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

FORM 10-Q

(Mark One)

[**X**] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **:** ***November 27, 2004***

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from **:** ____________ to ____________

RICHARDSON ELECTRONICS, LTD.

(Exact name of registrant as specified in its charter)

Delaware	***0-12906***	***36-2096643***
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

(Former name or former address,if changed since last report.)

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 [**X**] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
[**X**] Yes [ ] No

As of January 7, 2005, there were outstanding 17,314,141 shares of Common Stock, $.05 par value, inclusive of 3,124,162 shares of Class B Common Stock, $.05 par value, which are convertible into Common Stock of the registrant on a share for share basis.

RICHARDSON ELECTRONICS, LTD.

QUARTERLY FINANCIAL REPORT

TABLE OF CONTENTS

Download **FORM 10-Q** in PDF format

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RICHARDSON ELECTRONICS, LTD
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	As of November 27, 2004 (unaudited)	As of May 29, 2004
ASSETS		
Current Assets		
Cash	$ 17,328	$ 16,927
Receivables, less allowance of $2,651 and $2,516	115,186	106,130
Inventories, net	106,546	92,297
Prepaid expenses	3,716	3,817
Deferred income taxes	12,698	15,922
Total current assets	255,474	235,093
Property, plant and equipment, net	33,294	30,589
Goodwill	5,847	5,613
Deferred tax assets (non-current)	6,338	3,117
Other assets	4,952	4,802
Total assets	$ 305,905	$ 279,214
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 36,754	$ 33,473
Accrued liabilities	21,289	23,224
Current portion of long-term debt	3,796	4,027
Total current liabilities	61,839	60,724
Long-term debt, less current portion	123,584	133,813
Non-current liabilities	461	241
Total liabilities	185,884	194,778
Stockholders' Equity		
Common stock ($.05 par value; issued 15,542 shares at November 27, 2004 and 12,524 shares at May 29, 2004)	777	626
Class B common stock, convertible ($.05 par value; issued 3,158 shares at November 27, 2004 and 3,168 at May 29, 2004)	158	158
Preferred stock ($1.00 par value; no shares issued)	-	-
Additional paid-in capital	122,007	93,877
Common stock in treasury, at cost (1,399 shares at November 27, 2004 and 1,437 shares at May 29, 2004)	(8,289)	(8,515)
Retained earnings	10,877	9,326
Accumulated other comprehensive loss	(5,509)	(11,036)
Total stockholders' equity	120,021	84,436
Total liabilities and stockholders' equity	$ 305,905	$ 279,214

See notes to condensed consolidated financial statements.

Table of Contents

RICHARDSON ELECTRONICS, LTD
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED NOVEMBER 27, 2004 AND NOVEMBER 29, 2003

	Three months ended		Six months ended	
(unaudited, in thousands, except per share amounts)	**November 27, 2004**	**November 29, 2003**	**November 27, 2004**	**November 29, 2003**
Net sales	$ 151,374	$ 128,051	$ 289,894	$ 247,357
Cost of products sold	114,320	97,109	219,238	187,300
Gross margin	37,054	30,942	70,656	60,057
Selling, general and administrative expenses	32,148	25,495	61,437	51,340
Operating income	4,906	5,447	9,219	8,717
Other expense				
Interest expense	2,184	2,558	4,441	5,104
Other, net	439	(160)	654	(112)
Total other expense	2,623	2,398	5,095	4,992
Income before income taxes	2,283	3,049	4,124	3,725
Income taxes	621	844	1,214	1,128
Net income	$ 1,662	$ 2,205	$ 2,910	$ 2,597
Net income per share - basic:				
Net income per share	$ 0.10	$ 0.16	$ 0.18	$ 0.19
Average shares outstanding	17,284	13,979	16,578	13,952
Net income per share - diluted:				
Net income per share	$ 0.10	$ 0.15	$ 0.17	$ 0.18
Average shares outstanding	17,479	14,361	16,801	14,281
Dividends per common share	$ 0.04	$ 0.04	$ 0.08	$ 0.08
Statement of comprehensive income:				
Net income	$ 1,662	$ 2,205	$ 2,910	$ 2,597
Recognition of unearned compensation	68	35	78	128
Currency translation, net of income tax effect of $2,124, and $1,313 for three months ended, income tax effect of $2,307, and $283 for six months ended	5,714	3,426	5,539	655
Fair value adjustment to market appreciation on investment, net of income tax effect of $(9), and $27 for three months ended, income tax effect of $40, and $92 for six months ended	(24)	70	95	212
Cash flow hedges, net of income tax effect of $ -, and $63 for three months ended, income tax effect of $27, and $149 for six months ended	-	164	66	345
Comprehensive income	$ 7,420	$ 5,900	$ 8,688	$ 3,937

See notes to condensed consolidated financial statements.

Table of Contents

RICHARDSON ELECTRONICS, LTD
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED NOVEMBER 27, 2004 AND NOVEMBER 29, 2003

(unaudited, in thousands)	Six months ended	
	November 27, 2004	November 29, 2003
OPERATING ACTIVITIES		
Net income	$ 2,910	$ 2,597
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,368	2,684
Amortization of intangibles and financing costs	172	150
Income taxes	1,464	636
Other non-cash items in net income	791	525
Receivables	(4,245)	(7,652)
Inventories	(11,359)	5,446
Other current assets	(353)	553
Accounts payable	2,458	6,930
Other liabilities	(2,271)	(320)
Net cash (used in) provided by operating activities	(8,065)	11,549
FINANCING ACTIVITIES		
Proceeds from borrowings	36,500	21,678
Payments on debt	(49,793)	(26,244)
Net proceeds from stock issuance	27,915	1,002
Cash dividends	(1,359)	(1,097)
Loan restructuring fees	(326)	-
Net cash provided by (used in) financing activities	12,937	(4,661)
INVESTING ACTIVITIES		
Capital expenditures	(4,697)	(2,520)
Earnout payment related to acquisitions	(545)	(726)
Proceeds from sales of available-for-sale securities	1,134	2,154
Purchases from sales of available-for-sale securities	(1,134)	(2,154)
Other	(301)	-
Net cash used in investing activities	(5,543)	(3,246)
Effect of exchange rate changes on cash	1,072	248
Net increase in cash	401	3,890
Cash at beginning of period	16,927	16,874
Cash at end of period	$ 17,328	$ 20,764

See notes to condensed consolidated financial statements.

Table of Contents

RICHARDSON ELECTRONICS, LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts and except where indicated)

Note A – Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements (Statements) have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of the results of interim periods have been made and such adjustments were of a normal and recurring nature. The results of operations and cash flows for the six-month period ended November 27, 2004 are not necessarily indicative of the results that may be expected for the year ended May 28, 2005.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended May 29, 2004. Certain fiscal 2004 balances have been reclassified to conform to the 2005 presentation.

Note B - Investment in Marketable Equity Securities

The Company’s investments are primarily equity securities, all of which are classified as available-for-sale and are carried at their fair value based on the quoted market prices. Proceeds from the sale of the securities were $1,134 and $2,154 during the first six-month periods of fiscal 2005 and 2004, respectively, all of which were subsequently reinvested. Gross realized gains on those sales were $110 in the first six months of fiscal 2005 and $141 in the first six months of fiscal 2004. Gross realized losses on those sales were $48 and $29 in the first six-month periods of fiscal 2005 and 2004, respectively. A net unrealized holding gain of $1,182 and a net unrealized holding loss of $375 have been included in accumulated comprehensive income as of November 27, 2004 and November 29, 2003, respectively. The following table is the disclosure under SFAS No. 115 for the investment in marketable equity securities:

Description of Securities	Holding length before proceeds				Total	
	Less than 12 months		More than 12 months			
Period ended on	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
November 27, 2004						
Common Stock	$ 2,780	$ 296	$ 190	$ 34	$ 2,970	$ 330
November 29, 2003						
Common Stock	$ 2,003	$ 331	$ 280	$ 490	$ 2,283	$ 821

Note C – Restructuring Charges

As a result of the Company’s fiscal 2003 restructuring initiative, a restructuring charge, including severance and lease termination costs of $1,730, was recorded in selling, general and administrative expenses for the year ended May 31, 2003. Severance costs of $328 were paid in fiscal 2003 with the remaining balance payable in fiscal 2004. As of May 29, 2004, the remaining balance was zero. The following table depicts the amounts associated with the activity related to the restructuring initiative through November 29, 2003:

	Restructuring liability May 31, 2003	Paid through November 29, 2003	Reversal of accrual	Unpaid balance as of November 29, 2003
Employee severance and related costs	$ 1,192	$ 843	$ 292	$ 57
Lease termination costs	210	-	210	-
Total	$ 1,402	$ 843	$ 502	$ 57

The reversal of the employee severance and related costs resulted from the difference between the estimated severance costs and the actual payouts and was recorded in the quarter ended November 29, 2003. All employees originally notified were terminated. The lease termination did not occur as the agreement for the replacement facility was not finalized. The lease termination reversal was recorded in the quarter ended August 30, 2003.

Note D – Goodwill and Other Intangible Assets

The Company performed its annual impairment test during the fourth quarter of fiscal 2004. The same methodology was employed in completing the annual impairment test as in applying transitional accounting provisions of SFAS 142. The Company did not find any indication that impairment existed and, therefore, no impairment loss was recorded as a result of completing the annual impairment test.

The table below provides changes in the carrying values of goodwill and intangible assets not subject to amortization by reportable segment:

	Goodwill and intangible assets not subject to amortization				
	RFWC	IPG	SSD	DSG	Total
Balance at May 29, 2004	$ -	$ 876(1)	$ 1,739(1)	$ 3,420	$ 6,035
Modification of earnout payment	-	-	-	26	26
Foreign currency translation	-	9	264	-	273
Balance at November 27, 2004	$ -	$ 885	$ 2,003	$ 3,446	$ 6,334

(1) To reclassify IPG's $9 intangible asset to SSD in order to be consistent with the business segment presentation.

Intangible assets subject to amortization as of November 27, 2004 and May 29, 2004 are as follows:

	November 27, 2004		May 29, 2004	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Deferred financing costs	$ 2,524	$ 2,106	$ 2,192	$ 1,935
Patents, trademarks and customer lists	478	468	478	461
Total	$ 3,002	$ 2,574	$ 2,670	$ 2,396

Amortization expense for the second quarter and six months is as follows:

	Amortization expense for the			
	Second Quarter		Six Months	
	FY 2005	FY 2004	FY 2005	FY 2004
Intangible assets subject to amortization:				
Deferred financing costs	$ 129	$ 72	$ 171	$ 144
Patents and trademarks	4	3	7	6
Total	$ 133	$ 75	$ 178	$ 150

The amortization expense associated with the existing intangible assets subject to amortization is expected to be $246, $136, $102, $82, $34 and $1, in fiscal 2005, 2006, 2007, 2008, 2009 and 2010, respectively. The weighted average number of years of amortization expense remaining is 4.43.

Note E – Warranties

The Company offers warranties for specific products it manufactures. The Company also provides extended warranties for some products it sells that lengthen the period of coverage specified in the manufacturer’s original warranty. Terms generally range from one to three years.

The Company estimates the cost to perform under its warranty obligation and recognizes this estimated cost at the time of the related product sale. The Company reports this expense as an element of cost of products sold in its statement of operations. Each quarter, the Company assesses actual warranty costs incurred, on a product-by-product basis, as compared to its estimated obligation. The estimates with respect to products under extended warranty are based generally on knowledge of the manufacturers’ experience and are extrapolated to reflect the extended warranty period, and are refined each quarter as better information with respect to warranty experience becomes known.

Warranty reserves are established for costs that are expected to be incurred after the sale and delivery of products under warranty. The warranty reserves are determined based on known product failures, historical experience, and other currently available evidence.

Changes in the warranty reserve for the three months ended November 27, 2004 were as follows:

	Warranty Reserve
Balance at May 29, 2004	$ 802
Accruals for products sold	642
Utilization	(300)
Balance at November 27, 2004	$ 1,144

The increase in the warranty accrual represents warranties related to products under a three year extended warranty offered by the Company’s Display Systems Group beginning in the third quarter of fiscal 2003.

Note F – Income Taxes

The income tax provisions for the six-month period ended November 27, 2004 and November 29, 2003 were 29.4% and 30.2%, respectively. The difference between the effective tax rate and the U.S. statutory rate of 35% primarily results from the Company’s geographic distribution of taxable income and losses and certain non-tax deductible charges. With respect to the income tax provision for the six month period ending November 27, 2004, there was a reduction of $723 in the Company’s tax reserve from a statutory expiration of foreign NOL utilization position with an offsetting placement of valuation allowances of $624 for two foreign subsidiaries with multiple year losses and an increase in the Company’s tax reserve of $92 for interest on existing reserve positions.

Table of Contents

Note G – Calculation of Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of Common and Class B Common shares outstanding. Diluted earnings per share is calculated by dividing net income, adjusted for interest savings, net of tax, on assumed bond conversions, by the actual shares outstanding and share equivalents that would arise from the exercise of stock options, certain restricted stock awards and the assumed conversion of convertible bonds when dilutive. The Company's 8¼% and 7¼% convertible debentures are excluded from the calculation in both fiscal 2005 and 2004, as assumed conversion and effect of interest savings would be anti-dilutive. The per share amounts presented in the Condensed Consolidated Statements of Operations are based on the following amounts:

	Second Quarter		Six Months	
	FY 2005	FY 2004	FY 2005	FY 2004
Numerator for basic and diluted EPS:				
Net income	$ 1,662	$ 2,205	$ 2,910	$ 2,597
Denominator:				
Denominator for basic EPS				
Weighted average common shares outstanding	17,284	13,979	16,578	13,952
Effect of dilutive securities:				
Unvested restricted stock awards	15	33	17	36
Dilutive stock options	180	349	206	293
Shares applicable to diluted income per common share	17,479	14,361	16,801	14,281

The effect of potentially dilutive stock options is calculated using the treasury stock method. Certain stock options are excluded from the calculations because the average market price of the Company's stock during the period did not exceed the exercise price of those options. For the six-month period ended November 27, 2004, there were 635 such options. However, some or all of the above mentioned options may be potentially dilutive in the future.

Note H – Stock-Based Compensation

The Company has stock-based compensation plans under which stock options are granted to key managers at the market price on the date of grant. Most of these new grants are fully exercisable after five years and have a ten-year life. Two stock awards, totalling 7,882 shares, and 213,279 stock options were granted during the six months ended November 27, 2004.

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB interpretation No. 44,*Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion 25,* issued in March 2000, to account for its stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. Statement of Financial Accounting Standard ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No.123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No.123. The following table illustrates the pro-forma effect on net income attributable to common stockholders if the fair value-based method had been applied to all outstanding and unvested awards in each period.

	Second Quarter		Six Months	
	FY 2005	FY 2004	FY 2005	FY 2004
Net income, as reported	$ 1,662	$ 2,205	$ 2,910	$ 2,597
Add: Stock-based compensation expense included in reported net income, net of tax	54	59	107	119
Deduct: Stock-based compensation expense determined under fair value-based method for all awards, net of taxes	(227)	(271)	(452)	(544)
Pro-forma net income	$ 1,492	$ 1,993	$ 2,565	$ 2,172
Net income per share, basic:				
Reported net income	$ 0.10	$ 0.16	$ 0.18	$ 0.19
Pro-forma compensation expense, net of taxes	(0.01)	(0.02)	(0.03)	(0.03)
Pro-forma net income per share	$ 0.09	$ 0.14	$ 0.15	$ 0.16
Net income per share, diluted:				
Reported net income	$ 0.10	$ 0.15	$ 0.17	$ 0.18
Pro-forma compensation expense, net of taxes	(0.01)	(0.01)	(0.02)	(0.03)
Pro-forma net income per share	$ 0.09	$ 0.14	$ 0.15	$ 0.15

Note I – Segment Information

The marketing, sales, product management, and purchasing functions of the Company consist of four strategic business units (SBU's): RF & Wireless Communications Group (RFWC), Industrial Power Group (IPG), Security Systems Division (SSD), and Display Systems Group (DSG).

RFWC serves the expanding global RF and wireless communications market, including infrastructure and wireless networks, as well as the fiber optics market. The Company's team of RF and wireless engineers assists customers in designing circuits, selecting cost effective components, planning reliable and timely supply, prototype testing, and assembly. The group offers its customers and vendors complete engineering and technical support from the design-in of RF and wireless components to the development of engineered solutions for their system requirements.

IPG serves the industrial market's need for both vacuum tube and solid-state technologies. The group provides replacement products for systems using electron tubes as well as design and assembly services for new systems employing power semiconductors. As electronic systems increase in functionality and become more complex, the Company believes the need for intelligent, efficient power management will continue to increase and drive power conversion demand growth.

SSD is a global provider of closed circuit television, fire, burglary, access control, sound, and communication products and accessories for the residential, commercial, and government markets. The division specializes in closed circuit television design-in support, offering extensive expertise with applications requiring digital technology. SSD products are primarily used for security and access control purposes but are also utilized in industrial applications, mobile video, and traffic management.

DSG is a global provider of integrated display products and systems to the public information, financial, point-of-sale, and medical imaging markets. The group works with leading hardware vendors to offer the highest quality liquid crystal display, plasma, cathode ray tube, and customized display monitors. DSG engineers design custom display solutions that include touch screens, protective panels, custom enclosures, specialized finishes, application specific software, and privately branded products.

Each SBU is directed by a Vice President and General Manager who reports to the President and Chief Operating Officer. The President evaluates performance and allocates resources, in part, based on the direct operating contribution of each SBU. Direct operating contribution is defined as gross margin less product management and direct selling expenses.

Accounts receivable, inventory, goodwill, and some intangible assets are identified by SBU. Cash, net property and other assets are not identifiable by SBU. Operating results for each SBU are summarized in the following table:

	Sales	Gross Margin	Direct Operating Contribution	Assets	Goodwill and Intangibles
	Second Quarter			As of	
FY 2005				November 27, 2004	
RFWC	$ 67,358	$ 15,661	$ 8,392	$ 97,533	$ -
IPG	31,304	9,527	6,207	54,282	885
SSD	27,360	7,304	4,323	38,317	2,003
DSG	23,562	5,298	2,792	27,877	3,446
Total	$149,584	$ 37,790	$ 21,714	$218,009	$ 6,334
	Second Quarter			As of	
FY 2004				May 29, 2004	
RFWC	$ 57,705	$ 12,846	$ 7,039	$ 87,097	$ -
IPG	27,868	8,678	6,261	50,403	876
SSD	26,109	6,664	3,767	33,257	1,739
DSG	14,864	3,727	1,947	23,358	3,420
Total	$126,546	$ 31,915	$ 19,014	$194,115	$ 6,035
	Six Months				
FY 2005					
RFWC	$131,785	$ 30,331	$ 16,437		
IPG	60,951	18,634	12,447		
SSD	53,121	13,802	7,820		
DSG	40,542	9,431	4,608		
Total	$286,399	$ 72,198	$ 41,312		
	Six Months				
FY 2004					
RFWC	$107,520	$ 24,028	$ 12,727		
IPG	53,718	16,347	11,698		
SSD	51,281	13,025	7,334		
DSG	30,943	7,986	4,354		
Total	$243,462	$ 61,386	$ 36,113		

Table of Contents

A reconciliation of sales, gross margin, direct operating contribution and assets to the relevant consolidated amounts is as follows. Other assets not identified include miscellaneous receivables, manufacturing inventories and other assets.

	Second Quarter		Six Months	
	FY 2005	FY 2004	FY 2005	FY 2004
Sales - segments total	$ 149,584	$ 126,546	$ 286,399	$ 243,462
Other sales	1,790	1,505	3,495	3,895
Sales	$ 151,374	$ 128,051	$ 289,894	$ 247,357
Gross margin - segments total	$ 37,790	$ 31,915	$ 72,198	$ 61,386
Gross margin on other sales	(736)	(973)	(1,542)	(1,329)
Gross margin	$ 37,054	$ 30,942	$ 70,656	$ 60,057
Segment profit contribution	$ 21,714	$ 19,014	$ 41,312	$ 36,113
Gross margin on other sales	(736)	(973)	(1,542)	(1,329)
Regional selling expenses	(4,880)	(4,497)	(9,419)	(8,931)
Administrative expenses	(11,192)	(8,097)	(21,132)	(17,136)
Operating income	$ 4,906	$ 5,447	$ 9,219	$ 8,717

	As of	
	November 27, 2004	May 29, 2004
Segment assets	$ 218,009	$ 194,115
Cash	17,328	16,927
Other current assets	26,471	30,086
Net property	33,294	30,589
Other assets	10,803	7,497
Total assets	$ 305,905	$ 279,214

The Company sells its products to companies in diversified industries and performs periodic credit evaluations of its customers' financial condition. Terms are generally on open account, payable net 30 days in North America, and vary throughout Europe, Asia/Pacific and Latin America. Estimates of credit losses are recorded in the financial statements based on periodic reviews of outstanding accounts and actual losses have been consistently within management's estimates.

Sales, percentage change from the prior year, gross margin, and gross margin percent of sales by geographic area are summarized in the following table. Previously reported sales under the caption “Direct Export” and some of the “Corporate” sales were identified by geographic area and reclassified accordingly. The caption “Corporate” consists primarily of Freight and Corporate provisions.

By Geographic Area:	SALES			GROSS MARGIN			
	FY 2005	FY 2004	% Change	FY 2005	% of Sales	FY 2004	% of Sales
Second Quarter							
North America	$ 79,833	$ 65,702	*21.5%*	$ 20,835	*26.1%*	$ 17,064	*26.0 %*
Europe	33,695	31,576	*6.7%*	9,226	*27.4%*	9,009	*28.5 %*
Asia/Pacific	31,777	25,160	*26.3%*	7,741	*24.4%*	5,648	*22.4 %*
Latin America	4,983	4,572	*9.0%*	1,432	*28.7%*	1,118	*24.5 %*
Corporate	1,086	1,041		(2,180)		(1,897)	
Total	$ 151,374	$ 128,051	*18.2%*	$ 37,054	*24.5%*	$ 30,942	*24.2 %*
Six Months							
North America	$ 154,218	$ 131,133	*17.6%*	$ 39,849	*25.8%*	$ 34,620	*26.4 %*
Europe	63,224	56,942	*11.0%*	17,680	*28.0%*	16,386	*28.8 %*
Asia/Pacific	60,566	47,490	*27.5%*	14,457	*23.9%*	10,587	*22.3 %*
Latin America	9,848	9,677	*1.8%*	2,726	*27.7%*	2,301	*23.8 %*
Corporate	2,038	2,115		(4,056)		(3,837)	
Total	$ 289,894	$ 247,357	*17.2%*	$ 70,656	*24.4%*	$ 60,057	*24.3 %*

Note J – Equity Offering

On July 8, 2004, the Company completed an offering of 3,000,000 shares of its common stock, which resulted in net proceeds to the Company of $27,915 after the offering cost of $1,260.

Note K – Restatement

The Company filed Form 12b-25, Notification of Late Filing, with the Securities and Exchange Commission on January 10, 2005, notifying of a delay in filing of the Company's second quarter Form 10-Q for the period ended November 27, 2004.

In connection with our independent auditor's review of the Company's Form 10-Q, an error was discovered with respect to the accounting treatment of certain foreign exchange gains and losses incurred during fiscal 2001 and 2002. These foreign exchange items related to the acquisition in 2001 of AVIV Electronics by one of the Company's subsidiaries, and the reporting of subsequent intercompany transactions between the subsidiary and parent. The terms of the related acquisition agreement obligated the Company's subsidiary to settle an acquisition-related obligation in U.S. dollars, which is not the subsidiary's functional currency. Related foreign exchange losses incurred by the subsidiary during the period from the inception of the obligation through the date of the parent's assumption of the obligation were accounted for in error as an element of accumulated other comprehensive income, rather than as an element of net income. The correction of this error amounts to $580 on a cumulative, net of tax basis.

Management and the Company's audit committee, in consultation with the Company's former auditor, have determined that the impact of the correction of the error in either fiscal 2001 or 2002 is not material, and in consultation with its current auditor, have determined that the correction of the error through an adjustment to both retained earnings and accumulated other comprehensive loss as of May 29, 2004 is not material. The Condensed Consolidated Statements of Operations and Comprehensive Income presented herein are not affected by the correction of this error.

Note L – Subsequent Events

On December 9, 2004, the Company formed a joint venture with Light Speed Labs, L.P. of Addison, Texas, an engineering company specializing in the development of video technologies. The joint venture was organized as a limited liability company under the name VConex, LLC, and is expected to develop unique and proprietary security and display solutions which will be exclusively marketed through Richardson Electronics' Security and Display Systems Divisions.

On December 17, 2004, the Company acquired, for a $590 cash payment, certain assets from Evergreen Trading Co. Ltd, a leading distributor of power components in China.

The Company was in compliance with all debt covenants as of November 27, 2004. Subsequently, the Company's late filing of its second quarter Form 10-Q (see Note K) resulted in a default of the Company's credit agreement with respect to timely delivery of financial statements and Form 10-Q reports. The Company has received a waiver from its lending group for the default and with the filing of this Form 10-Q and included financial statements has satisfied the conditions of the waiver.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands, except per share amounts and except where indicated)

Except for the historical information contained herein, the matters discussed in this quarter report on Form 10-Q are forward-looking statements relating to future events, which involve certain risks and uncertainties. Further, there can be no assurance that the trends reflected in historical information will continue in the future.

Investors should consider carefully the following risk factors, in addition to the other information included and incorporated by reference in this quarter report on Form 10-Q. All statements other than statements of historical facts included in this report are statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. The words "expect," "estimate," "anticipate," "predict," "believe" and similar expressions and variations thereof are intended to identify forward-looking statements. Such statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things: (i) trends affecting the Company’s financial condition or results of operations; (ii) the Company’s financing plans; (iii) the Company’s business and growth strategies, including potential acquisitions; and (iv) other plans and objectives for future operations. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those predicted in the forward-looking statements or which may be anticipated from historical results or trends.

In addition to the information contained in the Company’s other filings with the Securities and Exchange Commission, factors that could affect future performance include, among others, the following:

- *The Company has had significant operating and net losses in the past and may have future losses.*
- *The Company maintains a significant investment in inventory and has incurred significant charges for inventory obsolescence and overstock, and may incur similar charges in the future.*
- *If the Company does not maintain effective internal controls over financial reporting, it could be unable to provide timely and reliable financial information.*
- *Because the Company derives a significant portion of its revenue by distributing products designed and manufactured by third parties, it may be unable to anticipate changes in the marketplace and, as a result, could lose market share.*
- *The Company has exposure to economic downturns and operates in cyclical markets.*
- *The Company has significant debt, which could limit its financial resources and ability to compete and may make it more vulnerable to adverse economic events.*
- *The Company’s ability to service its debt and meet its other obligations depends on a number of factors beyond its control.*
- *The Company’s success depends on its executive officers and other key personnel.*
- *The Company’s credit agreement and the indentures for its outstanding debentures impose restrictions with respect to various business matters.*
- *Potential changes in accounting standards regarding stock option plans could limit the desirability of granting stock options, which could harm the Company’s ability to attract and retain employees, and could also negatively impact its results of operations.*
- *The Company faces intense competition in the markets it serves and, if it does not compete effectively, it could significantly harm its operating results.*
- *The Company may not be able to continue to make the acquisitions necessary for it to realize its growth strategy or integrate acquisitions successfully.*
- *If the Company does not continue to reduce its costs, it may not be able to compete effectively in its markets.*
- *The Company’s Industrial Power Group is dependent on a limited number of vendors to supply it with essential products.*
- *Economic, political and other risks associated with international sales and operations could adversely affect the Company’s business.*
- *The Company is exposed to foreign currency risk.*
- *Because the Company generally does not have long-term contracts with its vendors, it may experience shortages of products that could harm its business and customer relationships.*
- *The outbreak of severe acute respiratory syndrome, or SARS, or any other disease epidemic, may adversely affect the Company’s business, financial condition and results of operations.*

For more discussion of such risks, see "Risk Factors" in the Company’s Form 10-K filed with the Securities and Exchange Commission on August 11, 2004.

These risks are not exhaustive. Other sections of this report may include additional factors, which could adversely affect the Company’s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company’s policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that the Company agrees 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 the responsibility of the Company.

Overview

Richardson Electronics, Ltd. is a global provider of engineered solutions and a distributor of electronic components to the radio frequency, or RF, and wireless communications, industrial power conversion, security, and display systems markets. The marketing, sales, product management and purchasing functions of the Company are organized as four strategic business units "SBUs": RF & Wireless Communications Group "RFWC", Industrial Power Group "IPG", Security Systems Division "SSD", and Display Systems Group "DSG", with operations in the major economic regions of the world: North America, Europe, Asia/Pacific, and Latin America.

In December 2004, Richardson Electronics, Ltd. acquired the assets of a distributor of passive components in China by the name of Evergreen Trading Company. Evergreen Trading Company will be integrated into the strategic business unit IPG. Evergreen is similar to Richardson in that they also emphasize engineered solutions by offering technical services and design assistance. This acquisition is intended to give IPG the infrastructure and selling organization to more aggressively expand its business throughout China.

Also in December 2004, a joint venture was formed with Light Speed Labs that will support the SSD and DSG business units. The joint venture was organized as a Limited Liability Company (LLC) under the name VConex, LLC and is expected to develop distinctive and proprietary security and display solutions which will be exclusively marketed through Richardson Electronics. This venture is expected to provide Richardson with the engineering resources and expertise needed to develop network video technology applications for large national accounts such as retail and hospitality chains for security and display solutions needs.

Sales increased for all four strategic business units and geographic areas for the three- and six-month periods over the prior year. The second quarter of fiscal 2005 was the tenth consecutive quarter of year-over-year sales growth for the Company and marked record quarter sales for the Company. Net income for the quarter was $1,662 or $0.10 per share on a diluted basis as compared to net income of $2,205 or $0.15 per share on a diluted basis a year ago. Net income for the quarter was down from the prior year primarily due to increased SG&A which as a percent of sales was 1.3% higher. Increasing cost of the Sarbanes-Oxley compliance program, the global PeopleSoft supply chain implementation, and legal expenses associated with the joint venture and acquisition (see Note L), limited the ability to leverage higher sales with dilution of SG&A as a percent of sales.

The Company experiences moderate seasonality in its business and typically realizes lower sequential sales in its first and third quarters, reflecting decreased transaction volume in the summer and holiday months. Based on the period from fiscal 1993 to 2004, sales in the third quarter were, on average, approximately 3% lower sequentially. Management believes third quarter sales in fiscal 2005 will be sequentially flat to slightly down from second quarter of fiscal 2005.

Results of Operations

Sales and Gross Margins

Richardson Electronics, Ltd. reached record quarter consolidated sales for the period ended November 27, 2004, with an increase of $23.3 million or 18.2% from the prior year to $151.4 million. Sales increased for all four strategic business units and geographic areas over the prior year, as discussed below and shown in Footnote I to the financial statements. For the six-month period, sales were up 17.2% to $289.9 million. Consolidated gross margin as a percentage of sales increased 30 basis points for the quarter and 10 basis points for the six-month period from the prior year.

Sales, percentage changes from the prior year, gross margins and gross margin percent of sales by SBU are summarized in the following table. Freight, Logistics business, and miscellaneous costs are included under the caption "Other."

By Business Unit:	**SALES**			**GROSS MARGIN**			
	FY 2005	**FY 2004**	**% Change**	**FY 2005**	**% of Sales**	**FY 2004**	**% of Sales**
Second Quarter							
RFWC	$ 67,358	$ 57,705	*16.7%*	$ 15,661	*23.3%*	$ 12,846	*22.3 %*
IPG	31,304	27,868	*12.3%*	9,527	*30.4%*	8,678	*31.1 %*
SSD	27,360	26,109	*4.8%*	7,304	*26.7%*	6,664	*25.5 %*
DSG	23,562	14,864	*58.5%*	5,298	*22.5%*	3,727	*25.1 %*
Other	1,790	1,505		(736)		(973)	
Total	$ 151,374	$ 128,051	*18.2%*	$ 37,054	*24.5%*	$ 30,942	*24.2 %*
Six Months							
RFWC	$ 131,785	$ 107,520	*22.6%*	$ 30,331	*23.0%*	$ 24,028	*22.3 %*
IPG	60,951	53,718	*13.5%*	18,634	*30.6%*	16,347	*30.4 %*
SSD	53,121	51,281	*3.6%*	13,802	*26.0%*	13,025	*25.4 %*
DSG	40,542	30,943	*31.0%*	9,431	*23.3%*	7,986	*25.8 %*
Other	3,495	3,895		(1,542)		(1,329)	
Total	$ 289,894	$ 247,357	*17.2%*	$ 70,656	*24.4%*	$ 60,057	*24.3 %*

RFWC had second quarter and six month sales increases of 16.7% and 22.6%, respectively, from fiscal 2004. For six months, the Passive/Interconnect, Network Access, and Infrastructure product lines posted growth of 49.0%, 25.3%, and 14.3% to $28.2, $49.6, and $37.0 million, respectively. Gross margin as a percentage of sales increased 100 basis points for the quarter and 70 basis points for the six months compared to the prior year as a result of exclusive supplier agreements. The exclusive supplier agreements were a factor as RFWC sales in Asia increased 24.8% to $23.1 million, with gross margin as a percentage of sales increasing 310 basis points for the quarter compared to the prior year.

IPG sales increased 12.3% and 13.5% for the quarter and six months, respectively. The solid state Power Components product lines posted solid gains of 22.6% and 33.3% for the quarter and six months to $10.3 million and $20.7 million, respectively. The tube product lines increased 7.0% and 4.3% to $20.6 million and $39.6 million for the quarter and six months, respectively. IPG gross margins as a percentage of sales decreased 70 basis points to $9.5 million for the quarter due to products purchased from European suppliers in Euros and increased Original Equipment Manufacturer (OEM) sales in China. IPG sales in Asia increased 33.1% to $7.6 million as a result of the OEM sales in China, with gross margin as a percentage of sales decreasing 190 basis points for the quarter compared to the prior year.

SSD achieved record quarter sales with an increase of 4.8% to $27.4 million. Six months sales increased 3.6% to $53.1 million. Private label product lines posted second quarter and six months sales increases of 19.5% and 13.1% to $8.3 million and $15.3 million, respectively. Private label focused efforts in the new digital systems area with emphasis around digital video recorders assisted the growth. Gross margins as a percentage of sales increased 120 and 60 basis points, respectively, for the quarter and six months as a result of increased private label sales. SSD sales in Canada increased 15.9% to $15.5 million with gross margin as a percentage of sales increasing 110 basis points for the quarter compared to the prior year.

DSG also achieved record quarter sales with an increase of 58.5% of sales over prior year period. Six months sales growth was 31.0% as the Medical Monitors product line posted sales growth of 39.4% to $16.8 million and Custom Displays posted sales growth of 75.3% to $10.7 million. DSG's gross margin as a percentage of sales decreased 260 and 250 basis points, respectively, for the quarter and six months. Medical Monitor average selling prices have experienced sharp declines, causing the Company's Medical Monitor gross margin as a percentage of sales to decrease 380 basis points for the quarter. However, unit sales have more than doubled in the second quarter.

Sales, percentage change from the prior year, gross margin, and gross margin percent of sales by geographic area are summarized in the following table. Previously reported sales under the caption "Direct Export" and some of the "Corporate" sales were identified by geographic area and reclassified accordingly. The caption "Corporate" consists primarily of Freight and Corporate provisions.

By Geographic Area:	**SALES**			**GROSS MARGIN**			
	FY 2005	**FY 2004**	**% Change**	**FY 2005**	**% of Sales**	**FY 2004**	**% of Sales**
Second Quarter							
North America	$ 79,833	$ 65,702	*21.5%*	$ 20,835	*26.1%*	$ 17,064	*26.0 %*
Europe	33,695	31,576	*6.7%*	9,226	*27.4%*	9,009	*28.5 %*
Asia/Pacific	31,777	25,160	*26.3%*	7,741	*24.4%*	5,648	*22.4 %*
Latin America	4,983	4,572	*9.0%*	1,432	*28.7%*	1,118	*24.5 %*
Corporate	1,086	1,041		(2,180)		(1,897)	
Total	$ 151,374	$ 128,051	*18.2%*	$ 37,054	*24.5%*	$ 30,942	*24.2 %*
Six Months							
North America	$ 154,218	$ 131,133	*17.6%*	$ 39,849	*25.8%*	$ 34,620	*26.4 %*
Europe	63,224	56,942	*11.0%*	17,680	*28.0%*	16,386	*28.8 %*
Asia/Pacific	60,566	47,490	*27.5%*	14,457	*23.9%*	10,587	*22.3 %*
Latin America	9,848	9,677	*1.8%*	2,726	*27.7%*	2,301	*23.8 %*
Corporate	2,038	2,115		(4,056)		(3,837)	
Total	$ 289,894	$ 247,357	*17.2%*	$ 70,656	*24.4%*	$ 60,057	*24.3 %*

Sales in North America increased 21.5% and 17.6%, respectively, for the quarter and six months from fiscal 2004. Gross margin as a percentage of sales were flat for the quarter compared to the prior year and decreased 60 basis points for the six months period compared to the prior year. The United States led the sales growth in this region with an increase of 24.6% and 22.1% for the quarter and six months, respectively; most notably in the DSG business unit. Canada experienced strong growth in SSD product lines with a quarter sales increase of 15.9% compared to a six months sales increase of 9.8% from the prior year in the SSD product lines.

Sales in Europe grew 6.7% and 11.0%, respectively, for the quarter and six months period compared to the prior year. Gross margin as percentage of sales decreased 110 basis points for the quarter, primarily due to medical monitor average selling price decreases. Germany led the quarter growth with a sales increase of 45.4% to $5.7 million compared to the prior year quarter driven by medical monitor and industrial power demand. The United Kingdom gained 17.0% in the quarter with sales also at $5.7 million. Most of the growth in the United Kingdom was attributable to RFWC product sales, with an increase of 77.6% to $2.3 million in the quarter due to wireless infrastructure and network access demand.

Sales in Asia/Pacific experienced substantial growth of 26.3% and 27.5%, respectively, for the quarter and six months period compared to a year ago, resulting from strong wireless infrastructure and industrial power demand. Gross margin as a percentage of sales increased 200 basis points for the quarter, which was driven by new component engineered solutions. Industrial power demand helped drive sales in China up 87.1% to $9.8 million for the quarter from the prior year. The strength in China is expected to continue with the Evergreen Trading Company acquisition. Sales in South Asia increased 50.1% to $5.9 million in the quarter primarily due to strong satellite product demand.

In Latin America, sales increased 9.0% and 1.8%, respectively, for the quarter and six months period from the previous year. Gross margin as a percentage of sales increased 420 basis points for the quarter. Colombia led the sales in this region with an increase of 41.6% to $0.9 million for the quarter from a year ago, resulting from higher RFWC sales that also contributed higher gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by 26.1% and 19.7% to $32.1 million and $61.4 million, respectively, for the three- and six-month periods compared to the same periods last year. Selling, general and administrative expenses as a percentage of sales increased 1.3% and 0.4% to 21.2% of sales for the quarter and six months period, respectively, from the prior year. Compared to the second quarter of fiscal 2004, SG&A increased $6.7 million, which included $3.2 million of payroll and fringes associated with approximately 85 additional personnel, and $777 of incentives for higher sales and margin performance. These payroll related costs include approximately $500 of currency rate impact due to the weakened U.S. dollar. As discussed above, the PeopleSoft implementation, Sarbanes-Oxley compliance program, and legal costs associated with the joint venture and acquisition (see Note L), contributed to the SG&A increase. Costs for global training, network expansion, and system testing for the PeopleSoft worldwide supply chain roll-out, which were incurred during the quarter are expected to decrease as the implementation has been completed. Sarbanes-Oxley compliance program costs should continue through the third quarter as the documentation and testing phases are completed.

Other Expenses

Interest expense decreased 14.6% and 13.0% to $2.2 million and $4.4 million, respectively, for the quarter and six months compared to the previous year as a result of the equity offering and elimination of a fixed rate swap offset by interest on incremental borrowing to fund working capital requirements. Cash payments for interest were $4.3 million for the six-month period ended November 27, 2004. The positive interest expense impact was offset with other, net expenses.

Other, net expenses includes foreign exchange loss of $545 for the second quarter and $732 for six months in fiscal 2005 compared to a foreign exchange gain of $66 in the second quarter and $424 for six months in fiscal 2004. The weakening of the US dollar influenced the significant foreign exchange losses.

Income Tax Provision

The effective tax rate for the six-month period of fiscal 2005 decreased to 29.4% compared to 30.2% from a year ago. The effective tax rate differs from the statutory rate of 35.0% primarily due to the impact of certain non-tax deductible charges, the Company's foreign sales corporation benefits on export sales, state taxes, and the tax impact of non-U.S. operations. As the Company restated its first quarter fiscal 2004 results because of the accounting error in its Swedish subsidiary associated with the interest expense, no adjustment was made to the income tax provision since the Company does not believe it is more likely than not that the benefits of the foreign losses will be realized. As a result, there were significant fluctuations in the income tax rate in the first half of fiscal 2004. With respect to the income tax provision for the six month period ending November 27, 2004, there was a reduction of $723 in the Company's tax reserve from a statutory expiration of foreign NOL utilization position with an offsetting placement of valuation allowances of $624 for two foreign subsidiaries with multiple year losses and an increase in the Company's tax reserve of $92 for interest on existing reserve positions.

Future effective tax rates could be adversely affected by lower than anticipated earnings in countries where the Company has lower statutory rates, changes in the valuation of certain deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, the Company is subject to the examination of its income tax returns by the Internal Revenue Service and other tax authorities and regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

Net Income

Net income for the second quarter of fiscal 2005 was $1,662 or $0.10 per share on a diluted basis as compared to net income of $2,205 or $0.15 per share on a diluted basis a year ago. Net income for the quarter was down from the prior year primarily due to increased SG&A, which as a percent of sales was 1.3% higher. Increasing cost of the Sarbanes-Oxley compliance program, the global PeopleSoft supply chain implementation, and legal expenses associated with the joint venture and acquisition (see Note L), limited the ability to leverage higher sales with dilution of SG&A as a percent of sales. Net income for the first half of fiscal 2005 was $2,910 or $0.17 per share on a diluted basis compared to net income of $2,597 or $0.18 per share on a diluted basis in the first half of the prior year.

Liquidity and Capital Resources

Cash was $17.3 million at November 27, 2004, an increase of $401 from the beginning of the fiscal year. During the first six months of fiscal 2005, the Company used $8.1 million of cash in operating activities. Working capital requirements increased $15.8 million for the six months, primarily resulting from an increase of $11.4 million in inventory and $4.2 million in receivables.

Inventory days were approximately 85 in the second quarter of fiscal 2005, compared with 89 days in the first quarter of fiscal 2005 and 77 days at the end of fiscal 2004. Exclusive supplier agreements caused inventory to increase during the first quarter of fiscal 2005. The exclusive agreement helped the wireless group increase their gross margin as a percentage of sales by approximately 100 basis points. Days sales outstanding were approximately 58 in the second quarter of 2005 compared with 61 days in the first quarter of 2005 and 52 days at the end of fiscal 2004.

In October 2004, the Company renewed its multi-currency revolving credit agreement with the current lending group in the amount of $109.0 million. The new agreement matures in October 2009 and is principally secured by the Company's trade receivables and inventory. This agreement includes lower interest rate spreads, relaxed leverage and coverage ratios, and increased borrowing base advance rates than the prior agreement while also adding an accordion feature that can increase the credit line by up to an additional $25 million. The facility bears interest at applicable LIBOR rates plus a margin, varying with certain financial performance criteria. At November 27, 2004, the applicable margin was 150 basis points and $56.6 million was outstanding. Of the $52.4 million which was unborrowed under the total facility, $44.5 million was available due to the borrowing base limitations.

The Company was in compliance with all debt covenants as of November 27, 2004. Subsequently, the Company's late filing of its second quarter Form 10-Q (see Note K) resulted in a default of the Company's credit agreement with respect to timely delivery of financial statements and Form 10-Q reports. The Company has received a waiver from its lending group for the default and with the filing of this Form 10-Q and included financial statements has satisfied the conditions of the waiver.

Net cash provided by financing activities was $12.9 million during the first half of fiscal 2005. During the first quarter, the Company had an equity offering for 3 million shares of stock that contributed $27.9 million in proceeds that was used to reduce debt by $13.3 million and fund working capital requirements.

The Company spent approximately $4.7 million on capital projects during first half of fiscal 2005, primarily related to PeopleSoft development costs and ongoing investments in information technology infrastructure. The $545 earn out payment represents a cash outlay associated with the Pixelink acquisition as the business unit achieved certain operating performance criteria.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a description of the Company’s market risks, see “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management and Market Sensitive Financial Instruments” in the Company’s Annual Report on Form 10-K for the fiscal year ended May 29, 2004.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Act of 1934, as amended (the “Exchange Act”)) designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Any controls and procedures, no matter how well designed and operated, can provide only a reasonable assurance of achieving the desired control objectives. As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Company’s management, including Chairman of the Board and Chief Executive Officer (“CEO”) and Senior Vice President and Chief Financial Officer (“CFO”), of the effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures are effective in providing a reasonable assurance of achieving their objective.

There have been no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. During the second quarter of fiscal 2005, the Company has made significant progress on remediating the material weaknesses previously described in the Company's Annual Report on Form 10-K for the year ended May 29,2004, including implementation of the following measures:

- The Company developed formal procedures for financial statement variance analysis and balance sheet reconciliations. The monthly closing schedule was formally communicated to all subsidiaries. The procedures were put in place during the second quarter of fiscal 2005 and will be tested as part of the Sarbanes-Oxley assessment process this fiscal year.
- The Company improved documentation of management review and reconciliation performance through policies, education and re-enforcement, a balance sheet listing of account owners and approvers, and the implementation of Financial Services Manager, Accounting Manager, Corporate Controller and CFO checklists. These measures were put in place during the second quarter of fiscal 2005 and will be tested as part of the Sarbanes-Oxley assessment process this fiscal year.
- Improvements to the reconciliation process during the migration from local accounting systems to PeopleSoft financials have been made and are expected to continue throughout fiscal 2005 in conjunction with the Company's Sarbanes-Oxely compliance plan.
- The Information Systems group is in the process of installing several software packages which the Company believes will remediate the internal control issues regarding change management and system monitoring. These remediation efforts are expected to be completed before the end of fiscal 2005 in conjunction with the Company's Sarbanes-Oxley compliance plan.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS (in thousands, except where indicated)

No material developments have occurred in the matters reported under the category "Legal Proceedings" in the Registrant's Report on Form 10-K for the fiscal year ended May 29, 2004, except that (i) the claim of one of the two customers of the Company's German subsidiary who made a claim in fiscal year 2003 in connection with heterojunction field effect transistors was settled on August 17, 2004 without any admission of liability on the part of the Company and without any material consideration from the Company, the settlement amount being paid by the Company's insurance carrier, and the Company was released from any liability with respect to the claim and (ii) Microsemi, against whom the Company has filed a complaint to recover damages in excess of $814 for breach of contract, has filed a complaint in the U.S. District Court, Central District of California, Case No. CV04-6108 GHK (JWJx) claiming trademark infringement and unfair competition in that the Company referred to the trademark of Microsemi in connection with product of another manufacturer and seeking to enjoin such use and unspecified damages.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company was in compliance with all debt covenants as of November 27, 2004. Subsequently, the Company's late filing of its second quarter Form 10-Q (see Note K) resulted in a default of the Company's credit agreement with respect to timely delivery of financial statements and Form 10-Q reports. The Company has received a waiver from its lending group for the default and with the filing of this Form 10-Q and included financial statements has satisfied the conditions of the waiver.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders held October 12, 2004, three proposals were submitted to a vote of the Company's stockholders: (1) the election of directors; (2) the Amendment to 1999 Stock Purchase Plan to increase the number of shares to the Plan by 200,000; (3) the appointment of KPMG LLP as independent auditors for fiscal year ending May 31, 2005. Shareholders present in person or by proxy holding shares representing a total of 41,777,046 votes out of a total 45,818,512 entitled to vote at the meeting were present, which was more than the number of votes necessary to constitute a quorum. The following table sets forth the results of the voting:

	Proposal	Number of affirmative votes	Withheld authority		
1.	Election of directors:				
	Edward J. Richardson	37,890,299	3,886,747		
	Scott Hodes	38,573,315	3,203,731		
	Samuel Rubinovitz	40,501,787	1,275,259		
	Arnold R. Allen	38,614,085	3,162,961		
	Jacques Bouyer	40,449,820	1,327,226		
	Dario Sacomani	38,614,785	3,162,261		
	Harold L. Purkey	40,919,648	857,398		
	Ad Ketelaars	38,646,885	3,130,161		
	Bruce W. Johnson	37,895,299	3,881,747		
	John R. Peterson	40,919,448	857,598		
	Proposal	**For**	**Against**	**Abstain**	**Not voted**
2.	Amendment to 1999 Stock Purchase Plan	39,534,481	973,044	31,437	1,238,084
3.	Appointment of KPMG LLP as independent auditors	41,753,668	22,218	786	374

Each of the proposals set forth above received more than the required number of votes for approval and was therefore duly and validly approved by the stockholders.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RICHARDSON ELECTRONICS, LTD.

Date: ***January 21, 2005***

By: /s/ ***DARIOSACOMANI***

Name: Dario Sacomani

Title: Senior Vice President and
Chief Financial Officer

(on behalf of the Registrant and
as Principal financial and accounting officer)

EXHIBIT INDEX	
3(b)	By-laws of the Company, as amended, incorporated by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1997.
4(a)	Restated Certificate of Incorporation of the Company, incorporated by reference to Appendix B to the Proxy Statement / Prospectus dated November 13, 1986, incorporated by reference to the Company's Registration Statement on Form S-4, Commission File No. 33-8696.
10 (af)	Amended and Restated Revolving Credit Agreement, dated October 29, 2004, by and among the Company, Burtek Systems, Inc., Richardson Electronics Canada, Ltd., Richardson Electronics Limited, RESA, SNC, Richardson Electronique sNC, Richardson Electronics Iberica, S.A., Richardson Electronics GmbH, Richardson Electronics Benelux B.V., Richardson Sweden Holding AB, Richardson Electronics KK, Bank One, NA, London Branch, Bank One, NA, Canada Branch, Bank One, NA, Tokyo Branch and Bank One, NA, incorporated by reference to the Company's Reports on Form 8-K dated November 1, 2004 and on Form 8-K dated November 5, 2004.
31.1	Certification of Edward J. Richardson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Dario Sacomani pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Edward J. Richardson and Dario Sacomani pursuant to Section 906 of the Sarbanes-Oxley Act of 2002