# 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 November 29, 2014**

**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**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☒ |
| Non-Accelerated Filer | ☐ (Do not check if a smaller reporting company) | Smaller Reporting Company | ☐ |

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 January 5, 2015, there were outstanding 11,651,679 shares of Common Stock, $0.05 par value and 2,140,644 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 November 29, 2014 | Audited May 31, 2014 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 89,886 | $ 102,752 |
| Accounts receivable, less allowance of $488 and $581 | 17,625 | 18,354 |
| Inventories | 37,122 | 33,869 |
| Prepaid expenses and other assets | 1,914 | 1,089 |
| Deferred income taxes | 1,604 | 1,537 |
| Income tax receivable | — | 2,888 |
| Investments—current | 23,395 | 31,732 |
| Discontinued operations—assets | — | 18 |
| **Total current assets** | **171,546** | **192,239** |
| **Non-current assets:** | | |
| Property, plant and equipment, net | 8,352 | 7,223 |
| Other intangibles | 790 | 843 |
| Non-current deferred income taxes | 1,570 | 1,724 |
| Investments—non-current | 12,028 | 1,516 |
| **Total non-current assets** | 22,740 | 11,306 |
| **Total assets** | **$ 194,286** | **$ 203,545** |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 13,523 | $ 12,337 |
| Accrued liabilities | 7,862 | 9,220 |
| Discontinued operations—liabilities | — | 7 |
| **Total current liabilities** | **21,385** | **21,564** |
| **Non-current liabilities:** | | |
| Long-term income tax liabilities | 5,572 | 5,691 |
| Other non-current liabilities | 1,174 | 1,315 |
| Discontinued operations—non-current liabilities | — | 130 |
| **Total non-current liabilities** | 6,746 | 7,136 |
| **Total liabilities** | **28,131** | **28,700** |
| **Commitments and contingencies** | — | — |
| **Stockholders' equity** | | |
| Common stock, $0.05 par value; issued 11,667 shares at November 29, 2014, and 11,835 shares at May 31, 2014 | 583 | 592 |
| Class B common stock, convertible, $0.05 par value; issued 2,141 shares at November 29, 2014 and 2,191 shares at May 31, 2014 | 107 | 110 |
| Preferred stock, $1.00 par value, no shares issued | — | — |
| Additional paid-in capital | 64,228 | 66,141 |
| Common stock in treasury, at cost, 6 shares at November 29, 2014, and 1 share at May 31, 2014 | (57) | (14) |
| Retained earnings | 95,174 | 97,959 |
| Accumulated other comprehensive income | 6,120 | 10,057 |
| **Total stockholders' equity** | **166,155** | **174,845** |
| **Total liabilities and stockholders' equity** | **$ 194,286** | **$ 203,545** |

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **November 29, 2014** | **November 30, 2013** | **November 29, 2014** | **November 30, 2013** |
| Net Sales | $ 33,841 | $ 35,436 | $ 68,540 | $ 69,693 |
| Cost of Sales | 23,379 | 24,429 | 47,420 | 48,494 |
| **Gross profit** | **10,462** | **11,007** | **21,120** | **21,199** |
| Selling, general, and administrative expenses | 12,621 | 10,473 | 23,803 | 20,542 |
| Loss on disposal of assets | — | — | 9 | — |
| **Operating income (loss)** | **(2,159)** | **534** | **(2,692)** | **657** |
| Other (income) expense: | | | | |
| Investment/interest income | (249) | (255) | (505) | (520) |
| Foreign exchange (gain) loss | 47 | (14) | (10) | 92 |
| Proceeds from legal settlement | — | — | — | (2,115) |
| Other, net | (14) | 15 | (16) | (15) |
| Total other income | (216) | (254) | (531) | (2,558) |
| Income (loss) from continuing operations before income taxes | (1,943) | 788 | (2,161) | 3,215 |
| Income tax provision (benefit) | (799) | 157 | (934) | 605 |
| Income (loss) from continuing operations | (1,144) | 631 | (1,227) | 2,610 |
| Income (loss) from discontinued operations, net of tax | 87 | (107) | 87 | (118) |
| **Net income (loss)** | **(1,057)** | **524** | **(1,140)** | **2,492** |
| Foreign currency translation gain (loss), net of tax | (2,993) | 1,196 | (3,961) | 1,621 |
| Fair value adjustments on investments | — | 22 | 25 | 23 |
| **Comprehensive income (loss)** | **$ (4,050)** | **$ 1,742** | **$ (5,076)** | **$ 4,136** |
| Net income (loss) per Common share - Basic: | | | | |
| Income (loss) from continuing operations | $ (0.08) | $ 0.05 | $ (0.09) | $ 0.19 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Common share - Basic** | **$ (0.07)** | **$ 0.04** | **$ (0.08)** | **$ 0.18** |
| Net income (loss) per Class B common share - Basic: | | | | |
| Income (loss) from continuing operations | $ (0.07) | $ 0.04 | $ (0.08) | $ 0.17 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Class B common share - Basic** | **$ (0.06)** | **$ 0.03** | **$ (0.07)** | **$ 0.16** |
| Net income (loss) per Common share - Diluted: | | | | |
| Income (loss) from continuing operations | $ (0.08) | $ 0.04 | $ (0.09) | $ 0.18 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Common share - Diluted** | **$ (0.07)** | **$ 0.03** | **$ (0.08)** | **$ 0.17** |
| Net income (loss) per Class B common share - Diluted: | | | | |
| Income (loss) from continuing operations | $ (0.07) | $ 0.04 | $ (0.08) | $ 0.17 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Class B common share - Diluted** | **$ (0.06)** | **$ 0.03** | **$ (0.07)** | **$ 0.16** |
| **Weighted average number of shares:** | | | | |
| Common shares - Basic | 11,770 | 11,871 | 11,797 | 11,997 |
| Class B common shares - Basic | 2,141 | 2,191 | 2,161 | 2,309 |
| Common shares - Diluted | 11,770 | 14,185 | 11,797 | 14,433 |
| Class B common shares - Diluted | 2,141 | 2,191 | 2,161 | 2,309 |
| **Dividends per common share** | **$ 0.060** | **$ 0.060** | **$ 0.120** | **$ 0.120** |
| **Dividends per Class B common share** | **$ 0.054** | **$ 0.054** | **$ 0.108** | **$ 0.108** |

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| **Operating activities:** | | | | |
| **Net income (loss)** | $ (1,057) | $ 524 | $ (1,140) | $ 2,492 |
| Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 443 | 273 | 809 | 521 |
| Gain on sale of investments | (6) | (12) | (9) | (19) |
| (Gain) loss on disposal of assets | (26) | — | (26) | — |
| Share-based compensation expense | 266 | 270 | 386 | 384 |
| Deferred income taxes | (88) | (108) | (167) | (167) |
| Change in assets and liabilities, net of effect of acquired businesses: | | | | |
| Accounts receivable | 78 | (508) | (294) | (1,726) |
| Income tax receivable | 580 | 357 | 2,888 | 3,108 |
| Inventories | (2,151) | 310 | (4,261) | (140) |
| Prepaid expenses and other assets | (1,038) | (430) | (903) | (274) |
| Accounts payable | 1,388 | 317 | 1,489 | (2,230) |
| Accrued liabilities | (439) | (565) | (1,101) | (2,455) |
| Long-term income tax liabilities | — | (235) | — | (477) |
| Other | 42 | 56 | (7) | 47 |
| **Net cash provided by (used in) operating activities** | **(2,008)** | **249** | **(2,336)** | **(936)** |
| **Investing activities:** | | | | |
| Cash consideration paid for acquired businesses | — | — | — | (973) |
| Capital expenditures | (1,102) | (540) | (1,936) | (981) |
| Proceeds from maturity of investments | 725 | 14,044 | 31,207 | 54,532 |
| Purchases of investments | (981) | (11,458) | (33,343) | (51,552) |
| Proceeds from sales of available-for-sale securities | 37 | 20 | 74 | 76 |
| Purchases of available-for-sale securities | (37) | (20) | (74) | (76) |
| Other | (2) | 22 | (30) | 91 |
| **Net cash provided by (used in) investing activities** | **(1,360)** | **2,068** | **(4,102)** | **1,117** |
| **Financing activities:** | | | | |
| Repurchase of common stock | (2,151) | (2,025) | (2,640) | (8,725) |
| Proceeds from issuance of common stock | 130 | 100 | 288 | 171 |
| Cash dividends paid | (817) | (828) | (1,645) | (1,685) |
| Other | (4) | — | (2) | 1 |
| **Net cash used in financing activities** | **(2,842)** | **(2,753)** | **(3,999)** | **(10,238)** |
| Effect of exchange rate changes on cash and cash equivalents | (1,988) | 552 | (2,429) | 701 |
| **Increase/ (decrease) in cash and cash equivalents** | **(8,198)** | **116** | **(12,866)** | **(9,356)** |
| Cash and cash equivalents at beginning of period | 98,084 | 92,530 | 102,752 | 102,002 |
| **Cash and cash equivalents at end of period** | **$ 89,886** | **$ 92,646** | **$ 89,886** | **$ 92,646** |

**Richardson Electronics, Ltd.**
**Unaudited Consolidated Statement of Stockholders' Equity**
*(in thousands)*

| | Common | Class B Common | Par Value | Additional Paid-in Capital | Common Stock in Treasury | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance May 31, 2014:** | **11,835** | **2,191** | **$ 702** | **$ 66,141** | **$ (14)** | **$ 97,959** | **$ 10,057** | **$ 174,845** |
| **Comprehensive income (loss)** | | | | | | | | |
| Net income (loss) | — | — | — | — | — | (1,140) | — | (1,140) |
| Foreign currency translation | — | — | — | — | — | — | (3,961) | (3,961) |
| Fair value adjustments on investments | — | — | — | — | — | — | 25 | 25 |
| Share-based compensation: | | | | | | | | |
| Non-vested restricted stock | — | — | — | — | — | — | — | — |
| Stock options | — | — | — | 385 | — | — | — | 385 |
| Common stock: | | | | | | | | |
| Employee stock option grant | — | — | — | — | — | — | — | — |
| Options Exercised | 44 | — | 2 | 286 | — | — | — | 288 |
| Canceled Shares | — | (50) | — | — | — | — | — | — |
| Converted Class B to Common | 50 | — | — | — | — | — | — | — |
| Repurchase of common stock | — | — | — | — | (2,640) | — | — | (2,640) |
| Treasury stock | (261) | — | (13) | (2,584) | 2,597 | — | — | — |
| Other | (1) | — | (1) | — | — | — | (1) | (2) |
| Dividends paid to: | | | | | | | | |
| Common ($0.12 per share) | — | — | — | — | — | (1,411) | — | (1,411) |
| Class B ($0.108 per share) | — | — | — | — | — | (234) | — | (234) |
| **Balance November 29, 2014:** | **11,667** | **2,141** | **$ 690** | **$ 64,228** | **$ (57)** | **$ 95,174** | **$ 6,120** | **$ 166,155** |

**RICHARDSON ELECTRONICS, LTD.**
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. DESCRIPTION OF THE COMPANY

Richardson Electronics, Ltd. (“we”, “us”, “the Company”, and “our”) is incorporated in the state of Delaware. We are a leading global provider of engineered solutions, power grid and microwave tubes and related components, and customized display solutions, serving customers in the alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. Our strategy is to provide specialized technical expertise and “engineered solutions” based on our core engineering and manufacturing capabilities. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair.

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.

During the first quarter of fiscal 2015, we created a new strategic business unit called Richardson Healthcare (“Healthcare”). As hospitals remain under pressure to reduce costs while serving a much larger customer base, there is a growing demand for independent sources of high value replacement parts for diagnostic imaging. Having access to parts that are tested and in stock enables hospitals to terminate expensive service contracts with the Original Equipment Manufacturers ("OEM") and instead use third party service providers or in-house technicians. With our global infrastructure, technical sales team, and experience servicing the healthcare market, we are well positioned to take advantage of this market opportunity. Over time we will expand our position from being the leader in power grid tubes to a key player in the high growth, high profile healthcare industry.

We have three operating segments, which we define as follows:

Electron Device Group (“EDG”) provides engineered solutions and distributes electronic components to customers in alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. EDG 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. EDG also offers its customers technical services for both microwave and industrial equipment.

Canvys provides customized display solutions serving the corporate enterprise, financial, industrial, and OEM markets.

Healthcare manufactures, distributes and services high value replacement parts for the healthcare market including hospitals, medical centers, independent service organizations, and multi-vendor service providers. Products include power grid tubes, hydrogen thyratrons, klystrons, magnetrons; Image Systems medical displays and workstations for picture archiving and communication systems ("PACS"); visual solutions for operating rooms/surgical environments; digital radiography solutions including replacement flat panel detectors and upgrades; and additional replacement components currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings, and training programs we help our customers improve efficiency and deliver better clinical outcomes 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 six months of fiscal 2015 and 2014 contained 26 weeks, respectively.

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 and six months ended November 29, 2014, are not necessarily indicative of the results that may be expected for the fiscal year ending May 30, 2015.

Due to the change in our healthcare business model, the financial results for our healthcare business that were part of our Canvys segment will now be part of our Healthcare segment. All prior period segment financial results have been revised to reflect this change.

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 31, 2014, that we filed on July 25, 2014.

**3. CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

**Inventories:** Our worldwide inventories are stated at the lower of cost or market, generally using a weighted-average cost method. Our inventories from continuing operations include approximately $33.4 million of finished goods and $3.7 million of raw materials and work-in-progress as of November 29, 2014, as compared to approximately $30.9 million of finished goods and $3.0 million of raw materials and work-in-progress as of May 31, 2014. At this time, we do not anticipate any material risks or uncertainties related to possible future inventory write-downs.

**Revenue Recognition:** Our product sales are recognized as revenue upon shipment, when title passes to the customer, when delivery has occurred or services have been rendered, and when collectability is reasonably assured. We also record estimated discounts and returns based on our historical experience.

**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.

**Other Intangible Assets:** Intangible assets are initially recorded at their fair market values determined on quoted market prices in active markets, if available, or recognized valuation models. Intangible assets that have finite useful lives are amortized on a straight-line basis over their useful lives.

**New Accounting Pronouncements:** In May 2014, the FASB and the International Accounting Standards Board ("IASB") issued new joint guidance surrounding revenue recognition. Under U.S. generally accepted accounting principles ("US GAAP"), this guidance is being introduced to the ASC as Topic 606, Revenue from Contracts with Customers ("Topic 606"), by Accounting Standards Update No. 2014-09 ("ASU 2014-09"). The new standard supersedes a majority of existing revenue recognition guidance under US GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled. Companies may need to use more judgment and make more estimates while recognizing revenue, which could result in additional disclosures to the financial statements. Topic 606 allows for either a "full retrospective" adoption or a "modified retrospective" adoption. The standard is effective for us in our fiscal year 2018. We are currently evaluating which method we will use and the revenue recognition impact this guidance will have once implemented.

## 4. DISCONTINUED OPERATIONS

During fiscal year 2011, we completed the sale of the assets primarily used or held for use in, and certain liabilities of, our RF, Wireless and Power Division ("RFPD"), as well as certain other Company assets, including our information technology assets, to Arrow Electronics, Inc. ("Arrow") in exchange for $238.8 million ("the Transaction"). In accordance with Accounting Standards Codification ("ASC") 205-20, Presentation of Financial Statements - Discontinued Operations ("ASC 205-20"), we reported the financial results of RFPD as a discontinued operation.

***Financial Summary – Discontinued Operations***

Summary financial results for the three and six months ended November 29, 2014, and November 30, 2013, are presented in the following table (*in thousands*):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| Net sales | $ — | $ 178 | $ — | $ 264 |
| Gross profit (loss) [1] | — | (55) | — | (103) |
| Selling, general, and administrative expenses [2] | — | 117 | — | 149 |
| Other expense | — | — | — | 1 |
| Income tax benefit [3] | (87) | (65) | (87) | (135) |
| Income (Loss) from discontinued operations, net of tax | $ 87 | $ (107) | $ 87 | $ (118) |

*Notes:*
*(1) Gross profit (loss) for fiscal year 2014 includes unabsorbed manufacturing labor and overhead expenses related to the Manufacturing Agreement with RFPD which ended March 1, 2014.*
*(2) Selling, General, and Administrative expenses relate primarily to professional fees for tax audits resulting from the Transaction.*
*(3) Income tax benefit relates to the reversal of tax reserves.*

Net sales and gross profit (loss) for the three and six months ended November 30, 2013, reflect our financial results relating to the Manufacturing Agreement with Arrow that we entered into in connection with the Transaction. The Manufacturing Agreement ended on March 1, 2014.

Assets and liabilities classified as discontinued operations on our consolidated balance sheets as of November 29, 2014, and May 31, 2014, include the following (*in thousands*):

| | November 29, 2014 | May 31, 2014 |
|---|---|---|
| Inventories | $ — | $ 18 |
| **Discontinued operations - Assets** | **$ —** | **$ 18** |
| | | |
| Accrued liabilities - current | $ — | $ 7 |
| Accrued liabilities - non-current | — | 130 |
| **Discontinued operations - Liabilities** | **$ —** | **$ 137** |

## 5. OTHER INTANGIBLE ASSETS

Intangible assets are initially recorded at their fair market values determined on quoted market prices in active markets, if available, or recognized valuation models. Intangible assets that have finite useful lives are amortized on a straight-line basis over their useful lives.

Our intangible assets represent the fair value for trade name, customer relationships, and non-compete agreements acquired in connection with our acquisitions.

Intangible assets subject to amortization as well as amortization expense are as follows *(in thousands)*:

| | Intangible Assets Subject to Amortization as of | |
|---|---|---|
| | **November 29, 2014** | **May 31, 2014** |
| Gross Amounts: | | |
| Trade Name | $ 29 | $ 29 |
| Customer Relationship [1] | 959 | 977 |
| Non-compete Agreements | 47 | 47 |
| **Total Gross Amounts** | $ 1,035 | $ 1,053 |
| Accumulated Amortization: | | |
| Trade Name | $ 23 | $ 18 |
| Customer Relationship | 204 | 178 |
| Non-compete Agreements | 18 | 14 |
| **Total Accumulated Amortization** | $ 245 | $ 210 |

(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 2015 | $ 41 |
| 2016 | 67 |
| 2017 | 57 |
| 2018 | 56 |
| 2019 | 46 |
| Thereafter | 523 |

The weighted average number of years of amortization expense remaining is 17.4.

**6. INVESTMENTS**

As of November 29, 2014, we had approximately $34.9 million invested in time deposits and certificates of deposit (“CD”). $23.4 million of this amount matures in less than twelve months and $11.5 million matures in greater than twelve months. The fair value of these investments is equal to the face value of each time deposit and CD.

As of May 31, 2014, we had approximately $32.7 million invested in time deposits and CD’s. $31.7 million of this amount matures in less than twelve months and $1.0 million matures in greater than twelve months. The fair value of these investments is equal to the face value of each time deposit and CD.

We also have investments in equity securities, all of which are classified as available-for-sale and are carried at their fair value based on quoted market prices. Our equity investments, which are included in non-current assets, had a carrying amount of $0.6 million as of November 29, 2014, compared to $0.5 million as of May 31, 2014. Proceeds from the sale of securities were less than $0.1 million during the second quarter of fiscal 2015 compared to $0.1 million during the second quarter of fiscal 2014. We reinvested proceeds from the sale of securities, and the cost of the equity securities sold was based on a specific identification method. Gross realized gains and losses on those sales were less than $0.1 million during the second quarter of fiscal 2015 and fiscal 2014. Net unrealized holding losses of less than $0.1 million during the second quarter of fiscal 2015 and fiscal 2014 have been included in accumulated other comprehensive income (loss).

**7. WARRANTIES**

We offer warranties for the limited number of specific products we manufacture. We also provide extended warranties for some products we sell that lengthen the period of coverage specified in the manufacturer's original warranty. Our warranty terms generally range from one to three years.

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 $0.2 million as of November 29, 2014, and May 31, 2014.

**8. LEASE OBLIGATIONS, OTHER COMMITMENTS, AND CONTINGENCIES**

We lease certain warehouse and office facilities and office equipment under non-cancelable operating leases. Rent expense from continuing operations during the first six months of fiscal 2015 was $0.8 million compared to $0.8 million during the first six months of fiscal 2014. Under the terms of the Transaction, Arrow assumed many of our facility leases and we are sub-leasing space from Arrow. Our future lease commitments for minimum rentals, including common area maintenance charges and property taxes during the next five years have been adjusted to reflect the Transaction as follows *(in thousands)*:

| Fiscal Year | Payments |
|---|---|
| Remaining 2015 | $ 692 |
| 2016 | 703 |
| 2017 | 150 |
| 2018 | 95 |
| 2019 | 66 |
| Thereafter | 55 |

**9. INCOME TAXES**

The effective income tax rate from continuing operations during the first six months of fiscal 2015 was a tax benefit of 43.1%, as compared to a tax provision of 18.8% during the first six months of fiscal 2014. The difference in rate during the first six months of fiscal 2015, as compared to the first six months of fiscal 2014, reflects the impact of tax benefit on the six month loss for fiscal 2015, the deferred tax impact of the change in the statutory tax rate in Japan during the first six months of fiscal 2015, the reduction in uncertain tax positions as a result of settling an income tax audit in Italy, and the recording of a tax benefit related to compensation expense. The 43.1% effective rate differs from the federal statutory rate of 34.0% as a result of our geographical distribution of income, the deferred tax impact of the change in the statutory tax rate in Japan, the reduction in uncertain tax positions as a result of settling an income tax audit in Italy, the recording of a tax benefit related to compensation expense, and our position with respect to ASC 740-30, *Income Taxes – Other Considerations or Special Areas ("ASC 740-30").*

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2007 are closed for examination under the statute of limitations for U.S. federal, U.S. state and local, and non-U.S. tax jurisdictions. We are also currently under examination in Germany (fiscal 2008 through 2010) and Thailand (fiscal 2008 through 2011). Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2007 and the Netherlands beginning in fiscal 2009.

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. Accordingly, we have provided a deferred tax liability totally $6.1 million as of November 29, 2014, on foreign earnings of $39.7 million. In addition, as of November 29, 2014, approximately $40.8 million of cumulative positive earnings of some of our foreign subsidiaries are still considered permanently reinvested pursuant to ASC 740-30. Due to various tax attributes that are continuously changing, it is not practical to determine what, if any, tax liability might exist if such earnings were to be repatriated.

We have no liability recorded in any tax jurisdiction for uncertain tax positions related to continuing operations as of November 29, 2014, and November 30, 2013.

It is not expected that there will be a change in the unrecognized tax benefits within the next 12 months.

**10. 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 Class A common stock cash dividends.

In accordance with ASC 260-10, *Earnings Per Share* ("ASC 260"), 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 as prescribed in ASC 260. 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 Class A common stock cash dividends.

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

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | November 29, 2014 | | November 30, 2013 | |
| | Basic | Diluted | Basic | Diluted |
| *Numerator for Basic and Diluted EPS:* | | | | |
| **Income (loss) from continuing operations** | $ (1,144) | $ (1,144) | $ 631 | $ 631 |
| Less dividends: | | | | |
| Common stock | 701 | 701 | 710 | 710 |
| Class B common stock | 116 | 116 | 118 | 118 |
| Undistributed losses | $ (1,961) | $ (1,961) | $ (197) | $ (197) |
| Common stock undistributed losses | $ (1,685) | $ (1,685) | $ (169) | $ (169) |
| Class B common stock undistributed losses | (276) | (276) | (28) | (28) |
| Total undistributed losses | $ (1,961) | $ (1,961) | $ (197) | $ (197) |
| **Income (loss) from discontinued operations** | $ 87 | $ 87 | $ (107) | $ (107) |
| Less dividends: | | | | |
| Common stock | 701 | 701 | 710 | 710 |
| Class B common stock | 116 | 116 | 118 | 118 |
| Undistributed losses | $ (730) | $ (730) | $ (935) | $ (935) |
| Common stock undistributed losses | $ (627) | $ (627) | $ (802) | $ (803) |
| Class B common stock undistributed losses | (103) | (103) | (133) | (132) |
| Total undistributed losses | $ (730) | $ (730) | $ (935) | $ (935) |
| **Net income (loss)** | $ (1,057) | $ (1,057) | $ 524 | $ 524 |
| Less dividends: | | | | |
| Common stock | 701 | 701 | 710 | 710 |
| Class B common stock | 116 | 116 | 118 | 118 |
| Undistributed losses | $ (1,874) | $ (1,874) | $ (304) | $ (304) |
| Common stock undistributed losses | $ (1,610) | $ (1,610) | $ (261) | $ (261) |
| Class B common stock undistributed losses | (264) | (264) | (43) | (43) |
| Total undistributed losses | $ (1,874) | $ (1,874) | $ (304) | $ (304) |
| *Denominator for basic and diluted EPS:* | | | | |
| Common stock weighted average shares | 11,770 | 11,770 | 11,871 | 11,871 |
| Class B common stock weighted average shares, and shares under if-converted method for diluted EPS | 2,141 | 2,141 | 2,191 | 2,191 |
| Effect of dilutive stock options | | — | | 123 |
| Denominator for diluted EPS adjusted for weighted average shares and assumed conversions | | 13,911 | | 14,185 |
| **Income (loss) from continuing operations per share:** | | | | |
| Common stock | $ (0.08) | $ (0.08) | $ 0.05 | $ 0.04 |
| Class B common stock | $ (0.07) | $ (0.07) | $ 0.04 | $ 0.04 |
| **Income (loss) from discontinued operations per share:** | | | | |
| Common stock | $ 0.01 | $ 0.01 | $ (0.01) | $ (0.01) |
| Class B common stock | $ 0.01 | $ 0.01 | $ (0.01) | $ (0.01) |
| **Net income (loss) per share:** | | | | |
| Common stock | $ (0.07) | $ (0.07) | $ 0.04 | $ 0.03 |
| Class B common stock | $ (0.06) | $ (0.06) | $ 0.03 | $ 0.03 |

*Note: Common stock options that were anti-dilutive and not included in diluted earnings per common share for the second quarter of fiscal 2015 and fiscal 2014 were 666,564 and 512,064, respectively.*

| | Six Months Ended | | | |
|---|---|---|---|---|
| | November 29, 2014 | | November 30, 2013 | |
| | Basic | Diluted | Basic | Diluted |
| *Numerator for Basic and Diluted EPS:* | | | | |
| **Income (loss) from continuing operations** | $ (1,227) | $ (1,227) | $ 2,610 | $ 2,610 |
| Less dividends: | | | | |
| Common stock | 1,411 | 1,411 | 1,433 | 1,433 |
| Class B common stock | 234 | 234 | 252 | 252 |
| Undistributed earnings (losses) | $ (2,872) | $ (2,872) | $ 925 | $ 925 |
| Common stock undistributed earnings (losses) | $ (2,466) | $ (2,466) | $ 788 | $ 790 |
| Class B common stock undistributed earnings (losses) | (406) | (406) | 137 | 135 |
| Total undistributed earnings (losses) | $ (2,872) | $ (2,872) | $ 925 | $ 925 |
| **Income (loss) from discontinued operations** | $ 87 | $ 87 | $ (118) | $ (118) |
| Less dividends: | | | | |
| Common stock | 1,411 | 1,411 | 1,433 | 1,433 |
| Class B common stock | 234 | 234 | 252 | 252 |
| Undistributed losses | $ (1,558) | $ (1,558) | $ (1,803) | $ (1,803) |
| Common stock undistributed losses | $ (1,337) | $ (1,337) | $ (1,537) | $ (1,539) |
| Class B common stock undistributed losses | (221) | (221) | (266) | (264) |
| Total undistributed losses | $ (1,558) | $ (1,558) | $ (1,803) | $ (1,803) |
| **Net income (loss)** | $ (1,140) | $ (1,140) | $ 2,492 | $ 2,492 |
| Less dividends: | | | | |
| Common stock | 1,411 | 1,411 | 1,433 | 1,433 |
| Class B common stock | 234 | 234 | 252 | 252 |
| Undistributed earnings (losses) | $ (2,785) | $ (2,785) | $ 807 | $ 807 |
| Common stock undistributed earnings (losses) | $ (2,391) | $ (2,391) | $ 688 | $ 689 |
| Class B common stock undistributed earnings (losses) | (394) | (394) | 119 | 118 |
| Total undistributed earnings (losses) | $ (2,785) | $ (2,785) | $ 807 | $ 807 |
| *Denominator for basic and diluted EPS:* | | | | |
| Common stock weighted average shares | 11,797 | 11,797 | 11,997 | 11,997 |
| Class B common stock weighted average shares, and shares under if-converted method for diluted EPS | 2,161 | 2,161 | 2,309 | 2,309 |
| Effect of dilutive securities Dilutive stock options | | — | | 127 |
| Denominator for diluted EPS adjusted for weighted average shares and assumed conversions | | 13,958 | | 14,433 |
| **Income (loss) from continuing operations per share:** | | | | |
| Common stock | $ (0.09) | $ (0.09) | $ 0.19 | $ 0.18 |
| Class B common stock | $ (0.08) | $ (0.08) | $ 0.17 | $ 0.17 |
| **Income (loss) from discontinued operations per share:** | | | | |
| Common stock | $ 0.01 | $ 0.01 | $ (0.01) | $ (0.01) |
| Class B common stock | $ 0.01 | $ 0.01 | $ (0.01) | $ (0.01) |
| **Net income (loss) per share:** | | | | |
| Common stock | $ (0.08) | $ (0.08) | $ 0.18 | $ 0.17 |
| Class B common stock | $ (0.07) | $ (0.07) | $ 0.16 | $ 0.16 |

*Note: Common stock options that were anti-dilutive and not included in diluted earnings per common share for the first six months of fiscal 2015 and fiscal 2014 were 661,564 and 487,064, respectively.*

## 11. SEGMENT REPORTING

During the first quarter of fiscal 2015, we created a new strategic business unit called Healthcare. As hospitals remain under pressure to reduce costs while serving a much larger customer base, there is a growing demand for independent sources of high value replacement parts for diagnostic imaging. Having access to parts that are tested and in stock enables hospitals to terminate expensive service contracts with the OEM and instead use third party service providers or in house technicians. With our global infrastructure, technical sales team, and experience servicing the healthcare market, we are well positioned to take advantage of this market opportunity. Over time we will expand our position from being the leader in power grid tubes to a key player in the high growth, high profile healthcare industry.

In accordance with ASC 280-10, *Segment Reporting*, we have identified three reportable segments: EDG, Canvys, and Healthcare.

Electron Device Group ("EDG") provides engineered solutions and distributes electronic components to customers in alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. EDG 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. EDG also offers its customers technical services for both microwave and industrial equipment.

Canvys provides customized display solutions serving the corporate enterprise, financial, industrial, and OEM markets.

Healthcare manufactures, distributes and services high value replacement parts for the healthcare market including hospitals, medical centers, independent service organizations, and multi-vendor service providers. Products include power grid tubes, hydrogen thyratrons, klystrons, magnetrons; Image Systems medical displays and workstations for picture archiving and communication systems ("PACS"); visual solutions for operating rooms/ surgical environments; digital radiography solutions including replacement flat panel detectors and upgrades; and additional replacement components currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings, and training programs we help our customers improve efficiency and deliver better clinical outcomes while lowering the cost of healthcare delivery.

The CEO 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 | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| **EDG** | | | | |
| Net Sales | $ 26,787 | $ 26,163 | $ 54,225 | $ 51,642 |
| Gross Profit | 8,537 | 8,507 | 17,223 | 16,366 |
| **Canvys** | | | | |
| Net Sales | $ 5,906 | $ 7,591 | $ 11,874 | $ 15,037 |
| Gross Profit | 1,653 | 2,053 | 3,309 | 4,025 |
| **Healthcare** | | | | |
| Net Sales | $ 1,148 | $ 1,682 | $ 2,441 | $ 3,014 |
| Gross Profit | 272 | 447 | 588 | 808 |

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 | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| **Net Sales** | | | | |
| North America | $ 13,769 | $ 14,296 | $ 28,468 | $ 28,492 |
| Asia/Pacific | 5,918 | 6,248 | 12,424 | 12,553 |
| Europe | 12,082 | 12,175 | 23,131 | 23,665 |
| Latin America | 2,207 | 2,574 | 4,528 | 4,771 |
| Other | (135) | 143 | (11) | 212 |
| Total | $ 33,841 | $ 35,436 | $ 68,540 | $ 69,693 |
| **Gross Profit (loss)** | | | | |
| North America | $ 4,847 | $ 4,687 | $ 10,030 | $ 9,584 |
| Asia/Pacific | 1,994 | 2,144 | 4,113 | 4,089 |
| Europe | 4,028 | 4,111 | 7,747 | 7,706 |
| Latin America | 811 | 1,011 | 1,689 | 1,834 |
| Other | (1,218) | (946) | (2,459) | (2,014) |
| Total | $ 10,462 | $ 11,007 | $ 21,120 | $ 21,199 |

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

## 12. LITIGATION

We are involved in several pending judicial proceedings concerning matters arising in the ordinary course of business. While the outcome of litigation is subject to uncertainties, based on information available at the time the financial statements were issued, we determined disclosure of contingencies relating to any of our pending judicial proceedings was not necessary because there was less than a reasonable possibility that a material loss had been incurred.

During the first quarter of fiscal 2014, we received a settlement in the amount of $2.1 million related to an anti-trust class action lawsuit settlement. The settlement was recorded as proceeds from legal settlement within the Other Income section of our Consolidated Statements of Comprehensive Income.

## 13. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists; therefore requiring an entity to develop its own assumptions.

As of November 29, 2014, we held investments that are required to be measured at fair value on a recurring basis. Our investments consist of time deposits and CDs, which face value is equal to fair value, and equity securities of publicly traded companies for which market prices are readily available.

Investments measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820 as of November 29, 2014, and May 31, 2014, were as follows (*in thousands*):

| | Level 1 |
|---|---|
| **November 29, 2014** | |
| Time deposits/CDs | $ 34,867 |
| Equity securities | 556 |
| **Total** | **$ 35,423** |
| **May 31, 2014** | |
| Time deposits/CDs | $ 32,732 |
| Equity securities | 516 |
| **Total** | **$ 33,248** |

**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 the risk factors set forth in Item 1A, of our Annual Report on Form 10-K filed on July 25, 2014. 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, critical accounting policies and estimates, 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** - a brief synopsis of our Company for the periods ended November 29, 2014, and November 30, 2013
- **Results of Continuing Operations** – an analysis and comparison of our consolidated results of operations for the three and six months ended November 29, 2014, and November 30, 2013, 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 six months ended November 29, 2014, and November 30, 2013, and a discussion of changes in our financial position

## Business Overview

Richardson Electronics, Ltd. ("we", "us", "the Company", and "our") is incorporated in the state of Delaware. We are a leading global provider of engineered solutions, power grid and microwave tubes and related components, and customized display solutions, serving customers in the alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. Our strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair.

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.

During the first quarter of fiscal 2015, we created a new strategic business unit called Richardson Healthcare ("Healthcare"). As hospitals remain under pressure to reduce costs while serving a much larger customer base, there is a growing demand for independent sources of high value replacement parts for diagnostic imaging. Having access to parts that are tested and in stock enables hospitals to terminate expensive service contracts with the Original Equipment Manufacturers ("OEM") and instead use third party service providers or in house technicians.

With our global infrastructure, technical sales team, and experience servicing the healthcare market, we are well positioned to take advantage of this market opportunity. Over time we will expand our position from being the leader in power grid tubes to a key player in the high growth, high profile healthcare industry.

We have three operating segments, which we define as follows:

Electron Device Group ("EDG") provides engineered solutions and distributes electronic components to customers in alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific, and semiconductor markets. EDG 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. EDG also offers its customers technical services for both microwave and industrial equipment.

Canvys provides customized display solutions serving the corporate enterprise, financial, industrial, and OEM markets.

Healthcare manufactures, distributes and services high value replacement parts for the healthcare market including hospitals, medical centers, independent service organizations, and multi-vendor service providers. Products include power grid tubes, hydrogen thyratrons, klystrons, magnetrons; Image Systems medical displays and workstations for picture archiving and communication systems ("PACS"); visual solutions for operating rooms/ surgical environments; digital radiography solutions including replacement flat panel detectors and upgrades; and additional replacement components currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings, and training programs we help our customers improve efficiency and deliver better clinical outcomes 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.

**RESULTS OF CONTINUING OPERATIONS**

**Financial Summary – Three Months Ended November 29, 2014**

- Net sales for the second quarter of fiscal 2015 were $33.8 million, a decrease of 4.5%, compared to net sales of $35.4 million during the second quarter of fiscal 2014.
- Gross margin decreased to 30.9% during the second quarter of fiscal 2015, compared to 31.1% from the second quarter of fiscal 2014.
- Selling, general, and administrative expenses increased to $12.6 million, or 37.3% of net sales, for the second quarter of fiscal 2015, compared to $10.5 million for the second quarter of fiscal 2014, or 29.6% of net sales, respectively.
- Operating loss during the second quarter of fiscal 2015 was $2.2 million, compared to operating income of $0.5 million, or 1.5% of net sales, during the second quarter of fiscal 2014.
- Loss from continuing operations during the second quarter of fiscal 2015 was $1.1 million, compared to income from continuing operations during the second quarter of fiscal 2014 of $0.6 million, or $0.04 per diluted common share.
- Income from discontinued operations during the second quarter of fiscal 2015 was $0.1 million, or $0.01 per diluted common share, compared to loss from discontinued operations during the second quarter of fiscal 2014 of $0.1 million.
- Net loss during the second quarter of fiscal 2015 was $1.1 million, compared to net income of $0.5 million, or $0.03 per diluted common share, during the second quarter of fiscal 2014.

**Financial Summary – Six Months Ended November 29, 2014**

- Net sales for the first six months of fiscal 2015 were $68.5 million, a decrease of 1.7%, compared to net sales of $69.7 million during the first six months of fiscal 2014.
- Gross margin increased to 30.8% during the first six months of fiscal 2015, compared to 30.4% from the first six months of fiscal 2014.

- Selling, general, and administrative expenses increased to $23.8 million, or 34.7% of net sales, for the first six months of fiscal 2015, compared to $20.5 million, or 29.5% of net sales, for the first six months of fiscal 2014.
- Operating loss during the first six months of fiscal 2015 was $2.7 million, compared to operating income of $0.7 million, or 0.9% of net sales, during the first six months of fiscal 2014.
- Loss from continuing operations during the first six months of fiscal 2015 was $1.2 million, compared to income from continuing operations of $2.6 million, or $0.18 per diluted common share, during the first six months of fiscal 2014.
- Income from discontinued operations during the first six months of fiscal 2015 was $0.1 million, or $0.01 per diluted common share, compared to loss from discontinued operations of $0.1 million, during the first six months of fiscal 2014.
- Net loss during the first six months of fiscal 2015 was $1.1 million, compared to net income of $2.5 million during the first six months of fiscal 2014, or $0.17 per diluted common share.

***Net Sales and Gross Profit Analysis***

Net sales by segment and percent change for the second quarter and first six months of fiscal 2015 and 2014 were as follows (*in thousands*):

| **Net Sales** | **QTD** | | **FY14 vs. FY13** |
|---|---|---|---|
| | **November 29, 2014** | **November 30, 2013** | **% Change** |
| EDG | $ 26,787 | $ 26,163 | 2.4% |
| Canvys | 5,906 | 7,591 | (22.2)% |
| Healthcare | $ 1,148 | $ 1,682 | (31.7)% |
| Total | $ 33,841 | $ 35,436 | (4.5)% |

| | **YTD** | | |
|---|---|---|---|
| | **November 29, 2014** | **November 30, 2013** | **% Change** |
| EDG | $ 54,225 | $ 51,642 | 5.0% |
| Canvys | 11,874 | 15,037 | (21.0)% |
| Healthcare | $ 2,441 | $ 3,014 | (19.0)% |
| Total | $ 68,540 | $ 69,693 | (1.7)% |

During the second quarter of fiscal 2015 consolidated net sales decreased 4.5% compared to the second quarter of fiscal 2014. Sales for Canvys and Healthcare declined by 22.2% and 31.7%, respectively, while sales for EDG increased by 2.4% compared to the second quarter of fiscal 2014. During the first six months of fiscal 2015 consolidated net sales decreased 1.7% compared to the first six months of fiscal 2014. Sales for Canvys and Healthcare declined by 21.0% and 19.0%, respectively, while sales for EDG increased 5.0% compared to the first six months of fiscal 2014.

Gross profit by segment and percent of segment net sales for the second quarter and first six months of fiscal 2015 and 2014 were as follows (*in thousands*):

| **Gross Profit** | QTD | | | |
|---|---|---|---|---|
| | November 29, 2014 | % of Net Sales | November 30, 2013 | % of Net Sales |
| EDG | $ 8,537 | 31.9% | $ 8,507 | 32.5% |
| Canvys | 1,653 | 28.0% | 2,053 | 27.0% |
| Healthcare | $ 272 | 23.7% | $ 447 | 26.6% |
| Total | $ 10,462 | 30.9% | $ 11,007 | 31.1% |

| | YTD | | | |
|---|---|---|---|---|
| | November 29, 2014 | % of Net Sales | November 30, 2013 | % of Net Sales |
| EDG | $ 17,223 | 31.8% | $ 16,366 | 31.7% |
| Canvys | 3,309 | 27.9% | 4,025 | 26.8% |
| Healthcare | $ 588 | 24.1% | $ 808 | 26.8% |
| Total | $ 21,120 | 30.8% | $ 21,199 | 30.4% |

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

Consolidated gross profit was $10.5 million during the second quarter of fiscal 2015, compared to $11.0 million during the second quarter of fiscal 2014. Consolidated gross margin as a percentage of net sales decreased to 30.9% during the second quarter of fiscal 2015, from 31.1% during the second quarter of fiscal 2014. In addition, gross margin included $0.2 million related to unabsorbed manufacturing labor and overhead from continuing operations during the second quarter of fiscal 2015, compared to $0.1 million during the second quarter of fiscal 2014.

Consolidated gross profit was $21.1 million during the first six months of fiscal 2015, compared to $21.2 million during the first six months of fiscal 2014. Consolidated gross margin as a percentage of net sales increased to 30.8% during the first six months of fiscal 2015, from 30.4% during the first six months of fiscal 2014. In addition, gross margin included $0.3 million related to unabsorbed manufacturing labor and overhead from continuing operations during the first six months of fiscal 2015, compared to $0.3 million during the first six months of fiscal 2014.

***IT System and Infrastructure***

During the first half of our fiscal year 2015, we continued our focus on developing a new global IT platform and infrastructure. Our new global IT platform provides the foundation to support our future growth initiatives and adds a new level of sophistication to our customer service and global supply chain capabilities. We expect to go-live with our new IT platform prior to the close of our fiscal year ending May 30, 2015. Under the terms of our amended transition services agreement ("TSA"), we have until August 31, 2015, to transition to our new IT platform.

For the first six months of our fiscal 2015, we have incurred $0.9 million in additional capital spending related to our new global IT platform. Included in our operating expenses for the first half of the year were $2.5 million of IT expenses. This includes $0.9 million of expense under the terms of our TSA, as well as $1.6 million of expenses incurred with our new IT platform. We expect to have duplicative IT costs until we terminate the TSA.

***Electron Device Group***

Net sales for EDG increased to $26.8 million during the second quarter of fiscal 2015, compared to $26.2 million during the second quarter of fiscal 2014. The increase in net sales was driven by strong bookings coming out of the first quarter for market share gains in continuous wave magnetrons and other related assemblies primarily into the semiconductor capital equipment market. In addition, sales increased as a result of market share gains in industrial consumable products and Avionics and Marine applications in Europe. Gross margin as a percentage of net sales decreased to 31.9% during the second quarter of fiscal 2015, as compared to 32.5% during the second quarter of fiscal 2014 primarily due to shifts in product and geographic mix.

Net sales for EDG were $54.2 million during the first six months of fiscal 2015, compared to $51.6 million during the first six months of fiscal 2014. Net sales of continuous wave magnetrons and related assemblies sold primarily into the semiconductor wafer fabrication market increased while net sales of tubes grew in the laser, aviation, and marine markets, offset by declines primarily in the industrial market. Gross margin as a percentage of net sales increased to 31.8% during the first six months of fiscal 2015, as compared to 31.7% during the first six months of fiscal 2014 primarily due to shifts in product and geographic mix.

***Canvys***

Canvys net sales decreased 22.2% to $5.9 million during the second quarter of fiscal 2015, from $7.6 million during the second quarter of fiscal 2014. Sales in our North America and Europe OEM markets were down due to delays in new programs which hurt Canvys' ability to recover from the loss of several customers that concluded programs or changed to lower cost solutions. Gross margin as a percentage of net sales increased to 28.0% during the second quarter of fiscal 2015, compared to 27.0% during the second quarter of fiscal 2014 due to margin improvement in North America.

Canvys net sales decreased 21.0% to $11.9 million during the first six months of fiscal 2015, from $15.0 million during the first six months of fiscal 2014. Sales in our North America and Europe OEM markets were down due to delays in new programs which hurt Canvys' ability to recover from the loss of several customers that concluded programs or changed to lower cost solutions. Gross margin as a percentage of net sales increased to 27.9% during the first six months of fiscal 2015, compared to 26.8% during the first six months of fiscal 2014 due to margin improvement in both market segments.

***Healthcare***

Healthcare net sales decreased 31.7% to $1.1 million during the second quarter of fiscal 2015, from $1.7 million during the second quarter of fiscal 2014. Sales were down in the PACS display market driven by budget concerns and a difficult capital market for hospitals. Gross margin as a percentage of net sales decreased to 23.7% during the second quarter of fiscal 2015, compared to 26.6% during the second quarter of fiscal 2014 due to competitive pricing pressure, shifts in product mix, and lower volume.

Healthcare net sales decreased 19.0% to $2.4 million during the first six months of fiscal 2015, from $3.0 million during the first six months of fiscal 2014. Sales were down in the PACS display market driven by budget concerns and a difficult capital market for hospitals. Gross margin as a percentage of net sales decreased to 24.1% during the first six months of fiscal 2015, compared to 26.8% during the first six months of fiscal 2014 due to competitive pricing pressure, shifts in product mix, and lower volume.

***Selling, General, and Administrative Expenses***

Selling, general, and administrative expenses ("SG&A") increased to $12.6 million during the second quarter of fiscal 2015 compared to $10.5 million during the second quarter of fiscal 2014. The $2.1 million increase includes $0.7 million of expense related to our IT implementation and $1.1 million of investments in our microwave generator, power conversion, and healthcare growth initiatives. SG&A as a percentage of sales from continuing operations increased to 37.3% during the second quarter of fiscal 2015 from 29.6% during the second quarter of fiscal 2014.

Selling, general, and administrative expenses (“SG&A”) increased to $23.8 million during the first six months of fiscal 2015 compared to $20.5 million during the first six months of fiscal 2014. The $3.3 million increase includes $1.2 million of expense related to our IT implementation and $1.6 million of investments in our microwave generator, power conversion, and healthcare growth initiatives. SG&A as a percentage of sales from continuing operations increased to 34.7% during the first six months of fiscal 2015 from 29.5% during the first six months of fiscal 2014.

***Other Income/Expense***

Other income/expense was income of $0.2 million during the second quarter of fiscal 2015, compared to income of $0.3 million during the second quarter of fiscal 2014, due primarily to investment income. We currently do not utilize derivative instruments to manage our exposure to foreign currency.

Other income/expense was income of $0.5 million during the first six months of fiscal 2015, compared to income of $2.6 million during the first six months of fiscal 2014. The $0.5 million in the first six months of fiscal 2015 was primarily due to investment income. The $2.6 million in the first six months of fiscal 2014 included an anti-trust class action lawsuit settlement of $2.1 million and investment income of $0.5 million, partially offset by foreign exchange loss of less than $0.1 million. 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***

The effective income tax rate from continuing operations during the first six months of fiscal 2015 was 43.1%, as compared to a tax provision of 18.8% during the first six months of fiscal 2014. The difference in rate during the first six months of fiscal 2015, as compared to fiscal 2014, reflects the impact of tax benefit on the six month loss for fiscal 2015, the deferred tax impact of the change in the statutory rate in Japan, the reduction in uncertain tax positions as a result of settling an income tax audit in Italy, and the recording of a tax benefit related to compensation expense. The 43.1% effective rate differs from the federal statutory rate of 34.0% as a result of our geographical distribution of income, the deferred tax impact of the change in the statutory tax rate in Japan, the reduction in uncertain tax positions as a result of settling an income tax audit in Italy, the recording of a tax benefit related to compensation expense, and our position with respect to ASC 740-30, *Income Taxes – Other Considerations or Special Areas ("ASC 740-30").*

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2007 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 are also currently under examination in Germany (fiscal 2008 through 2010) and Thailand (fiscal 2008 through 2011). Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2007 and the Netherlands beginning in fiscal 2009.

We have historically determined that certain undistributed earning of our foreign subsidiaries, to the extent of cash available, will be repatriated to the U.S. Accordingly, we have provided a deferred tax liability totaling $6.1 million as of November 29, 2014, on foreign earnings of $39.7 million. In addition, as of November 29, 2014, approximately $40.8 million of cumulative positive earnings of some of our foreign subsidiaries are still considered permanently reinvested pursuant to ASC 740-30. Due to various tax attributes that are continuously changing, it is not practical to determine what, if any, tax liability might exist if such earnings were to be repatriated.

We have no liability recorded in any tax jurisdiction for uncertain tax positions related to continuing operations as of November 29, 2014, and November 30, 2013.

It is not expected that there will be a change in the unrecognized tax benefits within the next 12 months.

***Net Income (loss) and Per share Data***

Net loss during the second quarter of fiscal 2015 was $1.1 million, as compared to net income of $0.5 million during the second quarter of fiscal 2014, or $0.03 per diluted common share and $0.03 per Class B diluted common share.

Net loss during the first six months of fiscal 2015 was $1.1 million, as compared to net income of $2.5 million during the first six months of fiscal 2014, or $0.17 per diluted common share and $0.16 per Class B diluted common share.

## LIQUIDITY, FINANCIAL POSITION, AND CAPITAL RESOURCES

Our cash needs have been primarily financed through current and prior year earnings. Cash and cash equivalents for the second quarter ended November 29, 2014, were $89.9 million. In addition, CDs and time deposits classified as short-term investments were $23.4 million and long-term investments were $12.0 million, including equity securities of $0.6 million. Cash and investments at November 29, 2014, consisted of $63.3 million in North America, $19.5 million in Europe, $1.1 million in Latin America, and $41.4 million in Asia/Pacific. At May 31, 2014, cash and cash equivalents were $102.8 million. In addition, CDs and time deposits classified as short-term investments were $31.7 million and long-term investments were $1.5 million, including equity securities of $0.5 million. Cash and investments at May 31, 2014, consisted of $71.8 million in North America, $20.5 million in Europe, $0.9 million in Latin America, and $42.8 million in Asia/Pacific.

***Cash Flows from Operating Activities***

The cash flow from operating activities primarily resulted from our net loss, adjusted for non-cash items, and changes in our operating assets and liabilities.

Operating activities used $2.3 million of cash during the first six months of fiscal 2015. We had a net loss of $1.1 million during the first six months of fiscal 2015, which included non-cash stock-based compensation expense of $0.4 million associated with the issuance of stock option awards 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, net of effects of acquired businesses, used $2.2 million of cash during the first six months of fiscal 2015, due primarily to the increase in our inventory of $4.3 million, an increase in our prepaids of $0.9 million, partially offset by a decrease in our income tax receivable of $2.9 million and by an increase in our accounts payable of $1.5 million. The increase in our inventory of $4.3 million was due to increased purchases to support some of our future growth initiatives. The decrease in our payables of $1.5 million relates primarily to timing of payments to some of our major suppliers. Our accounts receivable balance was a small use of cash of $0.3 million caused by shifts in our customer mix by geography.

Operating activities used $0.9 million of cash during the first six months of fiscal 2014. We had net income of $2.5 million during the first six months of fiscal 2014, which included non-cash stock-based compensation expense of $0.4 million associated with the issuance of stock option awards and depreciation and amortization expense of $0.5 million associated with our property and equipment as well as amortization of our intangible assets. Changes in our operating assets and liabilities, net of effects of acquired businesses, used $4.2 million of cash during the first six months of fiscal 2014, due primarily to the increase in our inventory of $0.1 million, a decrease in our accounts payable of $2.2 million, and an increase in our accounts receivable of $1.7 million, partially offset by a decrease in our long-term tax liabilities of $0.5 million. The increase in our inventory was due to an increase in purchases related to specific projects within our Canvys business. The decrease in our accounts payable relates primarily to the timing of payments to some of our major suppliers. The increase in our accounts receivables of $1.7 million was due primarily to a slight increase in our day sales outstanding caused primarily by a shift in customer mix by geography.

***Cash Flows from Investing Activities***

The cash flow from investing activities has consisted primarily of purchases and maturities of investments and capital expenditures.

Cash used in investing activities of $4.1 million during the first six months of fiscal 2015 included proceeds from the maturities of investments of $31.2 million, offset by the purchase of investments of $33.3 million, and $1.9 million in capital expenditures.

Cash provided by investing activities of $1.1 million during the first six months of fiscal 2014 included proceeds from the maturities of investments of $54.5 million, offset by the purchase of investments of $51.6 million, $1.0 million for the acquisition of WVS, and $1.0 million in capital expenditures.

Our purchases and proceeds from investments consist of time deposits and CDs.  Purchasing of future investments may vary from period to period due to interest and foreign currency exchange rates.

***Cash Flows from Financing Activities***

The cash flow from financing activities primarily consists of repurchases of common stock and cash dividends paid.

Cash used in financing activities of $4.0 million during the first six months of fiscal 2015 resulted from $2.6 million of cash used to repurchase common stock under our share repurchase authorization and $1.6 million of cash used to pay dividends, offset by $0.3 million of proceeds from the issuance of common stock.

Cash used in financing activities of $10.2 million during the first six months of fiscal 2014 resulted from $8.7 million of cash used to repurchase common stock under our share repurchase authorization and $1.7 million of cash used to pay dividends, offset by $0.2 million of proceeds from the issuance of common stock.

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

We believe that the existing sources of liquidity, including current cash, will provide sufficient resources to meet known capital requirements and working capital needs for the fiscal year ending May 30, 2015.

## 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 year ended May 31, 2014, filed July 25, 2014.

## 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 November 29, 2014.

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 six months of fiscal 2015 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

From time to time we or our subsidiaries are involved in legal actions that arise in the ordinary course of our business. While the outcome of these matters cannot be predicted with certainty, we do not believe that the outcome of any current claims, including the above mentioned legal matters, will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

### 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 year ended May 31, 2014, filed July 25, 2014.

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

| Period Ended | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Dollar Amount of Shares Purchased Under the Plans or Programs | Amounts Remaining Under the Share Repurchase Authorization |
|---|---|---|---|---|---|
| May 31, 2014 | | | | | $ 18,570,538 |
| June 28, 2014 | 20,785 | $ 9.99 | 20,785 | $ 207,685 | $ 18,362,853 |
| July 26, 2014 | 8,700 | $ 10.00 | 8,700 | $ 86,984 | $ 18,275,869 |
| August 30, 2014 | 19,268 | $ 10.01 | 19,268 | $ 192,880 | $ 18,082,989 |
| September 27, 2014 | 12,792 | $ 10.01 | 12,792 | $ 128,063 | $ 17,954,926 |
| October 25, 2014 | 166,691 | $ 9.90 | 166,691 | $ 1,650,334 | $ 16,304,592 |
| November 29, 2014 | 37,477 | $ 9.99 | 37,477 | $ 374,545 | $ 15,930,047 |
| **TOTAL** | **265,713** | **$ 9.94** | **265,713** | **$ 2,640,491** | |

### ITEM 5. OTHER INFORMATION

**Results of Operation and Financial Condition and Declaration of Dividend**

On January 8, 2015, we issued a press release reporting results for our second quarter and first six months ended November 29, 2014, and the declaration of a cash dividend. A copy of the press release is furnished as Exhibit 99.1 to this Form 10-Q and incorporated by reference herein.

### ITEM 6. EXHIBITS

See exhibit index which is incorporated by reference herein.

## 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: January 8, 2015

By: /s/ Kathleen S. Dvorak

Kathleen S. Dvorak
Chief Financial Officer

(on behalf of the Registrant and
as Principal Financial Officer)

# Exhibit Index

**(c) EXHIBITS**

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of the Company, incorporated by reference to Annex III of the Proxy Statement filed August 22, 2014. |
| 3.2 | Amended and Restated By-Laws of the Company, incorporated by reference to Exhibit 3.2 on the Company's Report on Form 10-Q for the quarterly period ended December 3, 2011. |
| 31.1 | Certification of Edward J. Richardson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed pursuant to Part I). |
| 31.2 | Certification of Kathleen S. Dvorak pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed pursuant to Part I). |
| 32 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed pursuant to Part I). |
| 99.1 | Press release dated January 7, 2015. |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the second quarter and first six months of fiscal 2015, filed with the SEC on January 8, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets as of November 29, 2014, and May 31, 2014, (ii) the Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended November 29, 2014, and November 30, 2013, (iii) the Unaudited Consolidated Statements of Cash Flows for the three and six months ended November 29, 2014, and November 30, 2013, (iv) the Unaudited Consolidated Statement of Stockholder's Equity as of November 29, 2014, and (v) Notes to Unaudited Consolidated Financial Statements. |

**Exhibit 31.1**

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 November 29, 2014;

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: January 8, 2015

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, Kathleen S. Dvorak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Richardson Electronics, Ltd. for the period ended November 29, 2014;

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: January 8, 2015

Signature: /s/ Kathleen S. Dvorak

Kathleen S. Dvorak
Chief Financial 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 November 29, 2014, 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
January 8, 2015

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 November 29, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kathleen S. Dvorak, Chief Financial 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/ Kathleen S. Dvorak

Kathleen S. Dvorak
Chief Financial Officer
January 8, 2015

# Press Release

***For Immediate Release***

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**For Details Contact:**

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Chairman and CEO
Phone: (630) 208-2340

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**RICHARDSON ELECTRONICS REPORTS SECOND QUARTER FISCAL 2015 RESULTS AND DECLARES QUARTERLY CASH DIVIDEND**

**LaFox, IL, January 7, 2015:** Richardson Electronics, Ltd. (NASDAQ: RELL), today reported sales and earnings for its second quarter ended November 29, 2014. The Company also announced that its Board of Directors declared a $0.06 per share quarterly cash dividend.

Net sales for the second quarter of fiscal 2015 were $33.8 million, a 4.5% decrease compared to net sales of $35.4 million in the prior year. Sales for the Company's EDG business increased 2.4% while sales for Canvys and Richardson Healthcare ("Healthcare") were down 22.2% and 31.7%, respectively, compared to the prior year's same quarter. Gross margin decreased to $10.5 million, or 30.9% of net sales during the second quarter of fiscal 2015, compared to $11.0 million, or 31.1% of net sales during the second quarter of fiscal 2014. Operating expenses were $12.6 million for the second quarter of fiscal 2015, compared to $10.5 million for the second quarter of fiscal 2014. The operating expenses for the second quarter include $1.0 million related to the Company's IT implementation as well as investments of $1.1 million in its engineered solutions and healthcare growth initiatives. Operating loss for the second quarter of fiscal 2015 was $2.2 million, compared to operating income for the second quarter of fiscal 2014 of $0.5 million.

Loss from continuing operations for the second quarter of fiscal 2015 was $1.1 million, compared to income from continuing operations of $0.6 million, or $0.04 per diluted common share during the second quarter of fiscal 2014.

"During the second quarter, we made tremendous progress with both our IT implementation and our growth initiatives," said Edward J. Richardson, Chairman, Chief Executive Officer and President. "We officially introduced Richardson Healthcare in November with the launch of our new website www.rellhealthcare.com. We added critical resources to our sales and engineering teams to ensure we can execute on our strategy to deliver engineered solutions in both Healthcare and EDG. We also made significant investments to support the implementation of our IT system."

"Our third quarter sales should again be in the range of $34 to $36 million. While we are not satisfied with our current results, we believe our strategy is solid and will provide sustainable long-term growth. We are proud of the commitment our employees have made to ensure our long-term goals are achieved," said Mr. Richardson.

## FINANCIAL SUMMARY - THREE MONTHS ENDED NOVEMBER 29, 2014

- Net sales for the second quarter of fiscal 2015 were $33.8 million, a decrease of 4.5%, compared to net sales of $35.4 million during the second quarter of fiscal 2014.

- Gross margin decreased to 30.9% during the second quarter of fiscal 2015, compared to 31.1% from the second quarter of fiscal 2014.

- Selling, general, and administrative expenses increased to $12.6 million, or 37.3% of net sales for the second quarter of fiscal 2015, compared to $10.5 million for the second quarter of fiscal 2014, or 29.6% of net sales.

- Operating loss during the second quarter of fiscal 2015 was $2.2 million, compared to operating income of $0.5 million, or 1.5% of net sales, during the second quarter of fiscal 2014.

- Loss from continuing operations during the second quarter of fiscal 2015 was $1.1 million, compared to income from continuing operations during the second quarter of fiscal 2014 of $0.6 million, or $0.04 per diluted common share.

- Income from discontinued operations during the second quarter of fiscal 2015 was $0.1 million, or $0.01 per diluted common share, compared to loss from discontinued operations during the second quarter of fiscal 2014 of $0.1 million.

- Net loss during the second quarter of fiscal 2015 was $1.1 million, compared to net income of $0.5 million, or $0.03 per diluted common share, during the second quarter of fiscal 2014.

## FINANCIAL SUMMARY – SIX MONTHS ENDED NOVEMBER 29, 2014

- Net sales for the first six months of fiscal 2015 were $68.5 million, a decrease of 1.7%, compared to net sales of $69.7 million during the first six months of fiscal 2014.

- Gross margin increased to 30.8% during the first six months of fiscal 2015, compared to 30.4% from the first six months of fiscal 2014.

- Selling, general, and administrative expenses increased to $23.8 million, or 34.7% of net sales, for the first six months of fiscal 2015, compared to $20.5 million, or 29.5% of net sales, for the first six months of fiscal 2014.

- Operating loss during the first six months of fiscal 2015 was $2.7 million, compared to operating income of $0.7 million, or 0.9% of net sales, during the first six months of fiscal 2014.

- Loss from continuing operations during the first six months of fiscal 2015 was $1.2 million, compared to income from continuing operations of $2.6 million, or $0.18 per diluted common share, during the first six months of fiscal 2014.

- Income from discontinued operations during the first six months of fiscal 2015 was $0.1 million, or $0.01 per diluted common share, compared to loss from discontinued operations of $0.1 million, during the first six months of fiscal 2014.

- Net loss during the first six months of fiscal 2015 was $1.1 million, compared to net income of $2.5 million, or $0.17 per diluted common share, during the first six months of fiscal 2014.

## CASH DIVIDEND AND SHARE REPURCHASES

The Company also announced today that its Board of Directors declared a $0.06 quarterly dividend per share to holders of common stock and a $0.054 cash dividend per share to holders of Class B common stock. The dividend will be payable on February 20, 2015, to common stockholders of record on February 6, 2015.

“Cash and investments at the end of our second quarter were $125.3 million. We used $2.2 million to repurchase 0.2 million shares during the second quarter. As of today, the Company currently has 11.7 million outstanding shares of common stock and 2.1 million outstanding shares of Class B common stock. With our strong balance sheet, we are committed to returning value to our shareholders,” said Mr. Richardson.

## CONFERENCE CALL INFORMATION

On Thursday, January 8, 2015, at 9:00 a.m. CT, Edward J. Richardson, Chairman and Chief Executive Officer, and Kathleen S. Dvorak, Chief Financial Officer, will host a conference call to discuss the Company's second quarter results for fiscal 2015. A question and answer session will be included as part of the call's agenda. To listen to the call, please dial (888) 339-2688 and enter passcode 33009289 approximately five minutes prior to the start of the call. A replay of the call will be available beginning at 11:00 a.m. CT on January 8, 2015, for seven days. The telephone numbers for the replay are (USA) (888) 286-8010 and (International) (617) 801-6888; passcode 69945400.

## FORWARD-LOOKING STATEMENTS

This release includes certain “forward-looking” statements as defined by the Securities and Exchange Commission. Statements in this press release regarding the Company's business which are not historical facts represent “forward-looking” statements that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see Item 1A, “Risk Factors” in the Company's Annual Report on Form 10-K filed on July 25, 2014. The Company assumes no responsibility to update the “forward-looking” statements in this release as a result of new information, future events, or otherwise.

## ABOUT RICHARDSON ELECTRONICS, LTD.

Richardson Electronics, Ltd. is a leading global provider of engineered solutions, power grid and microwave tubes and related consumables, and customized display solutions serving customers in the alternative energy, 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. More information is available online at www.rell.com.

Richardson Electronics common stock trades on the NASDAQ Global Select Market under the ticker symbol RELL.

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

| | Unaudited November 29, 2014 | Audited May 31, 2014 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 89,886 | $ 102,752 |
| Accounts receivable, less allowance of $488 and $581 | 17,625 | 18,354 |
| Inventories | 37,122 | 33,869 |
| Prepaid expenses and other assets | 1,914 | 1,089 |
| Deferred income taxes | 1,604 | 1,537 |
| Income tax receivable | — | 2,888 |
| Investments—current | 23,395 | 31,732 |
| Discontinued operations—assets | — | 18 |
| **Total current assets** | **171,546** | **192,239** |
| **Non-current assets:** | | |
| Property, plant and equipment, net | 8,352 | 7,223 |
| Other intangibles | 790 | 843 |
| Non-current deferred income taxes | 1,570 | 1,724 |
| Investments—non-current | 12,028 | 1,516 |
| **Total non-current assets** | 22,740 | 11,306 |
| **Total assets** | **$ 194,286** | **$ 203,545** |
| **Liabilities and Stockholders' Equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 13,523 | $ 12,337 |
| Accrued liabilities | 7,862 | 9,220 |
| Discontinued operations—liabilities | — | 7 |
| **Total current liabilities** | **21,385** | **21,564** |
| **Non-current liabilities:** | | |
| Long-term income tax liabilities | 5,572 | 5,691 |
| Other non-current liabilities | 1,174 | 1,315 |
| Discontinued operations—non-current liabilities | — | 130 |
| **Total non-current liabilities** | 6,746 | 7,136 |
| **Total liabilities** | **28,131** | **28,700** |
| **Commitments and contingencies** | — | — |
| **Stockholders' equity** | | |
| Common stock, $0.05 par value; issued 11,667 shares at November 29, 2014, and 11,835 shares at May 31, 2014 | 583 | 592 |
| Class B common stock, convertible, $0.05 par value; issued 2,141 shares at November 29, 2014 and 2,191 shares at May 31, 2014 | 107 | 110 |
| Preferred stock, $1.00 par value, no shares issued | — | — |
| Additional paid-in capital | 64,228 | 66,141 |
| Common stock in treasury, at cost, 6 shares at November 29, 2014, and 1 share at May 31, 2014 | (57) | (14) |
| Retained earnings | 95,174 | 97,959 |
| Accumulated other comprehensive income | 6,120 | 10,057 |
| **Total stockholders' equity** | **166,155** | **174,845** |
| **Total liabilities and stockholders' equity** | **$ 194,286** | **$ 203,545** |

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| Net Sales | $ 33,841 | $ 35,436 | $ 68,540 | $ 69,693 |
| Cost of Sales | 23,379 | 24,429 | 47,420 | 48,494 |
| **Gross profit** | **10,462** | **11,007** | **21,120** | **21,199** |
| Selling, general, and administrative expenses | 12,621 | 10,473 | 23,803 | 20,542 |
| (Gain) loss on disposal of assets | — | — | 9 | — |
| **Operating income (loss)** | **(2,159)** | **534** | **(2,692)** | **657** |
| Other (income) expense: | | | | |
| Investment/interest income | (249) | (255) | (505) | (520) |
| Foreign exchange (gain) loss | 47 | (14) | (10) | 92 |
| Proceeds from legal settlement | — | — | — | (2,115) |
| Other, net | (14) | 15 | (16) | (15) |
| Total other income | (216) | (254) | (531) | (2,558) |
| Income (loss) from continuing operations before income taxes | (1,943) | 788 | (2,161) | 3,215 |
| Income tax provision (benefit) | (799) | 157 | (934) | 605 |
| Income (loss) from continuing operations | (1,144) | 631 | (1,227) | 2,610 |
| Income (loss) from discontinued operations, net of tax | 87 | (107) | 87 | (118) |
| **Net income (loss)** | **(1,057)** | **524** | **(1,140)** | **2,492** |
| Foreign currency translation gain (loss), net of tax | (2,993) | 1,196 | (3,961) | 1,621 |
| Fair value adjustments on investments | — | 22 | 25 | 23 |
| **Comprehensive income (loss)** | **$ (4,050)** | **$ 1,742** | **$ (5,076)** | **$ 4,136** |
| Net income (loss) per Common share - Basic: | | | | |
| Income (loss) from continuing operations | $ (0.08) | $ 0.05 | $ (0.09) | $ 0.19 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Common share - Basic** | **$ (0.07)** | **$ 0.04** | **$ (0.08)** | **$ 0.18** |
| Net income (loss) per Class B common share - Basic: | | | | |
| Income (loss) from continuing operations | $ (0.07) | $ 0.04 | $ (0.08) | $ 0.17 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Class B common share - Basic** | **$ (0.06)** | **$ 0.03** | **$ (0.07)** | **$ 0.16** |
| Net income (loss) per Common share - Diluted: | | | | |
| Income (loss) from continuing operations | $ (0.08) | $ 0.04 | $ (0.09) | $ 0.18 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Common share - Diluted** | **$ (0.07)** | **$ 0.03** | **$ (0.08)** | **$ 0.17** |
| Net income (loss) per Class B common share - Diluted: | | | | |
| Income (loss) from continuing operations | $ (0.07) | $ 0.04 | $ (0.08) | $ 0.17 |
| Income (loss) from discontinued operations | 0.01 | (0.01) | 0.01 | (0.01) |
| **Total net income (loss) per Class B common share - Diluted** | **$ (0.06)** | **$ 0.03** | **$ (0.07)** | **$ 0.16** |
| **Weighted average number of shares:** | | | | |
| Common shares - Basic | 11,770 | 11,871 | 11,797 | 11,997 |
| Class B common shares - Basic | 2,141 | 2,191 | 2,161 | 2,309 |
| Common shares - Diluted | 11,770 | 14,185 | 11,797 | 14,433 |
| Class B common shares - Diluted | 2,141 | 2,191 | 2,161 | 2,309 |
| **Dividends per common share** | **$ 0.060** | **$ 0.060** | **$ 0.120** | **$ 0.120** |
| **Dividends per Class B common share** | **$ 0.054** | **$ 0.054** | **$ 0.108** | **$ 0.108** |

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | November 29, 2014 | November 30, 2013 | November 29, 2014 | November 30, 2013 |
| **Operating activities:** | | | | |
| **Net income (loss)** | (1,057) | 524 | (1,140) | 2,492 |
| Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 443 | 273 | 809 | 521 |
| Gain on sale of investments | (6) | (12) | (9) | (19) |
| (Gain) loss on disposal of assets | (26) | — | (26) | — |
| Share-based compensation expense | 266 | 270 | 386 | 384 |
| Deferred income taxes | (88) | (108) | (167) | (167) |
| Change in assets and liabilities, net of effect of acquired businesses: | | | | |
| Accounts receivable | 78 | (508) | (294) | (1,726) |
| Income tax receivable | 580 | 357 | 2,888 | 3,108 |
| Inventories | (2,151) | 310 | (4,261) | (140) |
| Prepaid expenses and other assets | (1,038) | (430) | (903) | (274) |
| Accounts payable | 1,388 | 317 | 1,489 | (2,230) |
| Accrued liabilities | (439) | (565) | (1,101) | (2,455) |
| Long-term income tax liabilities | — | (235) | — | (477) |
| Other | 42 | 56 | (7) | 47 |
| **Net cash provided by (used in) operating activities** | **(2,008)** | **249** | **(2,336)** | **(936)** |
| **Investing activities:** | | | | |
| Cash consideration paid for acquired businesses | — | — | — | (973) |
| Capital expenditures | (1,102) | (540) | (1,936) | (981) |
| Proceeds from maturity of investments | 725 | 14,044 | 31,207 | 54,532 |
| Purchases of investments | (981) | (11,458) | (33,343) | (51,552) |
| Proceeds from sales of available-for-sale securities | 37 | 20 | 74 | 76 |
| Purchases of available-for-sale securities | (37) | (20) | (74) | (76) |
| Other | (2) | 22 | (30) | 91 |
| **Net cash provided by (used in) investing activities** | **(1,360)** | **2,068** | **(4,102)** | **1,117** |
| **Financing activities:** | | | | |
| Repurchase of common stock | (2,151) | (2,025) | (2,640) | (8,725) |
| Proceeds from issuance of common stock | 130 | 100 | 288 | 171 |
| Cash dividends paid | (817) | (828) | (1,645) | (1,685) |
| Other | (4) | — | (2) | 1 |
| **Net cash used in financing activities** | **(2,842)** | **(2,753)** | **(3,999)** | **(10,238)** |
| Effect of exchange rate changes on cash and cash equivalents | (1,988) | 552 | (2,429) | 701 |
| **Increase/ (decrease) in cash and cash equivalents** | **(8,198)** | **116** | **(12,866)** | **(9,356)** |
| Cash and cash equivalents at beginning of period | 98,084 | 92,530 | 102,752 | 102,002 |
| **Cash and cash equivalents at end of period** | **$ 89,886** | **$ 92,646** | **$ 89,886** | **$ 92,646** |

**Richardson Electronics, Ltd.**
**Net Sales and Gross Profit**
**For the Second Quarter and First Six Months of Fiscal 2015 and Fiscal 2014**
*(in thousands)*

**By Strategic Business Segment:**

| **Net Sales** | **QTD FY 2015** | **QTD FY 2014** | **% Change** |
|---|---|---|---|
| EDG | $ 26,787 | $ 26,163 | 2.4% |
| Canvys | 5,906 | 7,591 | (22.2)% |
| Healthcare | $ 1,148 | $ 1,682 | (31.7)% |
| Total | $ 33,841 | $ 35,436 | (4.5)% |

| | **YTD FY 2015** | **YTD FY 2014** | **% Change** |
|---|---|---|---|
| EDG | $ 54,225 | $ 51,642 | 5.0% |
| Canvys | 11,874 | 15,037 | (21.0)% |
| Healthcare | $ 2,441 | $ 3,014 | (19.0)% |
| Total | $ 68,540 | $ 69,693 | (1.7)% |

| **Gross Profit** | **QTD FY 2015** | **% of Net Sales** | **QTD FY 2014** | **% of Net Sales** |
|---|---|---|---|---|
| EDG | $ 8,537 | 31.9% | $ 8,507 | 32.5% |
| Canvys | 1,653 | 28.0% | 2,053 | 27.0% |
| Healthcare | $ 272 | 23.7% | $ 447 | 26.6% |
| Total | $ 10,462 | 30.9% | $ 11,007 | 31.1% |

| | **YTD FY 2015** | **% of Net Sales** | **YTD FY 2014** | **% of Net Sales** |
|---|---|---|---|---|
| EDG | $ 17,223 | 31.8% | $ 16,366 | 31.7% |
| Canvys | 3,309 | 27.9% | 4,025 | 26.8% |
| Healthcare | $ 588 | 24.1% | $ 808 | 26.8% |
| Total | $ 21,120 | 30.8% | $ 21,199 | 30.4% |