $136 million over five years. In connection with this settlement, the court entered dismissals for the Native American tribes cases.

Private Plaintiffs

The National Opioid Settlement Agreement does not address claims by private parties, which includes unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals alleging personal injury. Private parties had brought approximately 403 lawsuits as of August 8, 2023. Of these, 102 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs. We are engaged in resolution discussions with

Cordis IVC Filter Matters

Product Liability Lawsuits

We have been named as a defendant in approximately 450 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 5,000 plaintiffs that allege personal injuries associated with the use of IVC filter products. These lawsuits sought a variety of remedies, including unspecified monetary damages. The divestiture of the Cordis business did not include product liability related to the IVC filters in the U.S. and Canada, which we retained.

In April 2023, we executed a settlement agreement that, if certain conditions are satisfied, will resolve approximately 4,376 claims for $275 million. This settlement agreement is subject to certain conditions, including certain opt-in thresholds. Between May and September 2023, we will make settlement payments totaling $275 million into a qualified settlement fund, which will be disbursed to the plaintiffs if required conditions are satisfied. Since July 2021, we have also entered into other agreements to settle approximately 2,881 product liability claims. While these settlements will resolve the vast majority of IVC filter product liability claims, they will not resolve all of them, and we intend to continue to vigorously defend ourselves in the remaining lawsuits.

Additionally, in August 2021, the Attorney General for the State of New Mexico filed an action against certain IVC filter manufacturers, including us, alleging claims under New Mexico's Unfair Practices Act, Medicaid Fraud Act and Fraud Against Taxpayers Act. The allegations made are similar to those made in the product liability lawsuits. We intend to vigorously defend ourselves against these claims.

We recognized income of $103 million during fiscal 2023, primarily related to a reduction of the reserve for the estimated settlement and defense costs for these matters due to the execution of the settlements noted above. At June 30, 2023, we had a total of $385 million accrued for losses and legal defense costs, related to the IVC filter product liability lawsuits in our consolidated balance sheets.

Shareholder Securities Litigation

In August 2019, the Louisiana Sheriffs' Pension & Relief Fund filed a purported class time period. In February 2023, we reached an agreement in principle with the plaintiffs to settle this matter for $109 million, subject to final approval by the court. The court granted its preliminary approval in April 2023 and will conduct a final hearing in September 2023. If the settlement is approved, our insurance carriers will pay $109 million to the plaintiffs. In fiscal year 2023, we have received approximately $9 million in insurance recoveries for costs incurred in connection with this matter.

Other Civil Litigation

Generic Pharmaceutical Pricing Antitrust Litigation

In December 2019, pharmaceutical distributors including us were added as defendants in a civil class action lawsuit filed by indirect purchasers of generic drugs, such as hospitals and retail pharmacies. The indirect purchaser case is part of a multidistrict litigation consisting of multiple individual class action matters consolidated in the Eastern District of Pennsylvania. The indirect purchaser plaintiffs allege that pharmaceutical distributors encouraged manufacturers to increase prices, provided anti-competitive pricing information to manufacturers and improperly engaged in customer allocation. In May 2020, the court granted our motion to dismiss. In July 2022, the indirect purchasers filed an amended complaint and in August 2022, we filed a motion to dismiss the intended complaint. We are vigorously defending ourselves in this matter.

Antitrust Litigation Proceeds

We received and recognized income resulting from settlements of lawsuits in which we were a class member or plaintiff of $130 million, $18 million and $112 million during fiscal 2023, 2022 and 2021, respectively.

Shareholder Derivative Litigation

Between June 2019 and January 2020, three purported shareholders filed actions on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances and approving certain payments of executive compensation. In January 2020,

8. Income Taxes

Earnings/(Loss) before Income Taxes and Provision for/(Benefit From) Income Taxes

The following table summarizes earnings/(loss) before income taxes:

(in millions)	2023	2022	2021
U.S. operations	**$ 291**	$(1,000)	$ (47)
Non-U.S. operations	**347**	231	370
Earnings/(loss) before income taxes	**$ 638**	$ (769)	$ 323

The following table summarizes the components of provision for/(benefit from) income taxes:

(in millions)	2023	2022	2021
Current:			
Federal	**$ 254**	$ 34	$ (989)
State and local	**69**	29	92
Non-U.S.	**84**	93	112
Total current	**$ 407**	$ 156	$ (785)
Deferred:			
Federal	**$ (8)**	$ 30	$ 539
State and local	**13**	(22)	(28)
Non-U.S.	**(36)**	(1)	(15)
Total deferred	**$ (31)**	$ 7	$ 496
Provision for/(benefit from) income taxes	**$ 376**	$ 163	$ (289)

Tax Effects of Goodwill Impairment Charges

During fiscal 2023 and 2022, we recognized cumulative pre-tax goodwill impairment charges of $1.2 billion and $2.1 billion, respectively, related to the Medical Unit. The net tax benefits related to these charges were $82 million and $150 million during fiscal 2023 and 2022, respectively.

Tax Effects of Self-Insurance Pre-Tax Loss

During fiscal 2021, our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to fiscal 2018) and the current federal statutory income tax rate of 21 percent.

In fiscal 2021, we filed for a refund of $974 million and in April 2022, we received a payment for $966 million, which was net of certain adjustments. We also increased our non-current deferred tax liability by approximately $700 million during fiscal 2021 related to this matter.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of tax law; however, it is possible that the tax authorities could challenge these tax benefits. The actual amount of the tax benefit may differ materially from these estimates.

Tax Effects of Opioid Litigation Charges

In connection with the $1.17 billion pre-tax charge for the opioid litigation recorded during fiscal 2021, the net tax benefit was approximately $228 million. Our tax benefits are estimates, which reflect our current assessment of the estimated future deductibility of the amount that may be paid under the accrual taken in connection with the opioid litigation and are net of unrecognized tax benefits of $219 million.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the U.S. Tax Cuts and Jobs Act ("Tax Act"); however, these estimates require significant judgment since the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible Congress or the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit may differ materially from these estimates.

Effective Tax Rate

The following table presents a reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate:

	2023	2022	2021
Provision at Federal statutory rate	**21.0 %**	21.0 %	21.0 %
State and local income taxes, net of federal benefit	**6.6**	2.2	3.2

(2) Includes the tax impact of Global Intangible Low-Taxed Income ("GILTI") tax, the Foreign-Derived Intangible Income deduction and other foreign income that is taxable under the U.S. tax code.

The income tax rate was 58.9% and (21.2)% in fiscal 2023 and fiscal 2022 compared to an income tax benefit rate of (89.7)% in fiscal 2021. Fluctuations in the effective tax rates are primarily due to the impact of goodwill impairment in fiscal 2023 and 2022, impact of opioid litigation in fiscal 2021, as well as the impact of the carryback claim filed in accordance with the CARES Act provision in fiscal year 2021. Additionally, laws governing insurance coverage vary by state and some state courts have interpreted laws and insurance policies in ways that may impact our self-insurance loss, which could negatively impact our financial position.

Our effective tax rate has benefits from negotiated lower than statutory tax rates in select foreign jurisdictions which individually are not material to our effective tax rate but in aggregate had a favorable tax impact of approximately $27 million during fiscal 2023.

As of June 30, 2023, foreign earnings of approximately $976 million are considered indefinitely reinvested for working capital and other offshore investment needs. The computation of tax required if those earnings are repatriated is not practicable. For amounts not considered indefinitely reinvested, we have recorded an immaterial amount of income tax expense in our consolidated financial statements in fiscal 2023.

Deferred Income Taxes

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities and operating loss and tax credit carryforwards for tax purposes.

The following table presents the components of the deferred income tax assets and liabilities at June 30:

(in millions)	2023	2022
Deferred income tax assets:		
Receivable basis difference	**$ 44**	$ 41
Accrued liabilities	**704**	675
Share-based compensation	**29**	34
Loss and tax credit carryforwards	**671**	778

Deferred income tax assets and liabilities in the preceding table, after netting by taxing jurisdiction and for uncertain tax positions, are in the following captions in the consolidated balance sheets at June 30:

(in millions)	2023	2022
Noncurrent deferred income tax asset (1)	**$ 53**	$ 36
Noncurrent deferred income tax liability (2)	**(2,096)**	(2,030)
Noncurrent deferred income tax liability transferred to held for sale	**(2)**	—
Net deferred income tax liability	**$ (2,045)**	$ (1,994)

(1) Included in other assets in the consolidated balance sheets.

(2) Included in deferred income taxes and other liabilities in the consolidated balance sheets.

At June 30, 2023 we had gross federal, state and international loss and credit carryforwards of $505 million, $3.4 billion and $2.1 billion, respectively, the tax effect of which is an aggregate deferred tax asset of $671 million. Substantially all of these carryforwards are available for at least three years. Approximately $403 million of the valuation allowance at June 30, 2023 applies to certain federal, state and international loss carryforwards that, in our opinion, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance would reduce income tax expense.

Unrecognized Tax Benefits

We had $1.0 billion, $943 million and $932 million of unrecognized tax benefits at June 30, 2023, 2022 and 2021, respectively. The June 30, 2023, 2022 and 2021 balances include $873 million, $858 million and $849 million, respectively, of unrecognized tax benefits that, if recognized, would have an impact on the effective tax rate. The remaining unrecognized tax benefits relate to tax positions for which ultimate deductibility is highly certain but for which there is uncertainty as to the timing of such deductibility. Recognition of these tax benefits would not affect our effective tax rate. We include the full amount of

reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is between zero and a net decrease of up to $50 million, exclusive of penalties and interest.

We recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. At June 30, 2023, 2022 and 2021, we had $65 million, $48 million and $49 million, respectively, accrued for the payment of interest and penalties. These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the consolidated balance sheets. As a result of our IRS audit settlements and carryback claim, an immaterial amount of interest was recorded in fiscal 2023, 2022 and 2021.

Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly based on available information. This information may support either an increase or a decrease in the required valuation allowance. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described above. We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), a subsidiary of Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was $82 million and $75 million at June 30, 2023 and 2022, respectively, and is included

	2022			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$2,425	$ —	$ —	$2,425
Other investments (1)	97	—	—	97
Forward contracts (2)	—	15	—	15

(1) The other investments balance includes investments in mutual funds, which offset fluctuations in deferred compensation liabilities. These mutual funds invest in the equity securities of companies with both large and small market capitalization and high-quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.

(2) The fair value of interest rate swaps, foreign currency contracts and net investment hedges is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in prepaid expenses and other, other assets, other accrued liabilities and deferred income taxes and other liabilities within the consolidated balance sheets.

10. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk but are not designated as hedging instruments. These derivative instruments are adjusted to current fair value through earnings at the end of each period. We are exposed to counterparty credit risk on all of our derivative instruments. Accordingly, we have established and maintain strict counterparty credit guidelines and only enter into

Accordingly, we enter into various contracts that change in value as foreign exchange rates change to protect the value of existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenue and expenses.

Commodity Price Risk Management

We are exposed to changes in the price of certain commodities. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts when possible to manage the price risk associated with certain forecasted purchases.

The following table summarizes the fair value of our assets and liabilities related to derivatives designated as hedging instruments and the respective line items in which they were recorded in the consolidated balance sheets at June 30:

(in millions)	**2023**	2022
Assets:		
Cross-currency swap (1)	**$ —**	$ 25
Cross-currency swap (2)	**23**	29
Foreign currency contracts (2)	**5**	7
Total assets	**$ 28**	$ 61
Liabilities:		
Cross-currency swap (3)	**$ 4**	**$ —**
Foreign currency contracts (3)	**4**	3
Pay-floating interest rate swaps (3)	**93**	43
Total liabilities	**$ 101**	$ 46

(1) Included in other assets in the consolidated balance sheets.

(2) Included in prepaid expenses and other in the consolidated balance sheets.

(3) Included in other accrued liabilities in the consolidated balance sheets.

Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative with the unwind of these contracts, we received cash proceeds of $18 million. The related gain was recognized in interest expense, net in our consolidated statements of earnings/(loss) over the remaining term of the debt agreement, which matured in March 2023.

The following tables summarize the outstanding interest rate swaps designated as fair value hedges at June 30:

	2023	
(in millions)	**Notional Amount**	**Maturity Date**
Pay-floating interest rate swaps	**$ 1,100**	**Jun 2027 - Sep 2030**

	2022	
(in millions)	Notional Amount	Maturity Date
Pay-floating interest rate swaps	$ 800	Jun 2027 - May 2029

The following table summarizes the gain/(loss) recognized in earnings for interest rate swaps designated as fair value hedges:

(in millions)	**2023**	2022	2021
Pay-floating interest rate swaps (1)	**$ (50)**	$ (44)	$ (8)
Fixed-rate debt (1)	**50**	44	8

(1) Included in interest expense, net in the consolidated statements of earnings/(loss).

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive loss and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

During fiscal 2021, we terminated forward interest rate swaps with a total notional amount of $200 million that were entered into in fiscal 2020 because the forecasted transactions were probable of not occurring. As a result, we reclassified an immaterial

The following tables summarize the outstanding cash flow hedges at June 30:

	2023		
(in millions)	Notional Amount	Maturity Date	
Foreign currency contracts	$ 376	Jul 2023	- Jun 2024

	2022		
(in millions)	Notional Amount	Maturity Date	
Foreign currency contracts	$ 327	Jul 2022	- Jun 2023

The following table summarizes the pre-tax gain/(loss) included in OCI for derivative instruments designated as cash flow hedges:

(in millions)	2023	2022	2021
Forward interest rate swaps	$ —	$ —	$ 16
Commodity contracts	—	—	1
Foreign currency contracts	(2)	3	5

The following table summarizes the pre-tax gain/(loss) reclassified from AOCI into earnings for derivative instruments designated as cash flow hedges:

(in millions)	2023	2022	2021
Foreign currency contracts (1)	$ 9	$ 5	$ (12)
Foreign currency contracts (2)	2	1	(2)
Foreign currency contracts (3)	1	—	4
Forward interest rate swaps (4)	2	2	2
Commodity contracts (3)	—	—	6

(1) Included in revenue in the consolidated statements of earnings/(loss).

(2) Included in cost of products sold in the consolidated statements of earnings/(loss).

(3) Included in SG&A expenses in the consolidated statements of earnings/(loss).

(4) Included in interest expense, net in the consolidated statements of earnings/(loss).

Net Investment Hedges

We hedge the foreign currency risk associated with certain net investment

During fiscal 2022, we terminated the ¥64 billion ($600 million) cross-currency swap entered into in August 2019 and received a net settlement in cash of $71 million recorded in proceeds from net investment hedge terminations in our consolidated statements of cash flows.

Cross-currency swaps designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive loss until the sale or substantial liquidation of the underlying net investments. To the extent the cross-currency swaps designated as net investment hedges are not highly effective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

Pre-tax gains and losses from net investment hedges recorded in the foreign currency translation component of accumulated other comprehensive loss were a $6 million loss and a $86 million gain during fiscal 2023 and 2022, respectively. Gains recognized in interest expense, net in the consolidated statements of earnings/(loss) for the portion of the net investment hedges excluded from the assessment of hedge effectiveness were $16 million and $21 million during fiscal 2023 and 2022, respectively.

Economic (Non-Designated) Hedges

We enter into foreign currency contracts to manage our foreign exchange exposure related to sales transactions, intercompany financing transactions and other balance sheet items subject to revaluation that do not meet the requirements for hedge accounting treatment. Accordingly, these derivative instruments are adjusted to current market value at the end of each period through earnings. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability. The settlement of the derivative instrument and the remeasurement adjustment on the foreign currency denominated asset or liability are both recorded in other (income)/ expense, net. The principal currencies managed through foreign currency contracts

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable and other accrued liabilities at June 30, 2023 and 2022 approximate fair value due to their short-term maturities.

The following table summarizes the estimated fair value of our long-term obligations and other short-term borrowings compared to the respective carrying amounts at June 30:

(in millions)	**2023**	2022
Estimated fair value	**$ 4,417**	$ 5,049
Carrying amount	**4,701**	5,315

The fair value of our long-term obligations and other short-term borrowings is estimated based on either the quoted market prices for the same or similar issues or other inputs derived from available market information, which represents a Level 2 measurement.

The following table is a summary of the fair value gain/(loss) of our derivative instruments based upon the estimated amount that we would receive (or pay), considering counter-party credit risk, to terminate the contracts at June 30:

	2023		2022	
(in millions)	**Notional Amount**	**Fair Value Gain/ (Loss)**	Notional Amount	Fair Value Gain/ (Loss)
Pay-floating interest rate swaps	**$ 1,100**	**$ (93)**	$ 800	$ (43)
Foreign currency contracts	**513**	**1**	592	4
Cross-currency swap	**514**	**19**	633	54

11. Shareholders' Equity/(Deficit)

At June 30, 2023 and 2022, authorized capital shares consisted of the following: 750 million Class A common shares, without par value; 5 million Class B common shares, without par value; and 500 thousand non-

During fiscal 2023, we repurchased 24.6 million common shares having an aggregate cost of $1.9 billion. We repurchased 13.6 million, 3.2 million, 3.2 million and 4.6 million common shares under multiple accelerated share repurchase ("ASR") programs with average prices paid per common share of $73.36, $77.50, $77.27 and $87.18, respectively. These repurchases began on September 14, 2022 and we expect the most recent program to conclude in August 2023.

During fiscal 2022, we repurchased 19.5 million common shares having an aggregate cost of $1.0 billion. We repurchased 9.8 million, 6.1 million and 3.6 million common shares under multiple ASR programs with average prices paid per common share of $51.10, $49.39 and $56.02, respectively. These repurchases began on August 18, 2021 and concluded on April 18, 2022.

During fiscal 2021, we repurchased 3.7 million common shares having an aggregate cost of $200 million. The average price paid per common share was $54.40. These repurchases were made under an ASR program, which began on February 9, 2021 and was completed on March 31, 2021.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in the balance of accumulated other comprehensive loss by component and in total:

(in millions)	Foreign Currency Translation Adjustments and Other	Unrealized Gain/(Loss) on Derivatives, net of tax	**Accumulated Other Comprehensive Loss**
Balance at June 30, 2021	$ (46)	$ 12	**$ (34)**
Other comprehensive loss, before reclassifications	(56)	(16)	**(72)**
Amounts reclassified to earnings	—	(8)	**(8)**
Total other comprehensive loss attributable to Cardinal Health, Inc.,			

12. Earnings/(Loss) Per Share Attributable to Cardinal Health, Inc.

The following table reconciles the computation of basic and diluted earnings per share attributable to Cardinal Health, Inc.:

(in millions, except per share amounts)	2023	2022	2021
Net earnings/(loss)	**$ 262**	$ (932)	$ 612
Net earnings attributable to noncontrolling interest	**(1)**	(1)	(1)
Net earnings/(loss) attributable to Cardinal Health, Inc.	**$ 261**	$ (933)	$ 611
Weighted-average common shares–basic	**261**	279	292
Effect of dilutive securities:			
Employee stock options, restricted share units and performance share units	**1**	—	2
Weighted-average common shares–diluted	**262**	279	294
Basic earnings/(loss) per common share attributable to Cardinal Health, Inc.:	**$1.00**	$(3.35)	$ 2.09
Diluted earnings/(loss) per common share attributable to Cardinal Health, Inc.:	**1.00**	(3.35)	2.08

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive for fiscal 2023, 2022 and 2021 were 2 million, 5 million and 3 million, respectively. During fiscal 2022, there were 1 million potentially dilutive employee stock options, restricted share units and performance share units, not included in the computation of diluted loss per common share attributable to Cardinal Health, Inc. because their effect would be anti-dilutive as a result of the net loss for the fiscal year.

13. Segment Information

Our operations are principally managed on a products and services basis and are comprised of two operating segments, which

other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

The following table presents revenue for each reportable segment and Corporate:

(in millions)	2023	2022	2021
Pharmaceutical	**$190,009**	$165,491	$145,796
Medical	**15,014**	15,887	16,687
Total segment revenue	**205,023**	181,378	162,483
Corporate (1)	**(11)**	(14)	(16)
Total revenue	**$205,012**	$181,364	$162,467

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following table presents revenue for each reportable segment and disaggregated revenue within our two reportable segments and Corporate:

(in millions)	2023	2022	2021
Pharmaceutical and Specialty Pharmaceutical Distribution and Services (1)	**$188,812**	$164,580	$144,988
Nuclear and Precision Health Solutions (2)	**1,197**	911	808
Pharmaceutical segment revenue	**190,009**	165,491	145,796
Medical Products and Distribution (3)	**12,374**	13,462	14,485
Cardinal Health at-Home Solutions	**2,640**	2,425	2,202
Medical segment revenue	**15,014**	15,887	16,687
Total segment revenue	**205,023**	181,378	162,483
Corporate (4)	**(11)**	(14)	(16)

(1) Comprised of all Pharmaceutical segment businesses except for Nuclear and Precision Health Solutions division.

(2) Increase from prior year relates to new product launches and changes in revenue presentation from agent to principal for certain customer contracts.

(3) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division.

(4) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following table presents revenue by geographic area:

(in millions)	**2023**	2022	2021
United States	**$200,384**	$176,855	$157,756
International	**4,639**	4,523	4,727
Total segment revenue	**205,023**	181,378	162,483
Corporate (1)	**(11)**	(14)	(16)
Total revenue	**$205,012**	$181,364	$162,467

(1) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

Segment Profit

We evaluate segment performance based on segment profit, among other measures. Segment profit is segment revenue, less segment cost of products sold, less segment distribution, selling, general and administrative ("SG&A") expenses. Segment SG&A expenses include share-based compensation expense as well as allocated corporate expenses for shared functions, including corporate management, corporate finance, financial and customer care shared services, human resources, information technology, legal and compliance, including certain litigation defense costs. Corporate expenses are allocated to the segments based on headcount, level of benefit provided and other ratable allocation methodologies. The results attributable to noncontrolling interests are recorded within segment profit.

We do not allocate the following items to our segments:

- last-in first-out, or ("LIFO"), inventory charges/(credits);
- surgical gown recall costs/(income);
- other (income)/expense, net;
- interest expense, net;
- loss on early extinguishment of debt;
- (gain)/loss on sale of equity interest in naviHealth;
- provision for/(benefit from) income taxes

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $35 million, $50 million and $27 million for fiscal 2023, 2022 and 2021, respectively.

The following table presents segment profit by reportable segment and Corporate:

(in millions)	**2023**	2022	2021
Pharmaceutical	**$ 1,999**	$ 1,770	$ 1,684
Medical	**111**	216	577
Total segment profit	**2,110**	1,986	2,261
Corporate	**(1,383)**	(2,582)	(1,789)
Total operating earnings/(loss)	**$ 727**	$ (596)	$ 472

The following tables present depreciation and amortization and additions to property and equipment by reportable segment and Corporate:

(in millions)	**2023**	2022	2021
Pharmaceutical	**$ 225**	$ 193	$ 151
Medical	**213**	216	226
Corporate	**254**	283	406
Total depreciation and amortization	**$ 692**	$ 692	$ 783

(in millions)	**2023**	2022	2021
Pharmaceutical	**$ 90**	$ 79	$ 55
Medical	**209**	140	97
Corporate	**182**	168	248
Total additions to property and			

The following table presents total assets for each reportable segment and Corporate at June 30:

(in millions)	2023	2022	2021
Pharmaceutical	**$ 28,077**	$ 26,409	$23,624
Medical (1) (2)	**10,130**	11,632	15,408
Corporate	**5,210**	5,837	5,421
Total assets	**$ 43,417**	$ 43,878	$44,453

(1) Assets of $1.1 billion related to the Cordis business were included within Medical at June 30, 2021. We sold the Cordis business during fiscal 2022.

(2) Medical reflects $1.2 billion and $2.1 billion cumulative pre-tax goodwill impairment charges recorded in connection with the goodwill impairment testing for the Medical Unit during fiscal 2023 and 2022, respectively.

The following table presents property and equipment, net by geographic area:

(in millions)	2023	2022	2021
United States	**$ 2,026**	$ 1,976	$ 1,958
International	**436**	385	402
Property and equipment, net	**$ 2,462**	$ 2,361	$ 2,360

14. Share-Based Compensation

We maintain stock incentive plans (collectively, the "Plans") for the benefit of certain of our officers, directors and employees. At June 30, 2023, 21 million shares remain available for future grants under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan ("2021 LTIP"). Under the 2021 LTIP's fungible share counting provisions, stock options are counted against the plan as one share for every share issued; awards other than stock options are counted against the plan as two and one-half shares for every share issued. This means that only 8 million shares could be issued under awards other than stock options while 21 million shares could be issued under stock options. Shares are issued out of treasury shares when stock options are exercised and when restricted share units and performance share units vest. Until the end of fiscal 2018, stock options were granted to our officers and certain employees. There were no stock

accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table summarizes all transactions related to restricted share units under the Plans:

(in millions, except per share amounts)	Restricted Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2021	3.0	$ 49.05
Granted	1.7	51.83
Vested	(1.5)	49.60
Canceled and forfeited	(0.5)	50.58
Nonvested at June 30, 2022	2.7	46.03
Granted	1.3	70.33
Vested	(1.4)	50.11
Canceled and forfeited	(0.4)	58.46
Nonvested at June 30, 2023	**2.2**	**$ 57.37**

The following table provides additional data related to restricted share unit activity:

(in millions)	2023	2022	2021
Total compensation cost, net of estimated forfeitures, related to nonvested restricted share and share unit awards not yet recognized, pre-tax	**$ 73**	$ 73	$ 73
Weighted-average period in years over which restricted share and share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 58**	$ 74	$ 70

Performance Share Units

Performance share units generally vest over a three-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 234 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

The following table provides additional data related to performance share unit activity:

(in millions)	2023	2022	2021
Total compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized, pre-tax	**$ 38**	$ 17	$ 26
Weighted-average period over which performance share unit cost is expected to be recognized (in years)	**2**	2	2
Total fair value of shares vested during the year	**$ 23**	$ 14	$ 1

Employee Retirement Savings Plans

Substantially all of our domestic non-union employees are eligible to be enrolled in our company-sponsored contributory retirement savings plans, which include features under Section 401(k) of the Internal Revenue Code of 1986 and provide for matching and discretionary contributions by us. The total expense for our employee retirement savings plans was $66 million, $60 million and $55 million for fiscal 2023, 2022 and 2021, respectively.

Cardinal Health, Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Charged to Other Accounts (2)	Deductions (3)	Balance at End of Period
Fiscal 2023					
Accounts receivable	**$ 273**	**$ 197**	**$ —**	**$ (171)**	**$ 299**
Finance notes receivable	**8**	**—**	**—**	**(2)**	**6**
Sales returns and allowances	**617**	**2,217**	**—**	**(2,360)**	**474**
	$ 898	**$ 2,414**	**$ —**	**$ (2,533)**	**$ 779**
Fiscal 2022					
Accounts receivable	$ 243	$ 154	$ 1	$ (125)	$ 273
Finance notes receivable	12	1	—	(5)	8
Sales returns and allowances	689	2,359	—	(2,431)	617
	$ 944	$ 2,514	$ 1	$ (2,561)	$ 898
Fiscal 2021					
Accounts receivable	$ 207	$ 129	$ 1	$ (94)	$ 243
Finance notes receivable	27	5	—	(20)	12
Sales returns and allowances	495	2,568	—	(2,374)	689
	$ 729	$ 2,702	$ 1	$ (2,488)	$ 944

(1) Fiscal 2023, 2022 and 2021 include $98 million, $87 million and $70 million, respectively, for reserves related to service charges and customer pricing disputes, excluded from provision for bad debts on the consolidated statements of cash flows and classified as a reduction in revenue in the consolidated statements of earnings/(loss).

(2) Recoveries of amounts provided for or written off in prior years was $1 million in each fiscal year 2023, 2022 and 2021.

(3) Write-off of uncollectible accounts or actual sales returns.

The sum of the components may not equal the total due to rounding.

Directors, Executive Officers and Corporate Governance

Information About Our Executive Officers

The following is a list of our executive officers:

Name	Age	Position
Jason M. Hollar	50	Chief Executive Officer
Aaron E. Alt	51	Chief Financial Officer
Deborah L. Weitzman	58	Chief Executive Officer, Pharmaceutical segment
Stephen M. Mason	52	Chief Executive Officer, Medical segment
Ola M. Snow	56	Chief Human Resources Officer
Jessica L. Mayer	54	Chief Legal and Compliance Officer
Michelle D. Greene	53	Executive Vice President, Chief Information Officer and Customer Support Services

The business experience summaries provided below for our executive officers describe positions held during the last five years (unless otherwise indicated).

Mr. Hollar has served as Chief Executive Officer since September 2022. From May 2020 through August 2022, Mr. Hollar served as Chief Financial Officer. Prior to that, Mr. Hollar served as the Executive Vice President and Chief Financial Officer of Tenneco Inc. ("Tenneco") from July 2018. From June 2017 to June 2018, Mr. Hollar was Senior Vice President Finance at Tenneco. Prior to that, Mr. Hollar served as Chief Financial Officer of Sears Holding Corporation ("Sears") from October 2016 to April 2017. Sears filed for Chapter 11 bankruptcy in October 2018.

Mr. Alt has served as Chief Financial Officer since February 2023. Prior to that, Mr. Alt served as Executive Vice President and Chief Financial Officer of Sysco Corporation from December 2020. From October 2018 to November 2020, Mr. Alt served as Senior Vice President and Chief Financial Officer of Sally Beauty Holdings, Inc. and President of Sally Beauty Supply. Prior to that, Mr. Alt was Sally Beauty Holdings' Senior Vice President, Chief Financial Officer and Chief Administrative Officer from May 2018 to October 2018.

Ms. Weitzman has served as Chief Executive Officer, Pharmaceutical segment since September 2022. From July 2017 until September 2022, Ms. Weitzman served as the President of our Pharmaceutical Distribution division.

Mr. Mason has served as Chief Executive Officer, Medical segment since August 2019. From September 2016 through August 2019, Mr. Mason served as President of Cardinal Health at-Home Solutions within our Medical segment.

Ms. Snow has served as Chief Human Resources Officer since October 2018. From January 2016 through September 2018, Ms. Snow served as our Senior Vice President, Human Resources, Total Rewards, Talent Acquisition and Corporate Business Partner.

Ms. Mayer has served as Chief Legal and Compliance Officer since March 2019. Ms. Mayer served as Executive Vice President, Deputy General Counsel and Secretary from September 2017 through March 2019.

Ms. Greene has served as Executive Vice President, Chief Information Officer and Customer Support Services since August 2022. From February 2021 until August 2022, Ms. Greene served as the Senior Vice President of Pharmaceutical segment Information Technology. Prior to joining Cardinal Health, Ms. Greene served as Vice President, Information Technology, at Masco Corporation from March 2018 through February 2021.

Directors and Corporate Governance

We have adopted Standards of Business Conduct that apply to all of our directors, officers and employees. The Standards of Business Conduct outline our corporate values and standards of integrity and behavior and are designed to protect and promote our reputation. The full text of the Standards of Business Conduct is posted on our website at www.cardinalhealth.com under “About Us — Ethics and Compliance.”

Any waiver of the Standards of Business Conduct for directors or executive officers must be approved by the Risk Oversight Committee. As required under SEC and New York Stock Exchange rules, we will disclose future amendments to our Standards of Business Conduct and waivers from the Standards of Business Conduct for our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions, and our other executive officers and directors on our website within four business days following the date of the amendment or waiver.

Directors, Executive Officers, and Corporate Governance

The other information called for by Item 10 of Form 10-K is incorporated by reference to our Definitive Proxy Statement (which will be filed with the SEC pursuant to Regulation 14A under the Exchange Act) relating to our 2023 Annual Meeting of Shareholders (our "2023 Proxy Statement") under the captions "Corporate Governance" and "Share Ownership Information."

The other information called for by Item 12 of Form 10-K is incorporated by reference to our 2023 Proxy Statement under the caption "Share Ownership Information."

Exhibits, Financial Statement Schedules

(a)(1) The following financial statements are included in the "Financial Statements" section of this report:

(a)(2) The following Supplemental Schedule is included in this report:

All other schedules not listed above have been omitted as not applicable or because the required information is included in the Consolidated Financial Statements or in the Notes thereto.

Exhibit Number	Exhibit Description
2.1.1	Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.1 to Cardinal Health's Current Report on Form 8-K filed on April 18, 2017, File No. 1-11373)
2.1.2	Amendment No. 1, dated as of July 28, 2017, to Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.2.2 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2017, File No. 1-11373)
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.1 to Cardinal Health's Current Report on Form 8-K filed on May 11, 2023, File No. 1-11373)
4.1	Specimen Certificate for Common Shares of Cardinal Health, Inc. (incorporated by reference to Exhibit 4.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, File No. 1-11373)
4.2.1	Indenture, dated as of June 2, 2008, between Cardinal Health, Inc. and The Bank of New York Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Cardinal Health's Current Report on Form 8-K filed on June 2, 2008, File No. 1-11373)
4.2.2	Form of 3.200% Notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on May 21, 2012, File No. 1-11373)
4.2.3	Form of 3.200% Notes due 2023 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.4	Form of 4.600% Notes due 2043 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on February 22, 2013, File No. 1-11373)
4.2.5	Form of 3.500% Notes due 2024 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.6	Form of 4.500% Notes due 2044 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on November 19, 2014, File No. 1-11373)
4.2.7	Form of 3.750% Notes due 2025 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.8	Form of 4.900% Notes due 2045 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 23, 2015, File No. 1-11373)
4.2.11	Form of 2.616% notes due 2022 (incorporated by reference to Exhibit 4.2 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.12	Form of Floating rate notes due 2022 (incorporated by reference to Exhibit 4.3 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.13	Form of 3.079% notes due 2024 (incorporated by reference to Exhibit 4.4 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.2.14	Form of 3.410% notes due 2027 (incorporated by reference to Exhibit 4.5 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)

Exhibits

4.2.15	Form of 4.368% notes due 2047 (incorporated by reference to Exhibit 4.6 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373)
4.3	Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of Cardinal Health, Inc. and consolidated subsidiaries (incorporated by reference to Exhibit 4.07 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, File No. 1-11373)
4.4	Description of Securities (incorporated by reference to Exhibit 4.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373)
10.1.1	Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373)*
10.1.2	Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.2 to Cardinal Health's Quarterly Report on Form 10-Q filed on February 3, 2022, File No. 1-11373)*
10.1.3	Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3.2 to Cardinal Health's Quarterly Report on Form 10-Q filed on February 3, 2022, File No. 1-11373)*
10.1.4	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4.2 to Cardinal Health's Quarterly Report on Form 10-Q filed on February 3, 2022, File No. 1-11373)*
10.1.5	Form of Directors' Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373)
10.1.6	Cardinal Health, Inc. Management Incentive Plan (incorporated by reference to Exhibit 10.6 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373)*
10.2.1	Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.2.2	First Amendment to Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014)*
10.2.3	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373)*
10.2.4	Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373)*
10.2.5	Form of Amendment to Stock Option and Restricted Share Units Agreements under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan, the Cardinal Health, Inc. 2005 Long-Term Incentive Plan and the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan (incorporated by reference to Exhibit 10.1.9 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373)*
10.3.1	Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 7, 2016, File No. 1-11373)*
10.3.2	First Amendment to Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*
10.3.3	Second Amendment to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 3019, File No. 1-11373)*
10.3.4	Form of Nonqualified Stock Option Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373)*

10.6.2	First Amendment to the Cardinal Health, Inc. Senior Executive Severance Plan (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, File No. 1-11373)
10.6.3	Second Amendment to the Cardinal Health, Inc. Senior Executive Severance Plan
10.7	Cardinal Health, Inc. Policy Regarding Shareholder Approval of Severance Agreements (incorporated by reference to Exhibit 10.09 to Cardinal Health’s Current Report on Form 8-K filed on August 7, 2006, File No. 1-11373)*
10.8.1	Confidentiality and Business Protection Agreement, effective as of February 15, 2010, between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.15 to Cardinal Health’s Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373)*
10.8.2	Confidentiality and Business Protection Agreement, between Cardinal Health, Inc. and Aaron E. Alt (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on December 19, 2022, File No. 1-11373)*
10.8.2	Aircraft Time Sharing Agreement, effective as of February 8, 2018, by and between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.2 to Cardinal Health’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11373)
10.8.3	Aircraft Time Sharing Agreement, effective as of January 1, 2022, by and between Cardinal Health, Inc. and Michael C. Kaufmann (incorporated by reference to Exhibit 10.7 to Cardinal Health’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, File No. 1-11373)*
10.8.4	Aircraft Time Sharing Agreement, dated as of November 7, 2022, by and among Cardinal Health, Inc. and Jason M. Hollar (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the for the quarter ended December 31, 2022)*
10.9.1	Confidentiality and Business Protection Agreement, effective as of November 1, 2018, between Cardinal Health, Inc. and Victor L. Crawford (incorporated by reference to Exhibit 10.13.1 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373)*
10.9.2	Letter Agreement, dated October 30, 2018, between Cardinal Health, Inc. and Victor L. Crawford (incorporated by reference to Exhibit 10.13.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373) *
10.9.3	Letter Agreement, dated March 9, 2020, between Cardinal Health, Inc. and Jason Hollar (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on March 19, 2020, File No. 1-11373)*
10.9.4	Letter Agreement, dated December 12, 2022, between Cardinal Health, Inc. and Aaron E. Alt (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on December 19, 2022, File No. 1-11373)*
10.9.5	Confidentiality and Business Protection Agreement, effective as of April 27, 2020, between Cardinal Health, Inc. and Jason Hollar (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on March 19, 2020, File No. 1-11373)*
10.10	Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual directors (incorporated by reference to Exhibit 10.38 to Cardinal Health’s Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373)
10.11.1	Issuing and Paying Agency Agreement, dated August 9, 2006, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health’s Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)
10.11.2	First Amendment to Issuing and Paying Agency Agreement, dated February 28, 2007, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.01 to Cardinal Health’s Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)
10.11.3	Second Amendment to Issuing and Paying Agency Agreement, effective as of December 1, 2016, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)
10.11.4	Third Amendment to Issuing and Paying Agency Agreement, dated September 15, 2017, between Cardinal Health, Inc. and The Bank of New York (incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)

10.11.17 Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373)

10.11.18 First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.05 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373)

10.11.19 Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Goldman, Sachs & Co. (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)

10.11.20 Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Goldman Sachs & Co., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)

10.11.21 Form of Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on April 21, 2009, File No. 1-11373)

10.11.22 Form of First Amendment to Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc. (incorporated by reference to Exhibit 10.8 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373)

10.11.23 Commercial Paper Dealer Agreement between Cardinal Health, Inc. and SunTrust Robinson Humphrey, Inc., effective as of December 1, 2016 (incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373)

10.12.1 Second Amended and Restated Five-Year Credit Agreement, dated as of June 27, 2019, among JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, MUFG Bank, Ltd. as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank AG New York Branch, Goldman Sachs Bank USA, HSBC Bank USA, N.A. and Wells Fargo Bank, N.A., as Documentation Agents, and BOFA Securities, Inc., as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 28, 2019, File No. 1-11373)

10.12.2 Third Amended and Restated Five-Year Credit Agreement, dated as of February 27, 2023 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on March 2, 2023, File No. 1-11373)

10.13.1 Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013, among Cardinal Health Funding, LLC, as Seller, Griffin Capital, LLC, as Servicer, the Conduits party thereto, the Financial Institutions Party thereto, the Managing Agents party thereto, and LC Banks party thereto and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Agent (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, File No. 1-11373)

10.13.2 First Amendment and Joinder, dated as of November 3, 2014, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)

10.13.3 Second Amendment, dated as of November 14, 2016, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.4.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)

10.13.4 Third Amendment, dated as of August 30, 2017, to the Fourth Amended and Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 31, 2017, File No. 1-11373)

10.13.5 Fourth Amendment and Joinder, dated September 30, 2019, to the Fourth Amended and Restated Receivables Purchase Agreement (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on October 2, 2019, File No. 1-11373)

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101)

* Management contract or compensatory plan or arrangement.

Form 10-K Cross Reference Index

N/A Not applicable

(a) The information called for by Item 11 of Form 10-K is incorporated by reference to our 2023 Proxy Statement under the captions “Corporate Governance” and “Executive Compensation.”

(b) The information called for by Item 12 of Form 10-K is incorporated by reference to our 2023 Proxy Statement under the captions "Executive Compensation" and "Share Ownership Information."

(c) The information called for by Item 13 of Form 10-K is incorporated by reference to our 2023 Proxy Statement under the caption "Corporate Governance."

(d) The information called for by Item 14 of Form 10-K is incorporated by reference to our 2023 Proxy Statement under the caption “Audit Committee Matters.”

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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 on August 15, 2023.

Cardinal Health, Inc.

By: /s/ JASON M. HOLLAR

JASON M. HOLLAR

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities indicated on August 15, 2023.

Name	Title
/s/ JASON M. HOLLAR **Jason M. Hollar**	Chief Executive Officer and Director (principal executive officer)
/s/ AARON E. ALT **Aaron E. Alt**	Chief Financial Officer (principal financial officer)
/s/ MARY C. SCHERER **Mary C. Scherer**	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ STEVEN K. BARG **Steven K. Barg**	Director
/s/ MICHELLE M. BRENNAN **Michelle M. Brennan**	Director
/s/ SUJATHA CHANDRASEKARAN **Sujatha Chandrasekaran**	Director
/s/ CARRIE S. COX **Carrie S. Cox**	Director
/s/ BRUCE L. DOWNEY **Bruce L. Downey**	Director
/s/ SHERI H. EDISON **Sheri H. Edison**	Director
/s/ DAVID C. EVANS **David C. Evans**	Director
/s/ PATRICIA A. HEMINGWAY HALL **Patricia A. Hemingway Hall**	Director
/s/ AKHIL JOHRI **Akhil Johri**	Director
/s/ GREGORY B. KENNY **Gregory B. Kenny**	Director
/s/ NANCY KILLEFER **Nancy Killefer**	Director
/s/ CHRISTINE A. MUNDKUR **Christine A. Mundkur**	Director