UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 27, 2022

OR

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

For the transition period from _________ To _________

Commission File Number: 0-12906

RICHARDSON ELECTRONICS, LTD.

(Exact name of registrant as specified in its charter)

Delaware	**36-2096643**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

40W267 Keslinger Road, P.O. Box 393
LaFox, Illinois 60147-0393
(Address of principal executive offices)

Registrant's telephone number, including area code: (630) 208-2200

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 stock, $0.05 Par Value	RELL	NASDAQ Global Select Market

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

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller Reporting Company	☒
Emerging Growth Company	☐		

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

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

As of October 4, 2022, there were outstanding 11,847,832 shares of Common Stock, $0.05 par value and 2,053,263 shares of Class B Common Stock, $0.05 par value, which are convertible into Common Stock of the registrant on a share for share basis.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Richardson Electronics, Ltd.
Consolidated Balance Sheets
(in thousands, except per share amounts)

	Unaudited August 27, 2022	Audited May 28, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 30,633	$ 35,495
Accounts receivable, less allowance of $192 and $186, respectively	32,568	29,878
Inventories, net	89,080	80,390
Prepaid expenses and other assets	3,557	2,448
Investments - current	5,000	5,000
Total current assets	**160,838**	**153,211**
Non-current assets:		
Property, plant and equipment, net	17,643	16,961
Intangible assets, net	1,945	2,010
Lease ROU asset	2,788	3,239
Non-current deferred income taxes	4,372	4,398
Total non-current assets	**26,748**	**26,608**
Total assets	**$ 187,586**	**$ 179,819**
Liabilities		
Current liabilities:		
Accounts payable	$ 25,276	$ 23,987
Accrued liabilities	17,979	16,110
Lease liability current	1,076	1,109
Total current liabilities	**44,331**	**41,206**
Non-current liabilities:		
Non-current deferred income tax liabilities	79	85
Lease liability non-current	1,713	1,915
Other non-current liabilities	799	766
Total non-current liabilities	**2,591**	**2,766**
Total liabilities	**46,922**	**43,972**
Stockholders’ Equity		
Common stock, $0.05 par value; issued and outstanding 11,848 shares on August 27, 2022 and 11,649 shares on May 28, 2022	592	582
Class B common stock, convertible, $0.05 par value; issued and outstanding 2,053 shares on August 27, 2022 and 2,053 shares on May 28, 2022	103	103
Preferred stock, $1.00 par value, no shares issued	—	—
Additional paid-in-capital	67,948	66,331
Retained earnings	73,536	68,031
Accumulated other comprehensive (loss) income	(1,515)	800
Total stockholders’ equity	**140,664**	**135,847**
Total liabilities and stockholders’ equity	**$ 187,586**	**$ 179,819**

Richardson Electronics, Ltd.
Unaudited Consolidated Statements of Comprehensive Income
(in thousands, except per share amounts)

	Three Months Ended	
	August 27, 2022	**August 28, 2021**
Net sales	$ 67,557	$ 53,704
Cost of sales	44,530	37,407
Gross profit	**23,027**	**16,297**
Selling, general and administrative expenses	14,248	13,469
Operating income	**8,779**	**2,828**
Other expense:		
Investment/interest income	(25)	(17)
Foreign exchange loss	374	27
Other, net	(2)	16
Total other expense	347	26
Income before income taxes	8,432	2,802
Income tax provision	2,108	167
Net income	**6,324**	**2,635**
Foreign currency translation loss, net of tax	(2,315)	(1,002)
Comprehensive income	**$ 4,009**	**$ 1,633**
Net income per share:		
Common shares - Basic	$ 0.47	$ 0.20
Class B common shares - Basic	0.42	0.18
Common shares - Diluted	0.45	0.20
Class B common shares - Diluted	0.40	0.18
Weighted average number of shares:		
Common shares – Basic	11,715	11,194
Class B common shares – Basic	2,053	2,097
Common shares – Diluted	12,331	11,467
Class B common shares – Diluted	2,053	2,097
Dividends per share:		
Common share	$ 0.060	$ 0.060
Class B common share	0.054	0.054

Richardson Electronics, Ltd.
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended	
	August 27, 2022	**August 28, 2021**
Operating activities:		
Net income	$ 6,324	$ 2,635
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	883	829
Inventory provisions	71	83
Share-based compensation expense	311	219
Deferred income taxes	1	35
Change in assets and liabilities:		
Accounts receivable	(3,496)	(5,008)
Inventories	(10,468)	(4,957)
Prepaid expenses and other assets	(1,199)	(62)
Accounts payable	1,495	607
Accrued liabilities	2,209	480
Other	638	266
Net cash used in operating activities	**(3,231)**	**(4,873)**
Investing activities:		
Capital expenditures	(1,442)	(837)
Net cash used in investing activities	**(1,442)**	**(837)**
Financing activities:		
Proceeds from issuance of common stock	1,385	52
Cash dividends paid	(819)	(786)
Other	(69)	(45)
Net cash provided by (used in) financing activities	**497**	**(779)**
Effect of exchange rate changes on cash and cash equivalents	(686)	(409)
Decrease in cash and cash equivalents	**(4,862)**	**(6,898)**
Cash and cash equivalents at beginning of period	35,495	43,316
Cash and cash equivalents at end of period	**$ 30,633**	**$ 36,418**

Richardson Electronics, Ltd.
Unaudited Consolidated Statement of Stockholders' Equity
(in thousands, except per share amounts)

	Common	Class B Common	Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance May 28, 2022:	**11,649**	**2,053**	**$ 685**	**$ 66,331**	**$ 68,031**	**$ 800**	**$ 135,847**
Comprehensive income:							
Net income	—	—	—	—	6,324	—	6,324
Foreign currency translation	—	—	—	—	—	(2,315)	(2,315)
Share-based compensation:							
Restricted stock	—	—	—	123	—	—	123
Stock options	—	—	—	188	—	—	188
Common stock:							
Options exercised	150	—	8	1,377	—	—	1,385
Restricted stock issuance	49	—	2	(71)	—	—	(69)
Dividends paid to:							
Common ($0.060 per share)	—	—	—	—	(709)	—	(709)
Class B ($0.054 per share)	—	—	—	—	(110)	—	(110)
Balance August 27, 2022	**11,848**	**2,053**	**$ 695**	**$ 67,948**	**$ 73,536**	**$ (1,515)**	**$ 140,664**

	Common	Class B Common	Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance May 29, 2021:	**11,160**	**2,097**	**$ 663**	**$ 62,707**	**$ 53,297**	**$ 4,893**	**$ 121,560**
Comprehensive income:							
Net income	—	—	—	—	2,635	—	2,635
Foreign currency translation	—	—	—	—	—	(1,002)	(1,002)
Share-based compensation:							
Restricted stock	—	—	—	128	—	—	128
Stock options	—	—	—	91	—	—	91
Common stock:							
Options exercised	8	—	—	52	—	—	52
Restricted stock issuance	73	—	4	(4)	—	—	—
Dividends paid to:							
Common ($0.060 per share)	—	—	—	—	(673)	—	(673)
Class B ($0.054 per share)	—	—	—	—	(113)	—	(113)
Balance August 28, 2021	**11,241**	**2,097**	**$ 667**	**$ 62,974**	**$ 55,146**	**$ 3,891**	**$ 122,678**

RICHARDSON ELECTRONICS, LTD.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Richardson Electronics, Ltd. is a leading global manufacturer of engineered solutions, power grid and microwave tubes, and related consumables; power conversion and RF and microwave components; high-value replacement parts, tubes, and service training for diagnostic imaging equipment; and customized display solutions. More than 60% of our products are manufactured in LaFox, Illinois, Marlborough, Massachusetts, or Donaueschingen, Germany, or by one of our manufacturing partners throughout the world. All our partners manufacture to our strict specifications and per our supplier code of conduct. We serve customers in the alternative energy, healthcare, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. The Company's strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. The Company provides solutions and adds value through design-in support, systems integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair through its global infrastructure.

Our products include electron tubes and related components, microwave generators, subsystems used in semiconductor manufacturing and visual technology solutions. These products are used to control, switch or amplify electrical power signals, or are used as display devices in a variety of industrial, commercial, medical and communication applications.

In our first quarter of fiscal year 2023, the Company made certain changes to its reporting structure as we continue to focus on power management applications that support the green energy market globally, and the Company began reporting its financial performance based on four operating and reportable segments. Commencing with the first quarter of fiscal 2023 reported in this Quarterly Report on Form 10-Q, we are reporting the results for our new Green Energy Solutions ("GES") segment. The GES segment has been carved out of our existing Power and Microwave Technologies ("PMT") segment. For comparability purposes, the results for fiscal 2022 were adjusted to reflect the presentation of the new GES segment.

We have four operating and reportable segments, which we define as follows:

Power and Microwave Technologies combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT's strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. PMT's focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

Green Energy Solutions combines our key technology partners and engineered solutions capabilities to design and manufacture key products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. GES's focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

Canvys provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

Healthcare manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thyratrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

We currently have operations in the following major geographic regions: North America, Asia/Pacific, Europe and Latin America.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements.

Our fiscal quarter ends on the Saturday nearest the end of the quarter-ending month. The first quarter of fiscal 2023 and fiscal 2022 both contained 13 weeks.

In the opinion of management, all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results of interim periods have been made. All inter-company transactions and balances have been eliminated. The unaudited consolidated financial statements presented herein include the accounts of our wholly owned subsidiaries. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The results of our operations for the three months ended August 27, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending May 27, 2023.

As described in Note 1, *Description of the Company* and Note 7, *Segment Reporting*, in the first quarter of fiscal year 2023, the Company made certain changes to its reporting structure and the Company began reporting its financial performance based on four operating and reportable segments. The new Green Energy Solutions segment has been carved out of our Power and Microwave Technologies segment. For comparability purposes, the results for fiscal 2022 were adjusted to reflect the presentation of the new GES segment. Refer to Note 7, *Segment Reporting*, for additional information on the changes in operating and reportable segments.

The financial information contained in this report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 28, 2022, which was filed on August 1, 2022.

3. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Inventories, net: Our consolidated inventories were stated at the lower of cost and net realizable value, generally using a weighted-average cost method. Our net inventories include approximately $72.1 million of finished goods, $10.9 million of raw materials and $6.1 million of work-in-progress as of August 27, 2022, as compared to approximately $66.6 million of finished goods, $8.0 million of raw materials and $5.8 million of work-in-progress as of May 28, 2022.

At this time, we do not anticipate any material risks or uncertainties related to possible future inventory write-downs. Provisions for obsolete or slow-moving inventories are recorded based upon regular analysis of stock rotation privileges, obsolescence, the exiting of certain markets and assumptions about future demand and market conditions. If future demand changes in the industry, or market conditions differ from management's estimates, additional provisions may be necessary. Inventory reserves were approximately $6.0 million as of August 27, 2022 and $6.1 million as of May 28, 2022.

Revenue Recognition: Our customers are generally not resellers, but rather businesses that incorporate our products into their processes from which they generate an economic benefit. The goods are also distinct in that each item sold to the customer is clearly identified on both the purchase order and resulting invoice. Each product we sell benefits the customer independently of the other products. Each item on each purchase order from the customer can be used by the customer unrelated to any other products we provide to the customer.

The Company's revenue includes the following streams:

- Manufacturing/assembly
- Distribution
- Services revenue

Manufacturing/assembly typically includes the products that are manufactured or assembled in our manufacturing facility. These products can either be built to the customer's prints/designs or are products that we stock in our warehouse to sell to any customer that places an order. The manufacturing business does not include a separate service bundled with the product sold or sold in addition to the product. Our contracts for customized products generally include termination provisions if a customer cancels its order. However, we recognize revenue at a point in time because the termination provisions normally do not require, upon cancelation, the customer to pay fees that are commensurate with the work performed. Each purchase order explicitly states the goods or service that we promise to transfer to the customer. The promises to the customer are limited only to those goods or service. The performance obligation is our promise to deliver both goods that were produced by the Company and resale of goods that we purchase from our suppliers. Our shipping and handling activities for destination shipments are performed prior to the customer obtaining control. As such, they are not a separate promised service. The Company elects to account for shipping and handling as activities to fulfill the promise to transfer the goods. The goods we provide to our customers are distinct in that our customers benefit from the goods we sell them through use in their own processes.

Distribution typically includes products purchased from our suppliers, stocked in our warehouses and then sold to our customers. The distribution business does not include a separate service bundled with the product sold or sold on top of the product. Revenue is recognized when control of the promised goods is transferred to our customers, which is simultaneous with the title transferring to the customer, in an amount that reflects the transaction price consideration that we expect to receive in exchange for those goods. Control refers to the ability of the customer to direct the use of, and obtain substantially all of, the remaining benefits from the goods. Our transaction price consideration is fixed, unless otherwise disclosed below as variable consideration. Generally, our contracts require our customers to pay for goods after we deliver products to them. Terms are generally on open account, payable net 30 days in North America, and vary throughout Asia/Pacific, Europe and Latin America subject to customary credit checks.

Repair, installation or training activities generate services revenue. The services we provide are relatively short in duration and typically completed in one or two weeks. Therefore, at each reporting date, the amount of unbilled work is insignificant. The services revenue has consistently accounted for less than 5% of the Company's total revenues and is expected to continue at that level.

We record discounts taken based on historical experience. The policy varies by business unit. The Company allows returns with prior written authorization. We estimate returns based on historical experience. The Company maintains a reserve for returns based on historical trends that covers all contracts and revenue streams using the expected value method because we have a large number of contracts with similar characteristics, which is considered variable consideration. The reserve for returns creates a refund liability on our balance sheet as a contra trade accounts receivable as well as an asset in inventory. We value the inventory at cost due to there being minimal or no costs to the Company as we generally require the customer to pay freight and we typically do not have costs associated with activities such as relabeling or repackaging. The reserve is considered immaterial at each balance sheet date. Returns for defective product are typically covered by our suppliers' warranty, thus, returns for defective product are not factored into our reserve.

Principal versus agent guidance was considered for customized products that are provided by our suppliers versus manufactured by the Company. The Company acts as the principal as we are responsible for satisfying the performance obligation. We have primary responsibility for fulfilling the contract, we have inventory risk prior to delivery to our customer, we establish prices, our consideration is not in the form of a commission and we bear the credit risk. The Company recognizes revenue in the gross amount of consideration.

Contracts with customers

A revenue contract exists once a customer purchase order is received, reviewed and accepted. Each accepted purchase order identifies a distinct good or service as the performance obligation. The goods include standard products purchased from a supplier and stocked on our shelves, customized products purchased from a supplier, products that are customized or have value added to them in house prior to shipping to the customer and manufactured products. Prior to accepting a customer purchase order, we review the credit worthiness of the customer. Purchase orders are deemed to meet the collectability criterion once the customer's credit is approved. The Company receives advance payments or deposits from our customers before revenue is recognized resulting in contract liabilities. Contract liabilities are included in accrued liabilities in the consolidated balance sheets.

Contract Liabilities: Contract liabilities and revenue recognized were as follows (*in thousands*):

	May 28, 2022	Additions	Revenue Recognized	August 27, 2022
Contract liabilities (deferred revenue)	$ 4,966	$ 1,109	$ (1,981)	$ 4,094

See Note 7, *Segment Reporting,* for a disaggregation of revenue by reportable segment and geographic region, which represents how our chief operating decision maker reviews information internally to evaluate our financial performance and to make resource allocation and other decisions for the Company.

Loss Contingencies: We accrue a liability for loss contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. If we determine that there is at least a reasonable possibility that a loss may have been incurred, we will include a disclosure describing the contingency.

Intangible Assets: Intangible assets are initially recorded at their fair market values determined by quoted market prices in active markets, if available, or recognized valuation models. Intangible assets that have finite useful lives are amortized over their useful lives either on a straight-line basis or over their projected future cash flows and are tested for impairment when events or changes in circumstances occur that indicate possible impairment. Our intangible assets represent the fair value for trade name, customer relationships, non-compete agreements and technology acquired in connection with the acquisitions. Intangible assets subject to amortization were as follows *(in thousands)*:

	August 27, 2022	May 28, 2022
Gross Amounts:		
Trade Name	$ 659	$ 659
Customer Relationships[1]	3,375	3,393
Non-compete Agreements	177	177
Technology	230	230
Total Gross Amounts	$ 4,441	$ 4,459
Accumulated Amortization:		
Trade Name	$ 659	$ 659
Customer Relationships	1,494	1,453
Non-compete Agreements	177	177
Technology	166	160
Total Accumulated Amortization	$ 2,496	$ 2,449
Net Intangible Assets	$ 1,945	$ 2,010

(1) Change from prior periods reflect impact of foreign currency translation.

The amortization expense associated with the intangible assets subject to amortization for the next five years is presented in the following table *(in thousands)*:

Fiscal Year	Amortization Expense
Remaining 2023	$ 184
2024	231
2025	219
2026	184
2027	173
Thereafter	954
Total amortization	$ 1,945

The weighted average number of years of amortization expense remaining is 11.8 years.

Income Taxes: We recognize deferred tax assets and liabilities based on the differences between financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and determine the need for a valuation allowance based on a number of factors, including both positive and negative evidence. These factors include historical taxable income or loss, projected future taxable income or loss, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. In circumstances where we, or any of our affiliates, have incurred three years of cumulative losses which constitute significant negative evidence, positive evidence of equal or greater significance is needed to overcome the negative evidence before a tax benefit is recognized for deductible temporary differences and loss carryforwards.

Accrued Liabilities: Accrued liabilities consisted of the following (in thousands):

	August 27, 2022	May 28, 2022
Compensation and payroll taxes	$ 5,310	$ 5,519
Accrued severance	678	678
Professional fees	637	470
Deferred revenue	4,094	4,966
Other accrued expenses	7,260	4,477
Accrued Liabilities	$ 17,979	$ 16,110

Warranties: We offer warranties for the limited number of specific products we manufacture.

We estimate the cost to perform under the warranty obligation and recognize this estimated cost at the time of the related product sale. We record expense related to our warranty obligations as cost of sales in our consolidated statements of comprehensive income. Each quarter, we assess actual warranty costs incurred on a product-by-product basis and compare the warranty costs to our estimated warranty obligation. With respect to new products, estimates are based generally on knowledge of the products and warranty experience.

Warranty reserves are established for costs that are expected to be incurred after the sale and delivery of products under warranty. Warranty reserves are included in accrued liabilities on our consolidated balance sheets. The warranty reserves are determined based on known product failures, historical experience and other available evidence. Warranty reserves were approximately $0.7 million as of August 27, 2022 and $0.7 million as of May 28, 2022.

4. LEASE OBLIGATIONS AND OTHER COMMITMENTS

The Company leases real and personal property in the normal course of business under various operating and financing leases. The Company uses operating leases for facility space and automobiles. Most of the leased facility space is for sales and general office use. Automobile leases are used throughout the Company. Financing leases are used for computer servers.

Several leases include renewal clauses which vary in length and may not include specific rent renewal amounts. The Company will revise the value of the right of use assets and associated lease liabilities when the Company determines it is reasonably certain of renewal.

The gross amounts of assets and liabilities related to both operating and financing leases were as follows *(in thousands)*:

Lease Type	**August 27, 2022**	**May 28, 2022**
Operating lease ROU asset	$ 2,788	$ 3,024
Financing lease ROU asset	—	215
Total lease ROU asset	$ 2,788	$ 3,239
Operating lease liability current	$ 1,076	$ 1,109
Operating lease liability non-current	$ 1,713	$ 1,915

The components of lease costs were as follows *(in thousands)*:

		Three Months Ended	
		August 27, 2022	**August 28, 2021**
Consolidated operating lease expense	Operating expenses	$ 455	$ 455
Consolidated financing lease amortization	Operating expenses	—	23
Consolidated financing lease interest	Interest expense	—	2
Consolidated financing lease expense		—	25
Net lease cost		$ 455	$ 480

The approximate future minimum lease payments under operating leases at August 27, 2022 were as follows *(in thousands)*:

Fiscal Year	Operating Leases
Remaining 2023	$ 927
2024	897
2025	631
2026	397
2027	74
Thereafter	15
Total lease payments	2,941
Less imputed interest	153
Net minimum lease payments	$ 2,788

The weighted average remaining lease terms and interest rates of leases held by the Company as of August 27, 2022 were as follows:

Lease Type	Weighted Average Remaining Lease Term in Years	Weighted Average Interest Rate
Operating leases	3.0	4.3%

The cash outflows of the leasing activity of the Company as lessee for the three months ending August 27, 2022 and August 28, 2021 were as follows *(in thousands)*:

		Three Months Ended	
Cash Flow Source	Classification	August 27, 2022	August 28, 2021
Operating cash flows from operating leases	Operating activities	$ 235	$ 1,554
Operating cash flows from financing leases	Operating activities	—	44
Finance cash flows from financing leases	Financing activities	—	45

5. INCOME TAXES

We recorded an income tax provision of $2.1 million and $0.2 million for the first three months of fiscal 2023 and the first three months of fiscal 2022, respectively. The effective income tax rate during the first three months of fiscal 2023 was a tax provision of 25.0% as compared to a tax provision of 5.9% during the first three months of fiscal 2022. The difference in rate during the first three months of fiscal 2023 as compared to the first three months of fiscal 2022 reflects changes in the valuation allowance recorded at year end fiscal 2022, absence of Net Operating Losses ("NOL") for utilization in fiscal 2023, our geographical distribution of income (loss), which is primarily driven by an increase in U.S. earnings for fiscal 2023 and a state income tax provision. The 25.0% effective income tax rate differs from the federal statutory rate of 21% as a result of our geographical distribution of income (loss), which is primarily driven by an increase in U.S. earnings for fiscal 2023, and a state income tax provision.

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2017 are closed for examination under the statute of limitation for U.S. federal, U.S. state and local or non-U.S. tax jurisdictions. We were under examination for fiscal 2015 through fiscal 2018 in Germany. The audit was settled in the fourth quarter of fiscal 2022 and we expect an immaterial amount to be paid in the second quarter of fiscal 2023. Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2019 and the Netherlands beginning in fiscal 2018.

We have historically determined that certain undistributed earnings of our foreign subsidiaries, to the extent of cash available, will be repatriated to the U.S. The deferred tax liability on the outside basis difference is now primarily withholding tax on future dividend distributions. The Company does not have a deferred tax liability recorded on the outside basis difference as of August 27, 2022 but had a deferred tax liability of $0.1 million as of May 28, 2022.

As of August 27, 2022 and as of May 28, 2022, our worldwide liability for uncertain tax positions related to continuing operations was $0.1 million, excluding interest and penalties. We record penalties and interest related to uncertain tax positions in the income tax expense line item within the consolidated statements of comprehensive income.

As of August 27, 2022, we have maintained a full valuation allowance against the foreign tax credit deferred tax asset based on negative evidence relating to the Company's ability to utilize the foreign tax credit carryforward in the future. As of August 27, 2022, a valuation allowance of $3.5 million was recorded, representing the portion of the deferred tax asset that management does not believe is more likely than not to be realized. The valuation allowance as of August 28, 2021 was $11.5 million. The remaining valuation allowance relates to foreign tax credits ($1.8 million), state NOLs ($0.2 million) and deferred tax assets in foreign jurisdictions where historical taxable losses have been incurred ($1.5 million). The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

6. CALCULATION OF EARNINGS PER SHARE

We have authorized 17,000,000 shares of common stock and 3,000,000 shares of Class B common stock. The Class B common stock has 10 votes per share and has transferability restrictions; however, Class B common stock may be converted into common stock on a share-for-share basis at any time. With respect to dividends and distributions, shares of common stock and Class B common stock rank equally and have the same rights, except that Class B common stock cash dividends are limited to 90% of the amount of common stock cash dividends.

Our Class B common stock is considered a participating security requiring the use of the two-class method for the computation of basic and diluted earnings per share. The two-class computation method for each period reflects the cash dividends paid per share for each class of stock, plus the amount of allocated undistributed earnings per share computed using the participation percentage which reflects the dividend rights of each class of stock. Basic and diluted earnings per share were computed using the two-class method. The shares of Class B common stock are considered to be participating convertible securities since the shares of Class B common stock are convertible on a share-for-share basis into shares of common stock and may participate in dividends with common stock according to a predetermined formula which is 90% of the amount of common stock cash dividends.

The earnings per share ("EPS") presented in our unaudited consolidated statements of comprehensive income were based on the following amounts (*in thousands, except per share amounts*):

	Three Months Ended			
	August 27, 2022		August 28, 2021	
	Basic	Diluted	Basic	Diluted
Numerator for Basic and Diluted EPS:				
Net income	$ 6,324	$ 6,324	$ 2,635	$ 2,635
Less dividends:				
Common stock	709	709	673	673
Class B common stock	110	110	113	113
Undistributed earnings	$ 5,505	$ 5,505	$ 1,849	$ 1,849
Common stock undistributed earnings	$ 4,755	$ 4,788	$ 1,582	$ 1,588
Class B common stock undistributed earnings	750	717	267	261
Total undistributed earnings	$ 5,505	$ 5,505	$ 1,849	$ 1,849
Denominator for Basic and Diluted EPS:				
Common stock weighted average shares	11,715	11,715	11,194	11,194
Effect of dilutive securities				
Dilutive stock options		616		273
Denominator for diluted EPS adjusted for weighted average shares and assumed conversion		12,331		11,467
Class B commons stock weighted average shares and shares under if-converted method for diluted EPS	2,053	2,053	2,097	2,097
Net income per share:				
Common stock	$ 0.47	$ 0.45	$ 0.20	$ 0.20
Class B common stock	$ 0.42	$ 0.40	$ 0.18	$ 0.18

Note: There were no common stock options that were antidilutive in the first quarter of fiscal 2023 and fiscal 2022.

7. SEGMENT REPORTING

In August 2022, the Company disclosed a change in its reporting structure as part of its focus on power management applications that support the green energy market globally. As a result, beginning in our first quarter of fiscal year 2023, the Company began reporting its financial performance based on four operating and reportable segments: Power and Microwave Technologies, Global Energy Solutions, Canvys and Healthcare. Commencing with the first quarter of fiscal 2023, we are reporting the results for our new GES segment. The GES segment has been carved out of our existing PMT segment as we increase our focus on power management applications supporting the global green energy market. For comparability purposes, the results for fiscal 2022 reflect the presentation of the new GES segment.

We have identified four reportable segments as follows:

Power and Microwave Technologies combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT’s strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. PMT’s focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

Green Energy Solutions combines our key technology partners and engineered solutions capabilities to design and manufacture key products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES’s strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. GES’s focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

Canvys provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

Healthcare manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thyratrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

The CEO, who is the chief operating decision maker, evaluates performance and allocates resources primarily based on the gross profit of each segment.

Operating results by segment are summarized in the following table (*in thousands*):

	Three Months Ended	
	August 27, 2022	August 28, 2021
PMT		
Net Sales	$ 45,354	$ 40,435
Gross Profit	15,535	12,187
GES		
Net Sales	8,511	2,574
Gross Profit	3,022	744
Canvys		
Net Sales	10,413	8,441
Gross Profit	3,266	2,818
Healthcare		
Net Sales	3,279	2,254
Gross Profit	1,204	548

Geographic net sales information is primarily grouped by customer destination into five areas: North America; Asia/Pacific; Europe; Latin America; and Other.

Net sales and gross profit by geographic region are summarized in the following table (*in thousands*):

	Three Months Ended	
	August 27, 2022	August 28, 2021
Net Sales		
North America	$ 31,828	$ 20,528
Asia/Pacific	17,554	13,246
Europe	15,356	17,050
Latin America	2,845	2,875
Other (1)	(26)	5
Total	$ 67,557	$ 53,704
Gross Profit		
North America	$ 13,279	$ 7,380
Asia/Pacific	5,530	4,146
Europe	4,342	4,789
Latin America	1,019	1,081
Other (1)	(1,143)	(1,099)
Total	$ 23,027	$ 16,297

(1) Other includes primarily net sales not allocated to a specific geographical region, unabsorbed value-add costs and other unallocated expenses.

We sell our products to customers in diversified industries and perform periodic credit evaluations of our customers' financial condition. Terms are generally on open account, payable net 30 days in North America, and vary throughout Asia/Pacific, Europe and Latin America. Estimates of credit losses are recorded in the financial statements based on monthly reviews of outstanding accounts.

8. RISKS AND UNCERTAINTIES

COVID-19 Update

The impact of the COVID-19 pandemic and its effects continue to evolve. As such, the full magnitude that the pandemic, and the steps taken to prevent, mitigate and/or respond to its spread, will have on the Company's financial condition, liquidity and future results of operations is uncertain. The extent of the impact of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time ,such as the duration and spread of the pandemic, the extent, speed and effectiveness of continued worldwide containment efforts, and other actions taken by governments, businesses and individuals in response to abatement and resurgence of the disease. Our ability to meet customer demands for products may be impaired or, similarly, our customers may experience adverse business consequences due to the continued impact of COVID-19 and its effects.

Reduced demand for products or impaired ability to meet customer demand (including disruptions at our transportation service providers or vendors) could have a material adverse effect on our business, operations and financial performance. There were sales declines during fiscal year 2021, the majority of which were related to the COVID-19 global pandemic. While the Company did not experience sales declines during fiscal year 2022 as a result of the pandemic, the impacts from the pandemic on supply chain and freight negatively impacted our gross margins as a percentage of net sales in our Canvys and Healthcare segments.

As a result of COVID-19 and its effects, we experienced some component delays impacting new product development schedules. The global markets have generally suffered, and are continuing to suffer, from material disruptions in the supply chain.

Management continues to monitor the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the ever-evolving nature of the pandemic and the continued global responses to the ongoing impact of the pandemic as well as the cycle of recurrences and the after-effects, the Company is not presently able to fully estimate the effects of COVID-19 on its results of operations, financial condition or liquidity going forward.

Company Response to CARES Act

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief and Economic Security ("CARES") Act to provide certain relief as a result of the COVID-19 outbreak. The CARES Act included provisions relating to refundable payroll tax credits, deferral of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified, improvement property. As of August 27, 2022, the Company deferred $0.4 million of employer-side social security tax payments, which will be paid by December 31, 2022. The Company has estimated and recorded the overall effects of the CARES Act and does not anticipate a material change.

9. FAIR VALUE MEASUREMENTS

Investments are measured at fair value. The Company had investments of $5.0 million as of August 27, 2022 and $5.0 million as of May 28, 2022.

10. RELATED PARTY TRANSACTION

On June 15, 2015, the Company entered into a lease agreement for the IMES facility with LDL, LLC. That lease agreement was extended for five years in fiscal 2021. The Company shall be entitled to extend the term of the lease for a period of an additional five years by notifying the landlord in writing of its intention to do so within six months of the expiration of the term. The Executive Vice President of IMES, Lee A. McIntyre III (former owner of IMES), has an ownership interest in LDL, LLC. Mr. McIntyre will be departing from the Company in fiscal year 2023, effective as of September 24, 2022. The lease agreement provides for monthly payments over five years with total future minimum lease payments of $0.4 million. Rental expense related to this lease amounted to less than $0.1 million for the three months ended August 27, 2022 and August 28, 2021.

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

Certain statements in this report may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. The terms "may", "should", "could", "anticipate", "believe", "continues", "estimate", "expect", "intend", "objective", "plan", "potential", "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include; economic, labor and political systems and conditions; global business disruption caused by the Russia invasion in Ukraine and related sanctions: currency exchange fluctuations; and the ability of the Company to manage its growth and the risk factors set forth in our Annual Report on Form 10-K filed on August 1, 2022. We undertake no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

In addition, while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any analyst irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist the reader in better understanding our business, results of operations, financial condition, changes in financial condition and significant developments. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes appearing elsewhere in this filing. This section is organized as follows:

- **Business Overview**
- **Results of Operations** – an analysis and comparison of our consolidated results of operations for the three month periods ended August 27, 2022 and August 28, 2021, as reflected in our consolidated statements of comprehensive income.
- **Liquidity, Financial Position and Capital Resources** – a discussion of our primary sources and uses of cash for the three month periods ended August 27, 2022 and August 28, 2021, and a discussion of changes in our financial position.

Business Overview

Richardson Electronics, Ltd. is a leading global manufacturer of engineered solutions, power grid and microwave tubes, and related consumables; power conversion and RF and microwave components; high-value replacement parts, tubes, and service training for diagnostic imaging equipment; and customized display solutions. More than 60% of our products are manufactured in LaFox, Illinois, Marlborough, Massachusetts, or Donaueschingen, Germany, or by one of our manufacturing partners throughout the world. All our partners manufacture to our strict specifications and per our supplier code of conduct. We serve customers in the alternative energy, healthcare, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. The Company's strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. The Company provides solutions and adds value through design-in support, systems integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair through its global infrastructure.

Some of the Company's products are manufactured in China and are imported into the United States. The Office of the United States Trade Representative ("USTR") instituted additional 10% to 25% tariffs on the importation of a number of products into the United States from China effective July 6, 2018, with additional products added August 23, 2018 and September 24, 2018. These additional tariffs are a response to what the USTR considers to be certain unfair trade practices by China. A number of the Company's products manufactured in China are now subject to these additional duties of 25% when imported into the United States.

Management continues to work with its suppliers as well as its customers to mitigate the impact of the tariffs on our customers' markets. However, if the Company is unable to successfully pass through the additional cost of these tariffs, or if the higher prices reduce demand for the Company's products, it will have a negative effect on the Company's sales and gross margins.

In our first quarter of fiscal year 2023, the Company made certain changes to its reporting structure as we continue to focus on power management applications that support the green energy market globally, and the Company began reporting its financial performance based on four operating and reportable segments. Commencing with the first quarter of fiscal 2023, we are reporting the results for our new Green Energy Solutions ("GES") segment. The GES segment has been carved out of our existing Power and Microwave Technologies ("PMT") segment. For comparability purposes, the results for fiscal 2022 were adjusted to reflect the presentation of the new GES segment.

We have four operating and reportable segments, which we define as follows:

Power and Microwave Technologies combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT's strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. PMT's focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

Green Energy Solutions combines our key technology partners and engineered solutions capabilities to design and manufacture key products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair—all through our existing global infrastructure. GES's focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

Canvys provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. Our volume commitments are lower than the large display manufacturers, making us the ideal choice for companies with very specific design requirements. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

Healthcare manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thyratrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

Refer to Note 7, *Segment Reporting*, to our unaudited consolidated financial statements for additional information on the changes in operating and reportable segments.

We currently have operations in the following major geographic regions: North America, Asia/Pacific, Europe and Latin America.

RESULTS OF OPERATIONS

Financial Summary – Three Months Ended August 27, 2022

- The first quarter of fiscal 2023 and fiscal 2022 each contained 13 weeks.
- Net sales during the first quarter of fiscal 2023 were $67.6 million, an increase of 25.8%, compared to net sales of $53.7 million during the first quarter of fiscal 2022.
- Gross margin increased to 34.1% during the first quarter of fiscal 2023 compared to 30.3% during the first quarter of fiscal 2022.
- Selling, general and administrative expenses were $14.2 million or 21.1% of net sales, during the first quarter of fiscal 2023 compared to $13.5 million, or 25.1% of net sales, during the first quarter of fiscal 2022.
- Operating income during the first quarter of fiscal 2023 was $8.8 million compared to $2.8 million during the first quarter of fiscal 2022.
- Net income during the first quarter of fiscal 2023 was $6.3 million compared to $2.6 million during the first quarter of fiscal 2022.

As previously disclosed, we made certain changes in our reporting structure. As a result of these changes, we revised our reportable segments as further discussed in Note 7, *Segment Reporting*, to our unaudited consolidated financial statements. For comparability purposes, segment reporting for the prior period has been recast to conform to the current presentation.

Net Sales and Gross Profit Analysis

Net sales by segment and percent change during the first quarter of fiscal 2023 and fiscal 2022 were as follows (*in thousands*):

Net Sales	**Three Months Ended**		**FY23 vs. FY22**
	August 27, 2022	**August 28, 2021**	**% Change**
PMT	$ 45,354	$ 40,435	12.2%
GES	8,511	2,574	230.7%
Canvys	10,413	8,441	23.4%
Healthcare	3,279	2,254	45.5%
Total	$ 67,557	$ 53,704	25.8%

During the first quarter of fiscal 2023, consolidated net sales increased 25.8% compared to the first quarter of fiscal 2022. Sales for PMT increased 12.2%, sales for GES increased 230.7%, sales for Canvys increased 23.4% and sales for Healthcare increased 45.5%. The increase in PMT was mainly due to strong growth in the semi-wafer fabrication industry. The increase in GES was mainly due to growth in our ULTRA3000 and other related product sales into the wind turbine industry and from customers manufacturing synthetic diamonds. We also saw an increase in sales into the Electric Vehicle market. The increase in Canvys was primarily due to strong sales in the North American market. The increase in Healthcare was due to increased sales in all products lines.

Gross profit by segment and percent of net sales for the first quarter of fiscal 2023 and fiscal 2022 were as follows (*in thousands*):

Gross Profit	**Three Months Ended**			
	August 27, 2022	**% of Net Sales**	**August 28, 2021**	**% of Net Sales**
PMT	$ 15,535	34.3%	$ 12,187	30.1%
GES	3,022	35.5%	744	28.9%
Canvys	3,266	31.4%	2,818	33.4%
Healthcare	1,204	36.7%	548	24.3%
Total	$ 23,027	34.1%	$ 16,297	30.3%

Gross profit reflects the distribution and manufacturing product margin less manufacturing variances, inventory obsolescence charges, customer returns, scrap and cycle count adjustments, engineering costs and other provisions.

Consolidated gross profit increased to $23.0 million during the first quarter of fiscal 2023 compared to $16.3 million during the first quarter of fiscal 2022. Consolidated gross margin as a percentage of net sales increased to 34.1% during the first quarter of fiscal 2023 from 30.3% during the first quarter of fiscal 2022, primarily due to product mix and manufacturing efficiencies in both PMT and GES and decreased component scrap expense and improved manufacturing efficiencies in Healthcare. The unfavorable product mix and foreign currency effects in Canvys partially offset the favorable gross margin impact for PMT, GES and Healthcare.

Power and Microwave Technologies

PMT net sales increased 12.2% to $45.4 million during the first quarter of fiscal 2023 from $40.4 million during the first quarter of fiscal 2022. The increase was mainly due to strong growth in the semi-wafer fabrication industry. Gross margin as a percentage of net sales increased to 34.3% during the first quarter of fiscal 2023 as compared to 30.1% during the first quarter of fiscal 2022 due to product mix.

Green Energy Solutions

GES net sales increased 230.7% to $8.5 million during the first quarter of fiscal 2023 from $2.6 million during the first quarter of fiscal 2022. The increase was mainly due to growth in our ULTRA3000 and other related product sales into the wind turbine industry and from customers manufacturing synthetic diamonds. We also saw an increase in sales into the Electric Vehicle market. Gross margin as a percentage of net sales increased to 35.5% during the first quarter of fiscal 2023 as compared to 28.9% during the first quarter of fiscal 2022 due to improved manufacturing efficiencies and product mix.

Canvys

Canvys net sales increased 23.4% to $10.4 million during the first quarter of fiscal 2023 from $8.4 million during the first quarter of fiscal 2022 primarily due to strong sales in the North American market. Gross margin as a percentage of net sales decreased to 31.4% during the first quarter of fiscal 2023 from 33.4% during the first quarter of fiscal 2022 primarily due to product mix and foreign currency effects.

Healthcare

Healthcare net sales increased 45.5% to $3.3 million during the first quarter of fiscal 2023 from $2.3 million during the first quarter of fiscal 2022 due to increases in all Healthcare product lines. Gross margin as a percentage of net sales increased to 36.7% during the first quarter of fiscal 2023 as compared to 24.3% during the first quarter of fiscal 2022 primarily due to improved manufacturing absorption and decreased component scrap expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") increased to $14.2 million during the first quarter of fiscal 2023 from $13.5 million in the first quarter of fiscal 2022. The increase was mainly due to higher employee compensation expenses, including incentive expense from higher operating income. However, as a percentage of net sales, SG&A for the first quarter of fiscal 2023 decreased to 21.1% compared to 25.1% for the first quarter of fiscal 2022.

Other Income/Expense

Other expense was $0.3 million during the first quarter of fiscal 2023, compared to less than $0.1 million for the first quarter of fiscal 2022. Other expense during the first quarter of fiscal 2023 was mainly attributable to foreign exchange. Our foreign exchange gains and losses are primarily due to the translation of U.S. dollars held in non-U.S. entities. We currently do not utilize derivative instruments to manage our exposure to foreign currency.

Income Tax Provision

We recorded an income tax provision of $2.1 million and $0.2 million for the first three months of fiscal 2023 and the first three months of fiscal 2022, respectively. The effective income tax rate during the first three months of fiscal 2023 was a tax provision of 25.0% as compared to a tax provision of 5.9% during the first three months of fiscal 2022. The difference in rate during the first three months of fiscal 2023 as compared to the first three months of fiscal 2022 reflects changes in the valuation allowance recorded at year end fiscal 2022, absence of Net Operating Losses ("NOL") for utilization in fiscal 2023, our geographical distribution of income (loss), which is primarily driven by an increase in U.S. earnings for fiscal 2023 and a state income tax provision. The 25.0% effective income tax rate differs from the federal statutory rate of 21% as a result of our geographical distribution of income (loss), which is primarily driven by an increase in U.S. earnings for fiscal 2023, and a state income tax provision.

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2017 are closed for examination under the statute of limitation for U.S. federal, U.S. state and local or non-U.S. tax jurisdictions. We were under examination for fiscal 2015 through fiscal 2018 in Germany. The audit was settled in the fourth quarter of fiscal 2022 and we expect an immaterial amount to be paid in the second quarter of fiscal 2023. Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2019 and the Netherlands beginning in fiscal 2018.

Net Income and Per Share Data

Net income during the first quarter of fiscal 2023 was $6.3 million, or $0.45 per diluted common share and $0.40 per Class B diluted common share as compared to $2.6 million during the first quarter of fiscal 2022 or $0.20 per diluted common share and $0.18 per Class B diluted common share.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

Our operations and cash needs have been primarily financed through income from operations and cash on hand.

Cash, cash equivalents and investments were $35.6 million at August 27, 2022. Cash, cash equivalents and investments by geographic area at August 27, 2022 consisted of $22.9 million in North America, $5.6 million in Europe, $1.4 million in Latin America and $5.7 million in Asia/Pacific. No funds were repatriated to the United States in first quarter of fiscal 2023. However, we anticipate repatriation of funds to the United States in subsequent quarters. Although the Tax Cuts and Jobs Act generally eliminated federal income tax on future cash repatriation to the United States, cash repatriation may be subject to state and local taxes, withholding or similar taxes. See Note 7, *Income Taxes* of the notes to our consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended May 28, 2022, filed August 1, 2022 for further information.

Cash, cash equivalents and investments were $40.5 million at May 28, 2022. Cash, cash equivalents and investments by geographic area at May 28, 2022 consisted of $25.7 million in North America, $6.0 million in Europe, $1.5 million in Latin America and $7.3 million in Asia/Pacific. We repatriated a total of $1.5 million to the United States in fiscal 2022 from our foreign entities. This amount includes $0.7 million in the first quarter from our entity in China, $0.3 million in the second quarter from our entity in Taiwan and $0.5 million in the third quarter from our entity in Japan.

Our short-term and long-term liquidity requirements primarily arise from: (i) working capital requirements, (ii) capital expenditure needs and (iii) cash dividend payments (if and when declared by our Board of Directors). Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control. The Company continues to monitor the impact of COVID-19, including the extent, duration and effectiveness of containment actions taken, the speed and extent of vaccination programs, the impact of the pandemic on its supply chain, manufacturing and distribution operations, customers and employees, as well as the U.S. economy in general. However, due to the uncertain and constantly evolving impacts of the COVID-19 pandemic across the globe, the Company cannot currently predict the long-term impact on its operations and financial results. The uncertainties associated with the COVID-19 pandemic and its effects include potential adverse effects on the overall economy, the Company's supply chain, transportation services, employees and customers. The COVID-19 pandemic and its effects could adversely affect the Company's revenues, earnings, liquidity and cash flows and may require significant actions in response, including expense reductions. Conditions surrounding COVID-19 change rapidly and additional impacts of which the Company is not currently aware may arise. Based on past performance and current expectations, we believe that the existing sources of liquidity, including current cash, will provide sufficient resources to meet known capital requirements and working capital needs through the next twelve months. Additionally, while our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for growth in our markets, we believe our existing sources of liquidity as well as our ability to generate operating cash flows will satisfy our future obligations and cash requirements.

Cash Flows from Operating Activities

Cash flows from operating activities primarily resulted from our net income adjusted for non-cash items and changes in our operating assets and liabilities.

Operating activities used $3.2 million of cash during the first three months of fiscal 2023. We had a net income of $6.3 million during the first three months of fiscal 2023, which included non-cash stock-based compensation expense of $0.3 million associated with the issuance of stock option and restricted stock awards, inventory reserve provisions of $0.1 million and depreciation and amortization expense of $0.9 million associated with our property and equipment as well as amortization of our intangible assets. Changes in our operating assets and liabilities used $10.8 million in cash during the first three months of fiscal 2023, net of foreign currency exchange gains and losses, included an increase in accounts receivable of $3.5 million, an increase in inventory of $10.5 million and an increase in prepaid expenses of $1.2 million. Partially offsetting the cash utilization for accounts receivable, inventory and prepaid expenses was an increase in accounts payable and accrued liabilities of $3.7 million. The increase in accounts receivable was primarily due to increased sales. The majority of the inventory increase was to support the product growth in LaFox manufacturing, Green Energy Solutions and the RF and microwave components. The increase in accounts payable was related to the inventory increase and the increase in accrued liabilities was timing related.

Operating activities used $4.9 million of cash during the first three months of fiscal 2022. We had a net income of $2.6 million during the first three months of fiscal 2022, which included non-cash stock-based compensation expense of $0.2 million associated with the issuance of stock option and restricted stock awards, $0.1 million for inventory reserve provisions and depreciation and amortization expense of $0.8 million associated with our property and equipment as well as amortization of our intangible assets. Changes in our operating assets and liabilities used $8.7 million in cash during the first three months of fiscal 2022, net of foreign currency exchange gains and losses, included an increase in accounts receivable of $5.0 million and an increase in inventory of $5.0 million. Partially offsetting the cash utilization for accounts receivable and inventory was an increase in accounts payable and accrued liabilities of $1.1 million. The increase in accounts receivable was primarily due to increased sales revenue. The majority of the inventory increase was to support the growth in the RF and microwave components business. The increase in accounts payable was related to the inventory increase and the increase in accrued liabilities was timing related.

Cash Flows from Investing Activities

Cash flows from investing activities consisted primarily of capital expenditures and purchases and maturities of investments. Our purchases and proceeds from investments consist of time deposits and CDs. The purchasing of future investments varies from period to period due to interest and foreign currency exchange rates.

Cash used in investing activities of $1.4 million during the first three months of fiscal 2023 was due to capital expenditures. Capital expenditures were primarily related to our IT system, as well as our LaFox manufacturing business and facilities, which also supports both EDG and green energy. The Company did not have any investment purchases or maturities in the first three months of fiscal 2023.

Cash used in investing activities of $0.8 million during the first three months of fiscal 2022 was due to capital expenditures. Capital expenditures were primarily related to capital for our Healthcare business and our IT system. The Company did not have any investment purchases or maturities in the first three months of fiscal 2022.

Cash Flows from Financing Activities

Cash flows used in financing activities consisted primarily of cash dividends and cash flows provided by financing activities consisted primarily of the proceeds from the issuance of stock.

Cash provided by financing activities of $0.5 million during the first three months of fiscal 2023 primarily resulted from the $1.4 million proceeds from the issuance of stock less the $0.8 million of dividend payments to stockholders.

Cash used in financing activities of $0.8 million during the first three months of fiscal 2022 primarily resulted from cash used to pay dividends.

All future payments of dividends are at the discretion of the Board of Directors. Dividend payments will depend on earnings, capital requirements, operating conditions and such other factors that the Board may deem relevant.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management and Market Sensitive Financial Instruments

We are exposed to many different market risks with the various industries we serve. The primary financial risk we are exposed to is foreign currency exchange, as certain operations, assets and liabilities of ours are denominated in foreign currencies. We manage these risks through normal operating and financing activities.

The interpretation and analysis of these disclosures should not be considered in isolation since such variances in exchange rates would likely influence other economic factors. Such factors, which are not readily quantifiable, would likely also affect our operations. Additional disclosure regarding various market risks are set forth in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended May 28, 2022, filed August 1, 2022.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of August 27, 2022.

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed in the Company’s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the first quarter of fiscal 2023 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended May 28, 2022, filed August 1, 2022.

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

ITEM 5. OTHER INFORMATION

Item 5.07. Submission of Matters to Vote of Security Holders

We held our annual meeting of stockholders on October 4, 2022. At the annual meeting, our stockholders (i) elected each of the nominees listed below to the Company's Board of Directors to serve for a term expiring at the 2023 Annual Meeting; (ii) ratified the selection of BDO USA, LLP as our independent registered public accounting firm for fiscal 2023; (iii) approved, on an advisory basis, the compensation of the Company's named executive officers.

The final results for the votes regarding each proposal are set forth below.

1. The voting results with respect to the election of each director were as follows:

Nominee	For	Abstain/Withhold	Broker Non-Votes
Edward J. Richardson	27,629,882	243,442	2,034,583
Wendy S. Diddell	27,492,020	381,304	2,034,583
Jacques Belin	27,395,943	477,381	2,034,583
James Benham	27,380,221	493,103	2,034,583
Kenneth Halverson	27,397,937	475,387	2,034,583
Robert H. Kluge	27,391,228	482,096	2,034,583
Paul J. Plante	26,746,003	1,127,321	2,034,583

2. The voting results with respect to the ratification of the selection of BDO USA, LLP as our independent registered public accounting firm for fiscal 2023 was approved with 29,875,258 votes "FOR", 14,009 votes "AGAINST" and 18,640 votes "ABSTAIN/WITHHOLD".

3. The voting results with respect to the approval, on an advisory basis, the compensation of our Named Executive Officers was approved with 27,589,473 votes "FOR", 165,970 votes "AGAINST" and 117,881 votes "ABSTAIN/WITHHOLD and 2,034,583 broker non-votes.

ITEM 6. EXHIBITS

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Annex III of the Proxy Statement dated August 22, 2014).
3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 15, 2017).
31.1	Certification of Edward J. Richardson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Robert J. Ben pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2023, filed with the SEC on October 6, 2022, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Comprehensive Income, (iii) the Unaudited Consolidated Statements of Cash Flows, (iv) the Unaudited Consolidated Statement of Stockholders' Equity and (v) Notes to Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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.

RICHARDSON ELECTRONICS, LTD.

Date: October 6, 2022

By: /s/ Robert J. Ben
Robert J. Ben
Chief Financial Officer and Chief Accounting Officer
(on behalf of the Registrant and as Principal
Financial Officer)

<u>Exhibit 31.1</u>

CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Edward J. Richardson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Richardson Electronics, Ltd. for the period ended August 27, 2022;

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

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

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

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

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

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

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

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

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

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

Date: October 6, 2022

Signature: /s/ Edward J. Richardson

Edward J. Richardson
Chairman of the Board and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Ben, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Richardson Electronics, Ltd. for the period ended August 27, 2022;

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

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

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

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

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

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

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

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

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

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

Date: October 6, 2022

Signature: /s/ Robert J. Ben

Robert J. Ben
Chief Financial Officer and Chief Accounting Officer

Exhibit 32

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Richardson Electronics, Ltd. (the "Company") on Form 10-Q for the period ended August 27, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward J. Richardson, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Edward J. Richardson
Edward J. Richardson
Chairman of the Board and Chief Executive Officer
October 6, 2022

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Richardson Electronics, Ltd. (the "Company") on Form 10-Q for the period ended August 27, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Ben, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert J. Ben
Robert J. Ben
Chief Financial Officer and Chief Accounting Officer
October 6, 2022