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 October 31, 2022

OR

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

For the transition period from to

Commission File Number 0-23248

SIGMATRON INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

SIGMATRON INTERNATIONAL ONE SOURCE. GLOBAL OPTIONS.®

Delaware (State or other jurisdiction of incorporation or organization)	36-3918470 (I.R.S. Employer Identification No.)
2201 Landmeier Road Elk Grove Village, Illinois (Address of principal executive offices)	60007 (Zip Code)

Registrant's telephone number, including area code: (847) 956-8000

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.01 par value per share	SGMA	The NASDAQ Capital Market

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

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

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

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☒

Smaller Reporting Company ☒

Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of the registrant's common stock, $0.01 par value, as of December 8, 2022: 6,071,288

SigmaTron International, Inc.

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SigmaTron International, Inc.

Condensed Consolidated Balance Sheets

	October 31, 2022 (Unaudited)	April 30, 2022
Current assets:		
Cash and cash equivalents	$ 2,388,653	$ 3,054,643
Accounts receivable, less allowance for doubtful accounts of $100,000 at October 31, 2022 and April 30, 2022	47,591,181	41,153,248
Inventories, net	176,116,265	164,965,216
Prepaid expenses and other assets	1,498,256	2,213,895
Refundable and prepaid income taxes	645,833	1,238,973
Other receivables	5,646,815	6,318,164
Total current assets	233,887,003	218,944,139
Property, machinery and equipment, net	34,911,929	35,973,215
Intangible assets, net	11,938,574	12,409,478
Goodwill	13,320,534	13,320,534
Deferred income taxes	662,159	856,863
Right-of-use assets	9,331,783	10,946,764
Other assets	1,151,638	1,180,284
Total other long-term assets	36,404,688	38,713,923
Total assets	$ 305,203,620	$ 293,631,277
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	$ 80,335,808	$ 96,039,209
Accrued wages	8,718,999	9,180,582
Accrued expenses	3,406,067	3,172,922
Income taxes payable	1,295,845	802,556
Deferred revenue	13,421,645	11,394,820
Current portion of long-term debt	2,186,422	6,991,567
Current portion of finance lease obligations	1,674,002	1,410,675
Current portion of operating lease obligations	3,468,613	3,508,864
Total current liabilities	114,507,401	132,501,195
Long-term debt, less current portion	89,281,863	60,099,402
Income taxes payable	267,998	357,331
Deferred income taxes	578,732	578,732
Finance lease obligations, less current portion	3,376,887	2,805,135
Operating lease obligations, less current portion	6,276,154	7,903,898
Other long-term liabilities	92,902	1,051,587
Total long-term liabilities	99,874,536	72,796,085
Total liabilities	214,381,937	205,297,280

SigmaTron International, Inc.
Condensed Consolidated Balance Sheets - Continued

	October 31, 2022 (Unaudited)		April 30, 2022	
Commitments and contingencies				
Stockholders' equity:				
Preferred stock, $0.01 par value; 500,000 shares authorized, none issued or outstanding		-		-
Common stock, $0.01 par value; 12,000,000 shares authorized, 6,071,288 and 6,026,788 shares issued and outstanding at October 31, 2022 and April 30, 2022, respectively		60,470		60,379
Capital in excess of par value		41,893,458		41,654,410
Retained earnings		48,867,755		46,619,208
Total stockholders' equity		90,821,683		88,333,997
Total liabilities and stockholders' equity	$	305,203,620	$	293,631,277

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

SigmaTron International, Inc.
Condensed Consolidated Statements of Income

	Three Months Ended October 31, 2022 (Unaudited)	Three Months Ended October 31, 2021 (Unaudited)	Six Months Ended October 31, 2022 (Unaudited)	Six Months Ended October 31, 2021 (Unaudited)
Net sales	$ 108,676,743	$ 100,216,614	$ 214,249,599	$ 185,956,048
Cost of products sold	95,362,730	88,439,028	189,250,551	164,595,984
Gross profit	13,314,013	11,777,586	24,999,048	21,360,064
Selling and administrative expenses	9,245,157	6,805,756	18,106,375	12,916,771
Operating income	4,068,856	4,971,830	6,892,673	8,443,293
Gain on extinguishment of long-term debt	-	-	-	(6,282,973)
Other income	(35,814)	(36,562)	(71,630)	(73,703)
Interest expense, net	1,976,831	344,675	2,930,389	582,591
Income before income tax expense	2,127,839	4,663,717	4,033,914	14,217,378
Income tax expense	1,255,967	1,513,512	1,785,367	2,270,457
Net income	$ 871,872	$ 3,150,205	$ 2,248,547	$ 11,946,921
Earnings per share – basic	$ 0.14	$ 0.73	$ 0.37	$ 2.78
Earnings per share – diluted	$ 0.14	$ 0.69	$ 0.37	$ 2.69
Weighted average shares of common stock outstanding				
Basic	6,071,288	4,313,623	6,065,098	4,294,517
Weighted average shares of common stock outstanding				
Diluted	6,145,223	4,553,899	6,159,265	4,445,289

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

SigmaTron International, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity

For the six months ended October 31, 2022 (Unaudited)

	Preferred stock		Common stock		Capital in excess of par value		Retained earnings		Total stockholders' equity
Balance at May 1, 2022	$	-	$	60,379	$	41,654,410	$	46,619,208	$ 88,333,997
Recognition of stock-based compensation		-		-		94,893		-	94,893
Restricted stock awards		-		55		49,818		-	49,873
Net income		-		-		-		1,376,675	1,376,675
Balance at July 31, 2022	$	-	$	60,434	$	41,799,121	$	47,995,883	$ 89,855,438
Recognition of stock-based compensation		-		-		76,568		-	76,568
Restricted stock awards		-		36		17,769		-	17,805
Net income		-		-		-		871,872	871,872
Balance at October 31, 2022	$	-	$	60,470	$	41,893,458	$	48,867,755	$ 90,821,683

For the six months ended October 31, 2021 (Unaudited)

	Preferred stock		Common stock		Capital in excess of par value		Retained earnings		Total stockholders' equity
Balance at May 1, 2021	$	-	$	42,560	$	23,751,461	$	36,755,040	$ 60,549,061
Recognition of stock-based compensation		-		-		20,035		-	20,035
Restricted stock awards		-		15		13,342		-	13,357
Net income		-		-		-		8,796,716	8,796,716
Balance at July 31, 2021	$	-	$	42,575	$	23,784,838	$	45,551,756	$ 69,379,169
Recognition of stock-based compensation		-		-		122,885		-	122,885
Exercise of stock options		-		897		425,655		-	426,552
Restricted stock awards		-		37		18,524		-	18,561
Net income		-		-		-		3,150,205	3,150,205
Balance at October 31, 2021	$	-	$	43,509	$	24,351,902	$	48,701,961	$ 73,097,372

SigmaTron International, Inc.
Condensed Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2022 (Unaudited)	Six Months Ended October 31, 2021 (Unaudited)
Cash flows from operating activities		
Net income	$ 2,248,547	$ 11,946,921
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of property, machinery and equipment	2,919,066	2,773,922
Stock-based compensation	171,461	142,920
Restricted stock expense	67,678	31,918
Deferred income tax expense (benefit)	194,704	(92,925)
Gain on extinguishment of long-term debt	-	(6,282,973)
Amortization of intangible assets	470,904	173,610
Amortization of financing fees	169,482	37,208
Loss from disposal or sale of machinery and equipment	13,673	9,618
Changes in operating assets and liabilities, net of acquisition		
Accounts receivable	(6,437,933)	(16,341,244)
Inventories	(11,151,049)	(35,078,520)
Prepaid expenses and other assets	3,104,483	468,470
Refundable and prepaid income taxes	593,140	(108,655)
Income taxes payable	403,956	100,033
Trade accounts payable	(15,703,401)	24,062,801
Operating lease liabilities	(1,667,995)	(1,287,382)
Accrued expenses and wages	(1,260,991)	2,407,671
Deferred revenue	2,026,825	6,366,871
Net cash used in operating activities	(23,837,450)	(10,669,736)
Cash flows from investing activities		
Purchases of machinery and equipment	(271,997)	(3,107,854)
Advances on notes receivable	-	(3,962,000)
Net cash used in investing activities	(271,997)	(7,069,854)
Cash flows from financing activities		
Proceeds from the exercise of common stock options	-	426,552
Proceeds under equipment notes	416,728	1,159,275
Payments under finance lease and sale leaseback agreements	(764,377)	(952,597)
Payments under equipment notes	(539,383)	(527,004)
Payments under building notes payable	(6,017,979)	(238,889)
Borrowings under term loan agreement	40,000,000	-
Payments under term loan agreement	(250,000)	-
Borrowings under revolving line of credit	245,043,994	208,787,919
Payments under revolving line of credit	(252,957,625)	(191,986,249)
Payments of debt financing costs	(1,487,901)	(18,300)
Net cash provided by financing activities	23,443,457	16,650,707

SigmaTron International, Inc.

Condensed Consolidated Statements of Cash Flows - Continued

	Six Months Ended October 31, 2022 (Unaudited)	Six Months Ended October 31, 2021 (Unaudited)
Change in cash and cash equivalents	(665,990)	(1,088,883)
Cash and cash equivalents at beginning of period	3,054,643	3,509,229
Cash and cash equivalents at end of period	$ 2,388,653	$ 2,420,346
Supplementary disclosures of cash flow information		
Cash paid for interest	$ 2,480,985	$ 649,607
Cash paid for income taxes	567,282	2,382,322
Purchase of machinery and equipment financed under finance leases	1,599,456	1,558,579
Financing of insurance policy	73,868	295,052
Gain on extinguishment of long-term debt	-	6,282,973

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

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note A - Description of the Business

SigmaTron International, Inc., its subsidiaries, foreign enterprises and international procurement office (collectively, the "Company") operate in two reportable segments as an independent provider of electronic manufacturing services ("EMS") and a provider of products to the Pet Tech market. The EMS segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products. The Pet Tech reportable segment offers electronic products such as the Freedom Smart Dog Collar™, a wireless geo-mapped fence and wellness system, along with apparel and accessories. In connection with the production of assembled products, the EMS segment also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. The EMS segment produces the Freedom Smart Dog Collar™ sold by the Pet Tech segment.

Note B - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries, Standard Components de Mexico, S.A., AbleMex S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., and Wagz, Inc., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co. Ltd., and Wujiang SigmaTron Electronic Technology Co., Ltd. (collectively, "SigmaTron China"), and its international procurement office, SigmaTron International Inc. Taiwan Branch (collectively, the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended October 31, 2022 is not necessarily indicative of the results that may be expected for the year ending April 30, 2023. The condensed consolidated balance sheet at April 30, 2022, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. For further information, refer to the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 2022.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note C - Inventories, net

The components of inventory consist of the following:

	October 31, 2022	April 30, 2022
Finished products	$ 25,837,505	$ 22,175,641
Work-in-process	5,125,048	5,907,766
Raw materials	148,163,059	140,118,156
	179,125,612	168,201,563
Less excess and obsolescence reserve	(3,009,347)	(3,236,347)
	$ 176,116,265	$ 164,965,216

Note D - Earnings Per Share and Stockholders' Equity

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
Net income	$ 871,872	$ 3,150,205	$ 2,248,547	$ 11,946,921
Weighted-average shares				
Basic	6,071,288	4,313,623	6,065,098	4,294,517
Effect of dilutive stock options	73,935	240,276	94,167	150,772
Diluted	6,145,223	4,553,899	6,159,265	4,445,289
Basic earnings per share	$ 0.14	$ 0.73	$ 0.37	$ 2.78
Diluted earnings per share	$ 0.14	$ 0.69	$ 0.37	$ 2.69

Options to purchase 508,519 and 429,561 shares of common stock were outstanding and exercisable at October 31, 2022 and 2021, respectively. There were no options granted during the three and six month periods ended October 31, 2022 and 102,000 options were granted during the six month period ended October 31, 2021. There was $76,568 and $122,885 stock option expense recognized for the three month periods ended October 31, 2022 and 2021, respectively. There was $171,461 and $142,920 stock option expense recognized for the six month periods ended October 31, 2022 and 2021, respectively. The balance of unrecognized compensation expense related to the Company's stock option plans at October 31, 2022 and 2021 was $848,916 and $102,849, respectively. There were 40,798 anti-dilutive common stock equivalents and no anti-dilutive common stock equivalents for the three month period ended October 31, 2022 and 2021, respectively, which have been excluded

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note D - Earnings Per Share and Stockholders' Equity - Continued

from the calculation of diluted earnings per share. There were 6,251 anti-dilutive common stock equivalents and no anti-dilutive common stock equivalents for the six month period ended October 31, 2022 and 2021, respectively, which have been excluded from the calculation of diluted earnings per share.

Note E - Long-term Debt

Debt and capital lease obligations consisted of the following at October 31, 2022 and April 30, 2022:

	October 31, 2022	April 30, 2022
Debt:		
Notes Payable - Secured lenders	$ 88,666,746	$ 56,830,377
Notes Payable - Buildings	441,361	6,459,340
Notes Payable - Equipment	4,079,637	4,202,292
Unamortized deferred financing costs	(1,719,459)	(401,040)
Total debt	91,468,285	67,090,969
Less current maturities	2,186,422	6,991,567
Long-term debt	$ 89,281,863	$ 60,099,402
Finance lease obligations	$ 5,050,889	$ 4,215,810
Less current maturities	1,674,002	1,410,675
Total finance lease obligations, less current portion	$ 3,376,887	$ 2,805,135

Notes Payable – Secured lenders

On January 29, 2021, the Company entered into a Credit Agreement (the "Agreement") with JPMorgan Chase Bank, N.A. ("Lender"), pursuant to which Lender provided the Company with a secured credit facility consisting of a revolving loan facility and a term loan facility (collectively, the "Facility").

On July 18, 2022, SigmaTron, Wagz and Lender amended and restated the Agreement by entering into an Amended and Restated Credit Agreement (as so amended and restated, the "Credit Agreement"). The Facility, as amended, allows the Company to borrow on a revolving basis up to the lesser of (i) $70,000,000 or (ii) an amount equal to a percentage of the eligible receivable borrowing base plus a percentage of the inventory borrowing base minus any reserves established by Lender. The maturity date of the Facility was extended to July 18, 2027. Deferred financing costs of $296,802 and $128,733 were capitalized during the six month period ended October 31, 2022 and during the fiscal year ended April 30, 2022, respectively, which are amortized over the term of the Agreement. As of October 31, 2022, there was $48,916,746 outstanding and $19,150,939 of unused availability under the revolving Facility compared to an outstanding balance of $51,392,158 and $5,691,855 of unused availability at

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

April 30, 2022. As of October 31, 2022 and April 30, 2022, the unamortized amount offset against outstanding debt was $604,006 and $393,503, respectively.

Under the Credit Agreement, a minimum Fixed Charge Coverage Ratio ("FCCR") financial covenant of 1.10x is applicable only during an FCCR trigger period which occurs when (a) commencing on the Effective Date and ending when the Term Loan Obligations have been Paid in Full and (b) following the Payment in Full of the Term Loan Obligations, (i) an event of default (as defined in the Agreement) has occurred and is continuing, and Lender has elected to impose a FCCR trigger period upon notice to the Company or (ii) availability falls below the greater of (a) 10% of the revolving commitment and (b) the outstanding principal amount of the term loans. In addition, the Credit Agreement imposes a financial covenant that requires the Company to maintain a leverage ratio of Total Debt to EBITDA (each as defined in the Credit Agreement) for any twelve month period not to exceed a certain amount for each fiscal quarter through the maturity of the revolving Facility, which ratio (a) ranges from 5.75-to-1 for the fiscal quarter ending on October 31, 2022 to 3.00-to-1 for the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio (as defined in the Credit Agreement) is less than or equal to 1.50-to-1) and (b) ranges from 5.75-to-1 for the fiscal quarter ending on October 31, 2022 to 4.00-to-1 for the fiscal quarter ending on July 18, 2027 (if the Term Loan Borrowing Base Coverage Ratio is greater than or equal to 1.50-to-1).

In connection with the closing of the Credit Agreement, Lender and TCW Asset Management Company LLC, as administrative agent under the Term Loan Agreement (as defined below), entered into the Intercreditor Agreement, dated July 18, 2022, and acknowledged by SigmaTron and Wagz (the "ICA"), to set forth and govern the lenders' respective lien priorities, rights and remedies under the Credit Agreement and the Term Loan Agreement.

The Facility under the Credit Agreement is secured by: (a) a first priority security interest in SigmaTron's and Wagz's (i) accounts and inventory (excluding Term Priority Mexican Inventory (as defined in the ICA) and certain inventory in transit, (ii) deposit accounts, (iii) proceeds of business interruption insurance that constitute ABL BI Insurance Share (as defined in the ICA), (iv) certain other property, including payment intangibles, instruments, equipment, software and hardware and similar systems, books and records, to the extent related to the foregoing, and (v) all proceeds of the foregoing, in each case, now owned or hereafter acquired (collectively, the "ABL Priority Collateral"); and (b) a second priority security interest in Term Priority Collateral (as defined below) other than (i) real estate and (ii) the equity interests of SigmaTron's foreign subsidiaries (unless such a pledge is requested by Lender).

On July 18, 2022, SigmaTron, Wagz and TCW Asset Management Company LLC, as administrative agent, and other Lenders party thereto (collectively, "TCW") entered into a Credit Agreement (the "Term Loan Agreement") pursuant to which TCW made a term loan to the Company in the principal amount of $40,000,000 (the "TCW Term Loan"). The TCW Term Loan bears interest at a rate per annum based on SOFR, plus the Applicable Margin of 7.50% (each as defined in the Term Loan Agreement). The TCW Term Loan has a SOFR floor of 1.00%. The maturity date of the TCW Term Loan is July 18, 2027. The amount outstanding as of October 31, 2022, was $39,750,000. Deferred financing costs of $1,191,099 were capitalized during the six month period ended October 31, 2022. As of October 31, 2022, the unamortized amount offset against outstanding debt was $1,115,453.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

The Term Loan Agreement imposes financial covenants, including covenants requiring the Company to maintain a minimum Fixed Charge Coverage Ratio (as defined in the Term Loan Agreement) of 1.10-to-1 and maintain the same leverage ratio of Total Debt to EBITDA as described above under the Credit Agreement. The Company is required to make quarterly repayments of the principal amount of the TCW Term Loan in amounts equal to $250,000 per fiscal quarter for the quarters beginning October 31, 2022 and $500,000 per fiscal quarter for quarters beginning October 31, 2024. The Term Loan Agreement also requires mandatory annual repayments equal to 50% of Excess Cash Flow (as defined in the Term Loan Agreement).

The TCW Term Loan is secured by: (a) a first priority security interest in all property of SigmaTron and Wagz that does not constitute ABL Priority Collateral, which includes: (i) SigmaTron's and Wagz's real estate other than SigmaTron's Del Rio, Texas, warehouses, (ii) SigmaTron's and Wagz's machinery, equipment and fixtures (but excluding ABL Priority Equipment (as defined in the ICA)), (iii) the Term Priority Mexican Inventory, (as defined in the ICA), (iv) SigmaTron's stock in its direct and indirect subsidiaries, (v) SigmaTron's and Wagz's general intangibles (excluding any that constitute ABL Priority Collateral), goodwill and intellectual property, (vi) the proceeds of business interruption insurance that constitute Term BI Insurance Share (as defined in the ICA), (vii) tax refunds, and (viii) all proceeds thereof, in each case, now owned or hereafter acquired (collectively, the "Term Priority Collateral"); and (b) a second priority security interest in all collateral that constitutes ABL Priority Collateral. Also, SigmaTron's three Mexican subsidiaries pledged all of their assets as security for the TCW Term Loan.

On July 18, 2022, a portion of the proceeds of the TCW Term Loan was used to pay in full the term loan principal amount of $5,000,000 (the "FILO Term Loan") that Lender extended to the Company under the Agreement on April 25, 2022.

On April 23, 2020, the Company received a PPP loan from U.S. Bank, as lender, pursuant to the Paycheck Protection Program of the CARES Act, as administered by the U.S. Small Business Administration (the "SBA") in the amount of $6,282,973 (the "PPP Loan"). The PPP Loan was scheduled to mature on April 23, 2022. The Company was notified of the forgiveness of the PPP Loan by the SBA on July 9, 2021 and all principal and accrued interest were forgiven. The accounting for the forgiveness is reflected in the Company's Statements of Income, in the six months ended October 31, 2021, as a non-cash gain upon extinguishment of long-term debt.

On March 15, 2019, the Company's wholly-owned foreign enterprise, Wujiang SigmaTron Electronic Technology Co., Ltd., entered into a credit facility with China Construction Bank. On January 26, 2021, the agreement was amended and terminated on January 6, 2022. On January 17, 2022, the agreement was renewed, and is scheduled to expire on December 23, 2022. Under the agreement Wujiang SigmaTron Electronic Technology Co., Ltd. can borrow up to 9,000,000 Renminbi, approximately $1,254,000 as of October 31, 2022, and the facility is collateralized by Wujiang SigmaTron Electronics Co., Ltd.'s manufacturing building. Interest is payable monthly and the facility bears a fixed interest rate of 3.8% per annum. There was no outstanding balance under the facility at October 31, 2022 compared to an outstanding balance of $438,219 at April 30, 2022.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

Notes Payable – Buildings

The Facility also included two term loans, in the aggregate principal amount of $6,500,000. A final aggregate payment of approximately $4,368,444 was due on or before January 29, 2026. On July 18, 2022, a portion of the proceeds of the TCW Term Loan was used to pay in full both term loans extended by Lender. The outstanding balance was $0 at October 31, 2022 compared to an outstanding balance of $5,994,445 at April 30, 2022.

The Company entered into a mortgage agreement on March 3, 2020, in the amount of $556,000, with The Bank and Trust SSB to finance the purchase of the property that serves as the Company's warehousing and distribution center in Del Rio, Texas. The note requires the Company to pay monthly installment payments in the amount of $6,103. Interest accrues at a fixed rate of 5.75% per year until March 3, 2025, and adjusts thereafter, on an annual basis, equal to 1.0% over the Prime Rate as published by The Wall Street Journal. The note is payable over a 120 month period. The outstanding balance was $441,361 and $464,895 at October 31, 2022 and April 30, 2022, respectively.

Notes Payable – Equipment

The Company routinely enters into secured note agreements with Engencap Fin S.A. DE C.V. to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from November 1, 2022 through May 1, 2023, with quarterly installment payments ranging from $9,676 to $16,762 and a fixed interest rate ranging from 7.35% to 8.00% per annum.

The Company routinely enters into secured note agreements with FGI Equipment Finance LLC to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from March 2025 through October 2027, with quarterly installment payments ranging from $10,723 to $69,439 and a fixed interest rate ranging from 8.25% to 9.25% per annum.

Annual maturities of the Company's debt, net of deferred financing fees for the remaining periods, as of October 31, 2022, are as follows:

		Secured lenders	Building	Equipment	Total
For the remaining 6 months of the fiscal year ending April 30:	2023	$ 500,000	$ 24,218	$ 555,522	$ 1,079,740
For the fiscal years ending April 30:	2024	1,000,000	50,571	1,119,647	2,170,218
	2025	1,750,000	53,557	1,205,779	3,009,336
	2026	2,000,000	56,719	841,614	2,898,333
	2027	81,697,287	60,068	291,085	82,048,440
	2028	-	63,614	65,990	129,604
	Thereafter	-	132,614	-	132,614
		$ 86,947,287	$ 441,361	$ 4,079,637	$ 91,468,285

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

Finance Lease and Sales Leaseback Obligations

The Company enters into various finance lease and sales leaseback agreements. The terms of the outstanding lease agreements mature through October 1, 2026, with monthly installment payments ranging from $2,874 to $33,706 and a fixed interest rate ranging from 7.09% to 12.73% per annum.

Note F - Income Tax

The income tax expense was $1,255,967 for the three month period ended October 31, 2022 compared to an income tax expense of $1,513,512 for the same period in the prior fiscal year. The Company's effective tax rate was 59.03% and 32.45% for the quarters ended October 31, 2022 and 2021, respectively. The increase in effective tax rate is due primarily to an increase in valuation allowance during the three month period ended October 31, 2022.

The income tax expense was $1,785,367 for the six month period ended October 31, 2022 compared to an income tax expense of $2,270,457 for the same period in the prior fiscal year. The Company's effective tax rate was 44.26% and 15.97% for the six month period ended October 31, 2022 and 2021, respectively. The decrease in income tax expense for the six month period ended October 31, 2022 compared to the same period in the previous year is due to a decrease in income recognized in the current year compared to the previous year. The increase in effective tax rate for the six month period ended October 31, 2022 is due primarily to tax exempt income recognized in the previous year.

As described in Note E, the Company received a PPP Loan under the CARES Act of $6,282,973. For federal income tax purposes, the CARES Act expressly provides that any forgiveness or cancellation of all or part of such loans will not be treated as income for tax purposes. On January 6, 2021 the IRS issued Revenue Ruling 2021-02 allowing deductions for the payments of eligible expenses when such payments would result in the forgiveness of a loan under the PPP. The ruling supersedes previous IRS guidance stating that such deductions would be disallowed. The Company received full forgiveness of its PPP Loan on July 9, 2021. In accordance with the CARES Act and IRS Revenue Ruling 2021-02, the loan forgiveness amount was excluded from income for tax purposes.

After SigmaTron's merger with Wagz, Inc. ("Wagz") effective December 31, 2021, SigmaTron and Wagz (collectively, the "Company") will file tax returns on a consolidated basis for periods ending after the merger. In evaluating the consolidated group's ability to recover its deferred tax assets on a consolidated basis, and considering historical operating results of both companies, the consolidated group's deferred tax assets are not more likely than not to be realized. Therefore, a valuation allowance was established on the group's U.S. deferred tax assets during fiscal year 2022. The Company has established a valuation allowance of $4,627,775 on its federal and state NOL carryforwards and other U.S. deferred tax assets as of October 31, 2022. The Company had also established a valuation allowance of $452,484 on NOLs attributable to its Vietnam subsidiary as of October 31, 2022. Based on historical losses and forecasted future earnings, the Company had determined that the tax benefit from such assets are more likely than not to be realized. The Company's valuation allowance was $5,080,259 and $4,543,819 as of October 31, 2022 and April 30, 2022, respectively.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note F - Income Tax - Continued

The Company has not changed its plans to indefinitely reinvest the earnings of the Company's foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $11,255,000 as of October 31, 2022.

Note G - Commitments and Contingencies

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position, results of operations or cash flows.

Note H - Significant Accounting Policies

Management Estimates and Uncertainties - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, excess and obsolete reserves for inventory, deferred income, deferred taxes, valuation allowance for deferred taxes and valuation of goodwill and long-lived assets. Actual results could materially differ from these estimates.

The potential impact of future disruptions and continued economic uncertainty over the Company's global supply chain may have a significant adverse impact on the timing of delivery of customer orders and the levels of future customer orders. It is possible that these potential adverse impacts may result in the recognition of material impairments of the Company's long-lived assets or other related charges in future periods.

Revenue Recognition - The following table presents the Company's revenue disaggregated by the principal end-user markets it serves:

	Three Months Ended		Six Months Ended	
Net trade sales by end-market	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
Industrial Electronics	$ 70,679,415	$ 55,094,535	$ 141,008,904	$ 102,339,427
Consumer Electronics	32,028,590	39,712,171	60,926,794	72,316,047
Medical / Life Sciences	5,968,738	5,409,908	12,313,901	11,300,574
Total Net Trade Sales	$ 108,676,743	$ 100,216,614	$ 214,249,599	$ 185,956,048

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

During the three and six month periods ending October 31, 2022, no revenues were recognized from performance obligations satisfied or partially satisfied in previous periods and no amounts were allocated to performance obligations that remain unsatisfied or partially unsatisfied at October 31, 2022. The Company is electing not to disclose the amount of the remaining unsatisfied performance obligation with a duration of one year or less as permitted by the practical expedient in ASU 2014-09, "*Revenue from Contracts with Customers.*" The Company had no material remaining unsatisfied performance obligations as of October 31, 2022, with an expected duration of greater than one year.

Income Tax - The Company's income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in both the U.S. and several foreign jurisdictions. Significant judgments and estimates by management are required in determining the consolidated income tax expense assessment.

Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. In evaluating the Company's ability to recover its deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company begins with historical results and changes in accounting policies, and incorporates assumptions including the amount of future state, federal and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment and estimates by management about the forecasts of future taxable income and are consistent with the plans and estimates the Company uses to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income and/or loss. Valuation allowances are established when necessary to reduce deferred income tax assets to an amount more likely than not to be realized. The Company's valuation allowance was $5,080,259 and $4,543,819 as of October 31, 2022 and April 30, 2022, respectively.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including amortizable intangible assets, for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360: *Property, Plant and Equipment*. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company first performs an impairment review based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. If the carrying value exceeds the undiscounted cash flows, the Company records an impairment, if any, for the difference between the estimated fair value of the asset group and its carrying value. The Company further conducts annual reviews of its long-lived asset groups for possible impairment. The Company's analysis did not indicate that any of its other long-lived assets were impaired. The Company has yet to experience significant cancellations of orders; however, the potential impact of future disruptions, continued economic

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

uncertainty over COVID-19 may have a significant adverse impact on the timing of delivery of customer orders and the levels of future customer orders.

Goodwill - Goodwill represents the excess cost over fair value of the net assets of acquired businesses. The Company does not amortize goodwill and intangible assets that have indefinite lives. The Company performs an impairment assessment of goodwill and intangible assets with indefinite lives annually, or more frequently if triggering events occur, based on the estimated fair value of the related reporting unit or intangible asset. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When performing its annual impairment assessment as of April 30, the Company evaluates the goodwill assigned to each of its reporting units for potential impairment by comparing the estimated fair value of the relevant reporting unit to the carrying value. The Company uses various Level 2 and Level 3 valuation techniques to determine the fair value of its reporting units, including discounting estimated future cash flows based on a cash flow forecast prepared by the relevant reporting unit and market multiples of relevant public companies. If the fair value of a reporting unit is less than its carrying value, a goodwill impairment loss is recorded for the difference. No impairment of goodwill was recorded for the six month period ended October 31, 2022.

New Accounting Standards:

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." ASU 2016-13, as amended by ASU 2019-04 and ASU 2019-05, that introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. For small reporting companies, ASU 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2022, and the guidance is to be applied using the modified-retrospective approach. Earlier adoption is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*", which provides optional expedients and exceptions for a period of time to ease the potential burden in accounting for the transition from reference rates that are expected to be discontinued. Regulators and market participants in various jurisdictions have undertaken efforts to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. The amendments in this update apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In January 2021, the FASB issued clarification on the scope of relief related to the reference rate reform.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Note I – Leases

The Company leases office and warehouse space, vehicles and other equipment under non-cancellable operating leases with initial terms typically ranging from 1 to 5 years. At contract inception, the Company reviews the facts and circumstances of the arrangement to determine if the contract is or contains a lease. The Company follows the guidance in Topic 842 "Leases" to evaluate whether the contract has an identified asset; if the Company has the right to obtain substantially all economic benefits from the asset; and if the Company has the right to direct the use of the underlying asset. When determining if a contract has an identified asset, the Company considers both explicit and implicit assets, and whether the supplier has the right to substitute the asset. When determining if the Company has the right to direct the use of an underlying asset, the Company considers if it has the right to direct how and for what purpose the asset is used throughout the period of use and if it controls the decision-making rights over the asset.

The Company's lease terms may include options to extend or terminate the lease. The Company exercises judgment to determine the term of those leases when extension or termination options are present and includes such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

The Company has elected to include both lease and non-lease components in the determination of lease payments. Payments made to a lessor for items such as taxes, insurance, common area maintenance, or other costs commonly referred to as executory costs, are also included in lease payments if they are fixed. The fixed portion of these payments are included in the calculation of the lease liability, while any variable portion would be recognized as variable lease expenses, when incurred. Variable payments made to third parties for these, or similar costs, such as utilities, are not included in the calculation of lease payments.

At commencement, lease-related assets and liabilities are measured at the present value of future lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company exercises judgment in determining the incremental borrowing rate based on the information available when the lease commences to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease cost includes amortization, which is recognized on a straight-line basis over the expected life of the leased asset, and interest expense, which is recognized following an effective interest rate method.

Operating leases are included in other assets, current operating lease obligations, and operating lease obligations (less current portion) on the Company's consolidated balance sheet. Finance leases are included in property, plant and equipment and current and long-term portion of finance lease obligations on the Company's consolidated balance sheet. Short term leases with an initial term of 12 months or less are not presented on the balance sheet as expense is recognized as incurred.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	October 31, 2022	April 30, 2022
Operating Leases:			
Right-of-use Assets	Right-of-use assets	$ 9,331,783	$ 10,946,764
Operating lease current liabilities	Current portion of operating lease obligations	3,468,613	3,508,864
Operating lease noncurrent liabilities	Operating lease obligations, less current portion	6,276,154	7,903,898
Finance Leases:			
Right-of-use Assets	Property, machinery and equipment	6,340,887	5,561,243
Finance lease current liabilities	Current portion of finance lease obligations	1,674,002	1,410,675
Finance lease noncurrent liabilities	Finance lease obligations, less current portion	3,376,887	2,805,135

The components of lease expense for the three and six month periods ended October 31, 2022 and 2021, are as follows:

	Expense Classification	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
Operating Leases:					
Operating lease cost	Operating	629,094	589,654	1,252,905	1,181,058
Variable lease cost	Operating	54,816	97,354	109,631	194,708
Short term lease cost	Operating	2,250	1,800	4,500	3,600
Finance Leases:					
Amortization of right-of-use assets	Operating	658,149	540,118	1,229,252	1,134,221
Interest expense	Interest	122,219	71,578	185,833	137,982
Total		1,466,528	1,300,504	2,782,121	2,651,569

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

The weighted average lease term and discount rates for the quarters ended October 31, 2022 and 2021, are as follows:

	October 31, 2022	**October 31, 2021**
Operating Leases:		
Weighted average remaining lease term (months)	41.19	50.30
Weighted average discount rate	3.2%	3.1%
Finance Leases:		
Weighted average remaining lease term (months)	36	32.21
Weighted average discount rate	9.7%	8.9%

Future payments due under leases reconciled to lease liabilities are as follows:

	Operating	Finance
For the remaining 6 months of the fiscal year ending April 30:		
2023	$ 1,815,098	$ 1,132,572
For the fiscal years ending April 30:		
2024	3,136,737	1,895,835
2025	2,476,375	1,674,988
2026	2,017,498	1,007,719
2027	445,298	177,773
2028	74,382	-
Thereafter	133,717	-
Total undiscounted lease payments	10,099,105	5,888,887
Present value discount, less interest	354,338	837,998
Lease liability	$ 9,744,767	$ 5,050,889

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

Supplemental disclosures of cash flow information related to leases for the six months ended October 31, 2022 and 2021 are as follows:

	Six Months Ended	
Other Information	October 31, 2022	October 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	185,833	137,982
Operating cash flows from operating leases	166,664	198,729
Financing cash flows from finance leases	764,377	952,597
Supplemental non-cash information on lease liabilities arising from obtaining right-of-use assets:		
Right-of-use assets obtained in exchange for new finance lease liabilities	1,599,456	1,558,579
Right-of-use assets obtained in exchange for operating lease liabilities	43,641	-

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note J – Acquisition

On December 31, 2021, the Company acquired 100% of the stock of Wagz under the terms of the Agreement and Plan of Merger dated July 19, 2021, as amended by the First Amendment to Agreement and Plan of Merger dated December 7, 2021 (the "Merger Agreement"). Wagz has developed and brought to market a high tech pet collar and has multiple other products in development. Wagz is an internet of things ("IoT") company which both owns intellectual property and secures recurring revenue through subscriptions for its services.

Prior to the acquisition, the Company had an investment in Wagz of $600,000, Convertible Secured Promissory Notes issued by Wagz of $12,000,000 and Secured Promissory Notes issued by Wagz of $1,380,705. Pursuant to the Merger Agreement, prior to the acquisition, the Convertible Secured Promissory Notes converted to 12,000,000 shares of Wagz common stock, resulting in a 25.5% ownership in Wagz. The Company's 25.5% equity interest in Wagz common stock was remeasured to fair value of $6,299,765, resulting in a non-cash impairment charge of $6,300,235 within the Statements of Income during fiscal year 2022.

Pursuant to the Merger Agreement, 2,443,870 shares of common stock of the Company were issued in the merger for a value of $25,245,177, of which 1,546,592 shares are allocated to Wagz shareholders (excluding the Company) for a total value of $15,976,295, and 897,278 shares are allocated to the Company and treated as treasury stock for a total value of $9,268,881, recorded in the Statements of Changes in Stockholders' Equity for the fiscal year 2022. The treasury shares were retired as of April 30, 2022.

The following table summarizes the consideration for the acquisition of Wagz:

Consideration

Issuance of 1,546,592 common stock of SigmaTron	$	15,976,295
Fair value of consideration transferred		15,976,295
Secured Promissory Notes		1,380,173
Fair value of SigmaTron's equity interest in Wagz held prior to the business combination		6,299,765
	$	23,656,233

The following table presents the purchase price allocation for Wagz. The Company is accounting for the acquisition under the acquisition method and is required to measure identifiable assets acquired and liabilities assumed of the acquiree at fair value on the closing date. The fair value of the majority of the assets was determined by a third party valuation firm using management estimates and assumptions including intangible assets of $9,730,000 for patents and $1,230,000 for trade names. The appropriate fair values of the assets acquired and liabilities assumed are based on estimates and assumptions.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note J – Acquisition – Continued

The excess consideration was recorded as goodwill of $13,320,534, all of which is non-deductible for tax purposes. Goodwill represents future economic benefits arising from other assets acquired that could not be individually identified including workforce additions, growth opportunities, and increased presence in the Pet Tech market. The recorded goodwill has been assigned to the Pet Tech reportable segment.

Cash	$	508,274
Working capital		224,046
Property, plant and equipment		201,839
Acquired intangible assets		10,960,000
Right-of-use operating lease assets		647,076
Other assets		6,000
Operating lease obligations		(647,077)
Deferred tax liability		(215,000)
Other liabilities		(1,349,459)
Goodwill		13,320,534
Fair value of purchase consideration	$	23,656,233

The intangible assets acquired in the Wagz acquisition consisted of the following:

		Fair Value	Expected Weighted Amortization Period
Trade name	$	1,230,000	20 years
Patents		9,730,000	18 years
	$	10,960,000	

The fair value recorded as of April 30, 2022 is based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy. The fair value of the acquired trade names and patents was determined using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief from royalty method values an intangible asset by estimating the royalties saved through ownership of the asset. The relief from royalty method requires identifying the future revenue that would be generated by the intangible asset, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date using the internal rate of return.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note K – Intangible Assets

Intangible assets subject to amortization are summarized as of October 31, 2022 and April 30, 2022, as follows:

	October 31,2022			April 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Spitfire:						
Non-contractual customer relationship	4,690,000	(3,209,713)	1,480,287	4,690,000	(3,039,837)	1,650,163
Wagz:						
Trade name	1,230,000	(51,250)	1,178,750	1,230,000	(20,500)	1,209,500
Patents	9,730,000	(450,463)	9,279,537	9,730,000	(180,185)	9,549,815
Total	$ 15,650,000	$ (3,711,426)	$ 11,938,574	$ 15,650,000	$ (3,240,522)	$ 12,409,478

Estimated aggregate amortization expense for the Company's intangible assets, which become fully amortized in 2040, for the remaining periods as of October 31, 2022, are as follows:

For the remaining 6 months of the fiscal year ending April 30:	2023	$	470,280
For the fiscal years ending April 30:	2024		933,898
	2025		926,758
	2026		919,751
	2027		912,956
	Thereafter		7,774,931
		$	11,938,574

Amortization expense was $235,142 and $86,488 for the three month periods ended October 31, 2022 and October 31, 2021, respectively. Amortization expense was $470,904 and $173,610 for the six month periods ended October 31, 2022 and October 31, 2021, respectively.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Separate financial information is regularly evaluated by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources. For the Company, the CODM is the Company's Chief Executive Officer.

The EMS reportable segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the EMS segment provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. The EMS segment produces the Freedom Smart Dog Collar™ sold by the Pet Tech segment.

The Pet Tech reportable segment offers electronic products such as the Freedom Smart Dog Collar™, a wireless geo-mapped fence and wellness system, along with apparel and accessories.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The CODM allocates resources to and evaluates the performance of each operating segment based on operating income.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

The tables below present information about the Company's reportable segments for the three month periods ended October 31, 2022 and October 31, 2021.

	Three Months Ended October 31, 2022		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales (1)	$ 108,221,067	$ 455,676	$ 108,676,743
Operating income (loss)	6,799,982	(2,731,126)	4,068,856
Other income			(35,814)
Interest expense, net			1,976,831
Income before income taxes			$ 2,127,839
Purchases of machinery and equipment	697,940	38,515	736,455
Depreciation and amortization of property, machinery and equipment	1,456,624	10,662	1,467,286
Amortization of intangible assets	84,628	150,514	235,142
Identifiable assets	$ 281,517,954	$ 23,685,666	$ 305,203,620

(1) The EMS segment manufactures products sold to the Pet Tech segment. Related intersegment sales of $644,097 have been eliminated.

	Three Months Ended October 31, 2021		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales	$ 100,216,614	$ -	$ 100,216,614
Operating income	4,971,830	-	4,971,830
Other income			(36,562)
Interest expense, net			344,675
Income before income taxes			$ 4,663,717
Purchases of machinery and equipment	1,054,729	-	1,054,729
Depreciation and amortization of property, machinery and equipment	1,417,645	-	1,417,645
Amortization of intangible assets	86,488	-	86,488
Identifiable assets	$ 250,203,733	$ -	$ 250,203,733

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

The tables below present information about the Company's reportable segments for the six month periods ended October 31, 2022 and October 31, 2021.

	Six Months Ended October 31, 2022		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales (2)	$ 213,411,047	$ 838,552	$ 214,249,599
Operating income (loss)	11,847,360	(4,954,687)	6,892,673
Other income			(71,630)
Interest expense, net			2,930,389
Income before income taxes			$ 4,033,914
Purchases of machinery and equipment	1,772,695	98,758	1,871,453
Depreciation and amortization of property, machinery and equipment	2,889,751	29,315	2,919,066
Amortization of intangible assets	169,876	301,028	470,904
Identifiable assets	$ 281,517,954	$ 23,685,666	$ 305,203,620

(2) The EMS segment manufactures products sold to the Pet Tech segment. Related intersegment sales of $727,613 have been eliminated.

	Six Months Ended October 31, 2021		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales	$ 185,956,048	$ -	$ 185,956,048
Operating income	8,443,293	-	8,443,293
Gain on extinguishment of long-term debt			(6,282,973)
Other income			(73,703)
Interest expense, net			582,591
Income before income taxes			$ 14,217,378
Purchases of machinery and equipment	4,666,433	-	4,666,433
Depreciation and amortization of property, machinery and equipment	2,773,922	-	2,773,922
Amortization of intangible assets	173,610	-	173,610
Identifiable assets	$ 250,203,733	$ -	$ 250,203,733

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

The following tables set forth net sales and tangible long-lived assets by geographic area where the Company operates. Tangible long-lived assets include property, plant and equipment and operating lease assets.

	Three Months Ended		Six Months Ended	
	October 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
Net sales:				
U.S.	$ 29,236,679	$ 23,198,568	$ 55,127,307	$ 42,182,937
China	13,380,106	10,166,868	26,972,492	22,197,547
Vietnam	2,762,806	3,476,162	6,355,450	7,451,093
Mexico	63,297,152	63,375,016	125,794,350	114,124,471
Total net sales	$ 108,676,743	$ 100,216,614	$ 214,249,599	$ 185,956,048

Tangible long-lived assets include property, plant and equipment and operating lease assets consisted of the following at October 31, 2022 and April 30, 2022:

	October 31, 2022	April 30, 2022
Tangible long-lived assets, net:		
U.S.	$ 20,984,270	$ 21,968,745
China	4,615,270	4,778,610
Mexico	17,588,951	19,606,131
Other	1,055,221	566,493
Total tangible long-lived assets, net	$ 44,243,712	$ 46,919,979

Item 2.Management's Discussion and Analysis of Financial Condition and Results of Operations.

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., Spitfire Controls (Cayman) Co. Ltd., and Wagz, Inc. ("Wagz"), wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and Wujiang SigmaTron Electronic Technology Co., Ltd. and international procurement office SigmaTron International Inc. Taiwan Branch (collectively, the "Company") and other Items in this Quarterly Report on Form 10-Q contain forward-looking statements concerning the Company's business or results of operations. Words such as "continue," "anticipate," "will," "expect," "believe," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the direct and indirect risks and uncertainties inherent in the Company's business including, but not necessarily limited to, the risks inherent in any merger, acquisition or business combination (including the December 31, 2021 acquisition of Wagz); the Company's continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from the Company's customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of the Company's operating results; the results of long-lived assets and goodwill impairment testing; the ability to achieve the expected benefits of acquisitions as well as the expenses of acquisitions; the collection of aged account receivables; the variability of the Company's customers' requirements; the impact of inflation on the Company's operating results; the availability and cost of necessary components and materials; the impact acts of war may have to the supply chain; the ability of the Company and its customers to keep current with technological changes within its industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of the Company's credit arrangements; the costs of borrowing under the Company's senior and subordinated credit facilities, including under the rate indices that replaced LIBOR, including recently increasing interest rates; the ability to meet the Company's financial and restrictive covenants under its loan agreements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company's business; the turmoil in the global economy and financial markets; the spread of COVID-19 and variants (commonly known as "COVID-19") which has threatened the Company's financial stability by causing a disruption to the Company's global supply chain, and caused plant closings or reduced operations thus reducing output at those facilities; the continued availability of scarce raw materials, exacerbated by global supply chain disruptions, necessary for the manufacture of products by the Company; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; global business disruption caused by the Russia invasion of Ukraine and related sanctions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company's future business and results of operations are identified throughout the Company's Annual Report on Form 10-K, and as risk factors, may be detailed from time to time in the Company's filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview:

The Company operates in two reportable segments as an independent provider of EMS, and as a provider of products to the Pet Tech market.

The EMS segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products.

In connection with the production of assembled products, the EMS segment provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. The Company provides these services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Pet Tech reportable segment offers electronic products such as the Freedom Smart Dog Collar™, a wireless geo-mapped fence and wellness system, along with apparel and accessories. The EMS segment produces the Freedom Smart Dog Collar™ sold by the Pet Tech segment.

The Company relies on numerous third-party suppliers for components used in the Company's production process. Certain of these components are available only from single-sources or a limited number of suppliers. In addition, a customer's specifications may require the Company to obtain components from a single-source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company's results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company's orders are based on the changing needs of its customers.

Sales can be an unreliable indicator of the Company's financial performance. Sales levels can vary considerably among customers and products depending on the type of services (turnkey versus consignment) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company's revenue and gross margin levels. Consignment orders accounted for less than 1% of the Company's revenues for the three and six month periods ended October 31, 2022 and October 31, 2021.

The Company's international footprint provides our customers with flexibility within the Company to manufacture in China, Mexico, Vietnam or the U.S. We believe this strategy will continue to serve the Company well as its customers continuously evaluate their supply chain strategies.

On December 31, 2021, the Company acquired 100% of the stock of Wagz under the terms of the Agreement and Plan of Merger dated July 19, 2021, as amended by the First Amendment to Agreement and Plan of Merger dated December 7, 2021 (the "Merger Agreement"). Wagz has developed and brought to market a high tech pet collar and has multiple other products in development. Wagz is an IoT company which both owns intellectual property and secures recurring revenue through subscriptions for its services. The results of Wagz have been included in the Company's consolidated financial results since the date of acquisition. The total consideration for the acquisition of Wagz was $23,656,233. The Company began its Pet Tech operations after the December 2021 acquisition of Wagz.

The Company reported a solid quarter, despite the challenges presented by the ongoing global supply chain issues. Pre-tax income for the three months ended October 31, 2022 was $2,127,839, which included an expected pre-tax loss of $2,731,126 for Wagz, our Pet Tech segment IoT start-up business acquired in December 2021. Pre-tax income for the three months ended October 31, 2021 was $4,663,717. The Company recorded revenue of $108,676,743 and $100,216,614 in the three month periods ended October 31, 2022 and October 31, 2021, respectively.

The backlog for the EMS segment remains strong and growing for the three month period ending October 31, 2022. Despite the continuing challenges in the electronic component marketplace, sales are running at record levels for the Company. The Company continues to see strength in the industrial marketplace. Existing customers are slowly launching new products and the Company has several new opportunities that look promising. Unfortunately, it sees no end in sight to the supply chain challenges that we have been dealing with for at least 18 months and few of the semiconductor companies are suggesting otherwise. The challenges will certainly continue for the balance of fiscal 2023, based on what is known at this time. This causes inventory to grow significantly and puts pressure on cash flow. It also leads to manufacturing inefficiencies due to the uncertainty of when parts will be received.

The Pet Tech segment, had a $2,731,126 pre-tax loss for the three month period ending October 31, 2022. The segment continues to make progress on the design and engineering front with the performance of the Freedom Smart Dog Collar™, as well as a new product that will be introduced early next year. It is also working on related products, with several large OEM’s and interest in the Pet Tech industry remains strong.

The Company reported a solid six month period ending October 31, 2022, despite the challenges presented by the ongoing global supply chain issues. Pre-tax income for the six month period ended October 31, 2022 was $4,033,914, which included an expected pre-tax loss of $4,954,687 for Wagz, our Pet Tech segment IoT start-up business acquired in December 2021. Pre-tax income for the six month period ended October 31, 2021 was $14,217,378, which included forgiveness of the Company’s Small Business Administration Paycheck Protection Program Loan in the amount of $6,282,973. The Company recorded revenue of $214,249,599 and $185,956,048 in the six month periods ended October 31, 2022 and October 31, 2021, respectively.

The backlog for the EMS segment remains strong and growing for the six month period ending October 31, 2022. Despite the continuing challenges in the electronic component marketplace, sales are running at record levels for the Company. The Company continues to see strength in the industrial marketplace. Existing customers are slowly launching new products and the Company has several new opportunities that look promising. Unfortunately, it sees no end in sight to the supply chain challenges that we have been dealing with for at least 18 months and few of the semiconductor companies are suggesting otherwise. The challenges will certainly continue for the balance of fiscal 2023, based on what is known at this time. This causes inventory to grow significantly and puts pressure on cash flow. It also leads to manufacturing inefficiencies due to the uncertainty of when parts will be received.

The Pet Tech segment, had a $4,954,687 pre-tax loss for the six month period ending October 31, 2022 as anticipated. The segment continues to make progress on the design and engineering front with the performance of the Freedom Smart Dog Collar™, as well as a new product that will be introduced early next year. It is also working on related products, with several large OEM's and interest in the Pet Tech industry remains strong.

Results of Operations:

Consolidated Results

The following table sets forth the Company's consolidated results of operations for the periods indicated.

	Three Months Ended	
	October 31, 2022	October 31, 2021
Net sales	$ 108,676,743	$ 100,216,614
Cost of products sold	95,362,730	88,439,028
Gross profit	13,314,013	11,777,586
Selling and administrative expenses	9,245,157	6,805,756
Operating income	4,068,856	4,971,830
Other income	(35,814)	(36,562)
Interest expense, net	1,976,831	344,675
Income before income tax expense	2,127,839	4,663,717
Income tax expense	1,255,967	1,513,512
Net income	$ 871,872	$ $3,150,205

Net Sales

Net sales increased $8,460,129, or 8.4%, to $108,676,743 for the three month period ended October 31, 2022, compared to $100,216,614 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the current fiscal quarter, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result, the Company's sales increased for the three month period ended October 31, 2022, in industrial electronics and medical/life science compared to the same period in the prior fiscal year. The increase in sales was partially offset by a decrease in sales in consumer electronics. Net sales were higher due to certain customer price increases implemented as a result of increased raw material and other operating costs that occurred during the three month period ended October 31, 2022, as compared to the same period last fiscal year.

Costs of products sold

Cost of products sold increased $6,923,702, or 7.8%, to $95,362,730 (87.7% of net sales) for the three month period ended October 31, 2022, compared to $88,439,028 (88.2% of net sales) for the same period in the prior fiscal year. The slight decrease in cost of products sold as a percentage of sales is due to customer price increases, partially offset with higher material, logistics and other operating costs as a result of higher sales volumes and the impact of global supply chain disruptions that caused factory inefficiencies. Labor costs and other manufacturing costs were higher for the three month period ended October 31, 2022, than in the same period in the prior fiscal year, primarily due to inflationary pressures.

Gross profit

Gross profit margin was 12.3% of net sales, for the three month period ended October 31, 2022, compared to 11.8% for the same period in the prior fiscal year. The increase in gross margins as a percentage of sales is due to customer price increases, partially offset with high material, labor and other manufacturing costs during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022.

Selling and administrative expenses

Selling and administrative expenses increased $2,439,401, or 35.8% to $9,245,157 (8.5% of net sales) for the three month period ended October 31, 2022, compared to $6,805,756 (6.8% of net sales) for the same period in the prior fiscal year. Of the $2,439,401 increase, $2,739,060 relates to the Wagz business, acquired on December 31, 2021, and therefore, comparable information is not available for the three months ended October 31, 2021. In addition, selling and administrative expenses increased for the three month period ended October 31, 2022, due to an increase in financing fees and higher costs due to inflationary pressures, which was partially offset with a decrease in bonus expense.

Interest expense, net

Interest expense, net, increased to $1,976,831 for the three month period ended October 31, 2022, compared to $344,675 for the same period in the prior fiscal year. The increase relates to higher average debt levels as well as increased interest rates for the three month period ended October 31, 2022.

Income tax expense

Income tax expense decreased $257,545 to $1,255,967 for the three month period ended October 31, 2022, compared to $1,513,512 for the same period in the prior fiscal year. The effective tax rate increased to 59.03% for the three month period ended October 31, 2022, compared to 32.45% for the same period in the prior fiscal year due primarily to an increase in valuation allowance during the three month period ended October 31, 2022.

Net Income

Net income decreased $2,278,333, or 72.3%, to $871,872 for the three month period ended October 31, 2022, compared to $3,150,205 for the same period in the prior fiscal year. The decreased net income primarily relates to losses incurred for the Pet Tech segment (acquired December 31, 2021), and higher interest expense due to higher average debt levels and increased interest rates during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022.

EMS Segment

The following table sets forth the Company's results of operations for the EMS segment for the periods indicated.

	Three Months Ended	
	October 31, 2022	October 31, 2021
Net sales	$ 108,221,067	$ 100,216,614
Cost of products sold	94,914,988	88,439,028
Gross profit	13,306,079	11,777,586
Selling and administrative expenses	6,506,097	6,805,756
Operating income	$ 6,799,982	$ 4,971,830

Net Sales

Net sales increased $8,004,453, or 8.0%, to $108,221,067 for the three month period ended October 31, 2022, compared to $100,216,614 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the current fiscal quarter, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result,the Company's sales increased for the three month period ended October 31, 2022, in industrial electronics and medical/life science compared to the prior year. The increase in sales was partially offset by a decrease in sales in consumer electronics. Net sales were higher due to certain customer price increases implemented as a result of increased raw material and other operating costs that occurred during the three month period ended October 31, 2022, as compared to the same period last fiscal year.

Costs of products sold

Cost of products sold increased $6,475,960, or 7.3%, to $94,914,988 (87.7% of net sales) for the three month period ended October 31, 2022, compared to $88,439,028 (88.2% of net sales) for the same period in the prior fiscal year. The slight decrease in cost of products sold as a percentage of sales is due to customer price increases, partially offset with higher material, logistics and other operating costs as a result of higher sales volumes and the impact of global supply chain disruptions that caused factory inefficiencies. Labor costs and other manufacturing costs were higher for the three month period ended October 31, 2022, than in the same period in the prior fiscal year, primarily due to inflationary pressures.

Gross profit

Gross profit margin was 12.3% of net sales, for the three month period ended October 31, 2022, compared to 11.8% for the same period in the prior fiscal year. The increase in gross margins as a percentage of sales is due to customer price increases, partially offset with higher material, labor and other manufacturing costs during the second quarter of fiscal 2023, compared to the second quarter of fiscal 2022.

Selling and administrative expenses

Selling and administrative expenses decreased $299,659, or 4.4% to $6,506,097 (6.0% of net sales) for the three month period ended October 31, 2022, compared to $6,805,756 (6.8% of net sales) for the same period in the prior fiscal year. Selling and administrative expenses decreased for the three month period ended October 31, 2022, due to a decrease in bonus expense, partially offset by an increase in financing fees.

Operating income

Operating income increased $1,828,152, or 36.8%, to $6,799,982 (6.3% of net sales) for the three month period ended October 31, 2022, compared to $4,971,830 (5.0% of net sales) for the same period in the prior fiscal year. The increase was primarily due to higher sales, partially offset by higher material, logistics and other operating costs.

Pet Tech Segment

Wagz was acquired on December 31, 2021, and therefore does not have comparable financial results for the three month period ended October 31, 2021.

The following table sets forth the Company's consolidated results of operations for the Pet Tech segment for the periods indicated.

	Three Months Ended October 31, 2022	**Three Months Ended October 31, 2021**
Net sales	$ 455,676	$ -
Cost of products sold	447,742	-
Gross profit	7,934	-
Selling and administrative expenses	2,739,060	-
Operating loss	$ (2,731,126)	$ -

Net sales

Net sales were $455,676 for the three month period ended October 31, 2022. Sales for the period are primarily comprised of hardware and accessories, as well as recurring subscription revenue.

Cost of products sold

Cost of products sold was $447,742 (98.3% of net sales) for the three month period ended October 31, 2022.

Gross profit

Gross profit margin was $7,934 (1.7% of net sales) for the three month period ended October 31, 2022.

Selling and administrative expenses

Selling and administrative expenses were $2,739,060 for the three month period ended October 31, 2022. Selling and administrative costs are primarily comprised of research and development costs for new products expected to launch in fiscal 2024, selling and marketing expenses, as well as general and administrative expenses.

Operating loss

Operating loss for the three month period ended October 31, 2022 was $2,731,126.

Consolidated Results

The following table sets forth the Company's consolidated results of operations for the periods indicated.

	Six Months Ended	
	October 31, 2022	**October 31, 2021**
Net sales	$ 214,249,599	$ 185,956,048
Cost of products sold	189,250,551	164,595,984
Gross profit	24,999,048	21,360,064
Selling and administrative expenses	18,106,375	12,916,771
Impairment of notes receivable and investment	-	-
Operating income	6,892,673	8,443,293
Gain on extinguishment of long-term debt	-	(6,282,973)
Other income	(71,630)	(73,703)
Interest expense, net	2,930,389	582,591
Income before income tax expense	4,033,914	14,217,378
Income tax expense	1,785,367	2,270,457
Net income	$ $2,248,547	$ $11,946,921

Net Sales

Net sales increased $28,293,551, or 15.2%, to $214,249,599 for the six month period ended October 31, 2022, compared to $185,956,048 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the first six months of fiscal 2023, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result, the Company's sales increased for the six month period ended October 31, 2022, in industrial electronics and medical/life science compared to the same period in the prior fiscal year. The increase in sales was partially offset by a decrease in sales in consumer electronics. Net sales were higher due to certain customer price increases implemented as a result of increased raw material and other operating costs that occurred during the six month period ended October 31, 2022, as compared to the same period last fiscal year

Costs of products sold

Cost of products sold increased $24,654,567, or 15.0%, to $189,250,551 (88.3% of net sales) for the six month period ended October 31, 2022, compared to $164,595,984 (88.5% of net sales) for the same period in the prior fiscal year. The slight decrease in cost of products sold as a percentage of sales is due to customer price increases, partially offset with higher material, logistics and other operating costs as a result of higher sales volumes and the impact of global supply chain disruptions that caused factory inefficiencies. Labor costs and other manufacturing costs were higher for the six month period ended October 31, 2022, than in the same period in the prior fiscal year, primarily due to inflationary pressures.

Gross profit

Gross profit margin was 11.7% of net sales, for the six month period ended October 31, 2022, compared to 11.5% for the same period in the prior fiscal year. The increase in gross margins as a percentage of sales is due to customer price increases, partially offset with high material, labor and other manufacturing costs during the first half of fiscal 2023, compared to the first half of fiscal 2022.

Selling and administrative expenses

Selling and administrative expenses increased $5,189,604, or 40.2% to $18,106,375 (8.5% of net sales) for the six month period ended October 31, 2022, compared to $12,916,771 (6.9% of net sales) for the same period in the prior fiscal year. Of the $5,189,604 increase, $5,070,436 relates to the Wagz business, acquired on December 31, 2021, and therefore, comparable information is not available for the six months ended October 31, 2021. In addition, selling and administrative expenses increased for the six month period ended October 31, 2022, due to an increase in other professional fees related to the new and amended credit agreements finalized during the first quarter of fiscal year 2023, an increase in financing fees and higher costs due to inflationary pressures, which was partially offset with a decrease in bonus expense.

Interest expense, net

Interest expense, net, increased to $2,930,389 for the six month period ended October 31, 2022, compared to $582,591 for the same period in the prior fiscal year. The increase relates to higher average debt levels as well as increased interest rates for the six month period ended October 31, 2022.

Income tax expense

Income tax expense decreased $485,090 to $1,785,367 for the six month period ended October 31, 2022, compared to $2,270,457 for the same period in the prior fiscal year. The effective tax rate increased to 44.26% for the three month period ended October 31, 2022, compared to 15.97% for the same period in the prior year is due primarily to tax exempt income recognized in the previous year. The decrease in income tax expense for the six month period ended October 31, 2022 compared to the same period in the previous year is due to a decrease in income recognized in the current year compared to the previous year.

Net Income

Net income decreased $9,698,374, or 81.2%, to $2,248,547 for the six month period ended October 31, 2022, compared to $11,946,921 for the same period in the prior fiscal year. A substantial part of the decrease in net income was attributable to the one-time extinguishment of the PPP Loan in the amount of $6,282,973 that was recorded as income during the six month period ended October 31, 2021. In addition, net income decreased for the six month period ended October 31, 2022, due to the Wagz Pet Tech segment, which incurred a loss of $4,954,687 during the period, which did not have activity in the first half of fiscal 2022.

EMS Segment

The following table sets forth the Company's results of operations for the EMS segment for the periods indicated.

	Six Months Ended	
	October 31, 2022	**October 31, 2021**
Net sales	$ 213,411,047	$ 185,956,048
Cost of products sold	188,527,748	164,595,984
Gross profit	24,883,299	21,360,064
Selling and administrative expenses	13,035,939	12,916,771
Operating income	$ 11,847,360	$ 8,443,293

Net Sales

Net sales increased $27,454,999, or 14.8%, to $213,411,047 for the six month period ended October 31, 2022, compared to $185,956,048 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the current fiscal quarter, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result, the Company's sales increased for the six month period ended October 31, 2022, in industrial electronics and medical/life science compared to the prior year. The increase in sales was partially offset by a decrease in sales in consumer electronics. Net sales were higher due to certain customer price increases implemented as a result of increased raw material and other operating costs that occurred during the six month period ended October 31, 2022, as compared to the six months ended October 31, 2021.

Costs of products sold

Cost of products sold increased $23,931,764, or 14.5%, to $188,527,748 (88.3% of net sales) for the six month period ended October 31, 2022, compared to $164,595,984 (88.5% of net sales) for the same period in the prior fiscal year. The slight decrease in cost of products sold as a percentage of sales is due to customer price increases, partially offset with higher material, logistics and other operating costs as a result of higher sales volumes and the impact of global supply chain disruptions that caused factory inefficiencies. Labor costs and other manufacturing costs were higher for the six month period ended October 31, 2022, than in the same period in the prior fiscal year, primarily due to inflationary pressures.

Gross profit

Gross profit margin was 11.7% of net sales, for the six month period ended October 31, 2022, compared to 11.5% for the same period in the prior fiscal year. The increase in gross margins as a percentage of sales is due to customer price increases, partially offset with higher material, labor and other manufacturing costs during the first half of fiscal 2023, compared to the first half of fiscal 2022.

Selling and administrative expenses

Selling and administrative expenses increased $119,168, or 0.9% to $13,035,939 (6.1% of net sales) for the six month period ended October 31, 2022, compared to $12,916,771 (6.9% of net sales) for the same period in the prior fiscal year. Selling and administrative expenses increased for the six month period ended October 31, 2022, due to an increase in other professional fees, related to the new and amended credit agreements finalized during the first quarter of fiscal year 2023, an increase in financing fees and higher costs due to inflationary pressures, which was partially offset with a decrease in bonus expense.

Operating income

Operating income increased $3,404,067, or 40.3%, to $11,847,360 (5.6% of net sales) for the six month period ended October 31, 2022, compared to $8,443,293 (4.5% of net sales) for the same period in the prior fiscal year. The increase was primarily due to higher sales, partially offset by higher material, logistics and other operating costs.

Pet Tech Segment

Wagz was acquired on December 31, 2021, and therefore does not have comparable financial results for the six month period ended October 31, 2021.

The following table sets forth the Company's results of operations for the Pet Tech segment for the periods indicated.

	Six Months Ended	
	October 31, 2022	**October 31, 2021**
Net sales	$ 838,552	$ -
Cost of products sold	722,803	-
Gross profit	115,749	-
Selling and administrative expenses	5,070,436	-
Operating loss	$ (4,954,687)	$ -

Net sales

Net sales were $838,552 for the six month period ended October 31, 2022. Sales for the period are primarily comprised of hardware and accessories, as well as recurring subscription revenue. The Pet Tech segment experienced supply chain issues, causing certain inventory shortages during the first quarter of fiscal year 2023, which negatively affected hardware sales. Those specific supply chain issues were resolved in late June 2022.

Cost of products sold

Cost of products sold was $722,803 (86.2% of net sales) for the six month period ended October 31, 2022.

Gross profit

Gross profit margin was $115,749 (25.4% of net sales) for the six month period ended October 31, 2022.

Selling and administrative expenses

Selling and administrative expenses were $5,070,436 for the six month period ended October 31, 2022. Selling and administrative costs are primarily comprised of research and development costs for new products expected to launch in fiscal 2024, selling and marketing expenses, as well as general and administrative expenses.

Operating loss

Operating loss for the six month period ended October 31, 2022 was $4,954,687.

Liquidity and Capital Resources:

Operating Activities.

Cash flow used in operating activities was $23,837,450 for the six months ended October 31, 2022, compared to cash flow used in operating activities of $10,669,736 for the same period in the prior fiscal year. Cash flow used in operating activities was primarily the result of an increase in both inventory and accounts receivable in the amount of $11,151,049 and $6,437,933, respectively and a decrease in accounts payable in the amount of $15,703,401. Cash flow from operating activities was offset by an increase in deferred revenue in the amount of $2,026,825. The increase in inventory is the result of an increase in inventory purchases to satisfy customer orders. Further, capacity issues in the component marketplace made it difficult to obtain some components to complete assemblies for shipping. The increase in accounts receivable is the result of an increase in net sales.

Cash flow used in operating activities was $10,669,736 for the six months ended October 31, 2021, which included the effect of the extinguishment of the PPP Loan debt. Cash flow used in operating activities was primarily the result of an increase in both inventory and accounts receivable in the amount of $35,078,520 and $16,341,244, respectively. Cash flow from operating activities was offset by an increase in accounts payable and deferred revenue in the amount of $24,062,801 and $6,366,871, respectively.

Investing Activities.

Cash used in investing activities was $271,997 for the six months ended October 31, 2022. During the first six months of fiscal year 2023 the Company purchased $271,997 in machinery and equipment to be used in the ordinary course of business. The Company has received forecasts from current customers for increased business that would require additional investment in capital equipment and facilities. The Company anticipates purchases will be funded by lease transactions. However, there is no assurance that such increased business will be obtained or that the Company will be able to obtain funding for leases at acceptable terms, if at all, in the future.

Cash used in investing activities was $7,069,854 for the six months ended October 31, 2021. During the first six months of fiscal year 2022, the Company purchased $3,107,854 in machinery and equipment used in the ordinary course of business. The Company made additional machinery and equipment purchases of $1,641,685 during the balance of fiscal year 2022. During the first six months of fiscal year 2022 the Company made advances of $3,962,000 to Wagz.

Financing Activities.

Cash provided by financing activities of $23,443,457 for the first six months ended October 31, 2022, was primarily the result of net borrowings under the line of credit and term loan agreement.

Cash provided by financing activities of $16,650,707 for the first six months ended October 31, 2021, was primarily the result of net borrowings under the line of credit.

Financing Summary.

Notes Payable – Secured lenders

On January 29, 2021, the Company entered into a Credit Agreement (the "Agreement") with JPMorgan Chase Bank, N.A. ("Lender"), pursuant to which Lender provided the Company with a secured credit facility consisting of a revolving loan facility and a term loan facility (collectively, the "Facility").

On July 18, 2022, SigmaTron, Wagz and Lender amended and restated the Agreement by entering into an Amended and Restated Credit Agreement (as so amended and restated, the "Credit Agreement"). The Facility, as amended, allows the Company to borrow on a revolving basis up to the lesser of (i) $70,000,000 or (ii) an amount equal to a percentage of the eligible receivable borrowing base plus a percentage of the inventory borrowing base minus any reserves established by Lender. The maturity date of the Facility was extended to July 18, 2027. Deferred financing costs of $296,802 and $128,733 were capitalized during the six month period ended October 31, 2022 and during the fiscal year ended April 30, 2022, respectively, which are amortized over the term of the Agreement. As of October 31, 2022, there was $48,916,746 outstanding and $19,150,939 of unused availability under the revolving Facility compared to an outstanding balance of $51,392,158 and $5,691,855 of unused availability at April 30, 2022. As of October 31, 2022 and April 30, 2022, the unamortized amount offset against outstanding debt was $604,006 and $393,503, respectively.

Under the Credit Agreement, a minimum Fixed Charge Coverage Ratio ("FCCR") financial covenant of 1.10x is applicable only during an FCCR trigger period which occurs when (a) commencing on the Effective Date and ending when the Term Loan Obligations have been Paid in Full and (b) following the Payment in Full of the Term Loan Obligations, (i) an event of default (as defined in the Agreement) has occurred and is continuing, and Lender has elected to impose a FCCR trigger period upon notice to the Company or (ii) availability falls below the greater of (a) 10% of the revolving commitment and (b) the outstanding principal amount of the term loans. In addition, the Credit Agreement imposes a financial covenant that requires the Company to maintain a leverage ratio of Total Debt to EBITDA (each as defined in the Credit Agreement) for any twelve month period not to exceed a certain amount for each fiscal quarter through the maturity of the revolving Facility, which ratio (a) ranges from 5.75-to-1 for the fiscal quarter ending on October 31, 2022 to 3.00-to-1 for the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio (as defined in the Credit Agreement) is less than or equal to 1.50-to-1) and (b) ranges from 5.75-to-1 for the fiscal quarter ending on October 31, 2022 to 4.00-to-1 for the fiscal quarter ending on July 18, 2027 (if the Term Loan Borrowing Base Coverage Ratio is greater than or equal to 1.50-to-1).

In connection with the closing of the Credit Agreement, Lender and TCW Asset Management Company LLC, as administrative agent under the Term Loan Agreement (as defined below), entered into the Intercreditor Agreement, dated July 18, 2022, and acknowledged by SigmaTron and Wagz (the "ICA"), to set forth and govern the lenders' respective lien priorities, rights and remedies under the Credit Agreement and the Term Loan Agreement.

The Facility under the Credit Agreement is secured by: (a) a first priority security interest in SigmaTron's and Wagz's (i) accounts and inventory (excluding Term Priority Mexican Inventory (as defined in the ICA) and certain inventory in transit, (ii) deposit accounts, (iii) proceeds of business interruption insurance that constitute ABL BI Insurance Share (as defined in the ICA), (iv) certain other property, including payment intangibles, instruments, equipment, software and hardware and similar systems, books and records, to the extent related to the foregoing, and (v) all proceeds of the foregoing, in each case, now owned or hereafter acquired (collectively, the "ABL Priority Collateral"); and (b) a second priority security interest in Term Priority Collateral (as defined below) other than (i) real estate and (ii) the equity interests of SigmaTron's foreign subsidiaries (unless such a pledge is requested by Lender).

On July 18, 2022, SigmaTron, Wagz and TCW Asset Management Company LLC, as administrative agent, and other Lenders party thereto (collectively, "TCW") entered into a Credit Agreement (the "Term Loan Agreement") pursuant to which TCW made a term loan to the Company in the principal amount of $40,000,000 (the "TCW Term Loan"). The TCW Term Loan bears interest at a rate per annum based on SOFR, plus the Applicable Margin of 7.50% (each as defined in the Term Loan Agreement). The TCW Term Loan has a SOFR floor of 1.00%. The maturity date of the TCW Term Loan is July 18, 2027. The amount outstanding as of October 31, 2022, was $39,750,000. Deferred financing costs of $1,191,099 were capitalized during the six month period ended October 31, 2022. As of October 31, 2022, the unamortized amount offset against outstanding debt was $1,115,453.

The Term Loan Agreement imposes financial covenants, including covenants requiring the Company to maintain a minimum Fixed Charge Coverage Ratio (as defined in the Term Loan Agreement) of 1.10-to-1 and maintain the same leverage ratio of Total Debt to EBITDA as described above under the Credit Agreement. The Company is required to make quarterly repayments of the principal amount of the TCW Term Loan in amounts equal to $250,000 per fiscal quarter for the quarters beginning October 31, 2022 and $500,000 per fiscal quarter for quarters beginning October 31, 2024. The Term Loan Agreement also requires mandatory annual repayments equal to 50% of Excess Cash Flow (as defined in the Term Loan Agreement).

The TCW Term Loan is secured by: (a) a first priority security interest in all property of SigmaTron and Wagz that does not constitute ABL Priority Collateral, which includes: (i) SigmaTron's and Wagz's real estate other than SigmaTron's Del Rio, Texas, warehouses, (ii) SigmaTron's and Wagz's machinery, equipment and fixtures (but excluding ABL Priority Equipment (as defined in the ICA)), (iii) the Term Priority Mexican Inventory (as defined in the ICA), (iv) SigmaTron's stock in its direct and indirect subsidiaries, (v) SigmaTron's and Wagz's general intangibles (excluding any that constitute ABL Priority Collateral), goodwill and intellectual property, (vi) the proceeds of business interruption insurance that constitute Term BI Insurance Share (as defined in the ICA), (vii) tax refunds, and (viii) all proceeds thereof, in each case, now owned or hereafter acquired (collectively, the “Term Priority Collateral”); and (b) a second priority security interest in all collateral that constitutes ABL Priority Collateral. Also, SigmaTron’s three Mexican subsidiaries pledged all of their assets as security for the TCW Term Loan.

On July 18, 2022, a portion of the proceeds of the TCW Term Loan was used to pay in full the term loan principal amount of $5,000,000 (the “FILO Term Loan”) that Lender extended to the Company under the Agreement on April 25, 2022.

On April 23, 2020, the Company received a PPP loan from U.S. Bank, as lender, pursuant to the Paycheck Protection Program of the CARES Act, as administered by the U.S. Small Business Administration (the “SBA”) in the amount of $6,282,973 (the “PPP Loan”). The PPP Loan was scheduled to mature on April 23, 2022. The Company was notified of the forgiveness of the PPP Loan by the SBA on July 9, 2021 and all principal and accrued interest were forgiven. The accounting for the forgiveness is reflected in the Company’s Statements of Income, in the six months ended October 31, 2021, as a non-cash gain upon extinguishment of long-term debt.

On March 15, 2019, the Company’s wholly-owned foreign enterprise, Wujiang SigmaTron Electronic Technology Co., Ltd., entered into a credit facility with China Construction Bank. On January 26, 2021, the agreement was amended and terminated on January 6, 2022. On January 17, 2022, the agreement was renewed, and is scheduled to expire on December 23, 2022. Under the agreement Wujiang SigmaTron Electronic Technology Co., Ltd. can borrow up to 9,000,000 Renminbi, approximately $1,254,000 as of October 31, 2022, and the facility is collateralized by Wujiang SigmaTron Electronics Co., Ltd.’s manufacturing building. Interest is payable monthly and the facility bears a fixed interest rate of 3.8% per annum. There was no outstanding balance under the facility at October 31, 2022 compared to an outstanding balance of $438,219 at April 30, 2022.

Notes Payable – Buildings

The Facility also included two term loans, in the aggregate principal amount of $6,500,000. A final aggregate payment of approximately $4,368,444 was due on or before January 29, 2026. On July 18, 2022, a portion of the proceeds of the TCW Term Loan was used to pay in full both term loans extended by Lender. The outstanding balance was $0 at October 31, 2022 compared to an outstanding balance of $5,994,445 at April 30, 2022.

The Company entered into a mortgage agreement on March 3, 2020, in the amount of $556,000, with The Bank and Trust SSB to finance the purchase of the property that serves as the Company’s warehousing and distribution center in Del Rio, Texas. The note requires the Company to pay monthly installment payments in the amount of $6,103. Interest accrues at a fixed rate of 5.75% per year until March 3, 2025, and adjusts thereafter, on an annual basis, equal to 1.0% over the Prime Rate as published by The Wall Street Journal. The note is payable over a 120 month period. The outstanding balance was $441,361 and $464,895 at October 31, 2022 and April 30, 2022, respectively.

Notes Payable – Equipment

The Company routinely enters into secured note agreements with Engencap Fin S.A. DE C.V. to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from November 1, 2022 through May 1, 2023, with quarterly installment payments ranging from $9,676 to $16,762 and a fixed interest rate ranging from 7.35% to 8.00% per annum.

The Company routinely enters into secured note agreements with FGI Equipment Finance LLC to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from March 2025 through October 2027, with quarterly installment payments ranging from $10,723 to $69,439 and a fixed interest rate ranging from 8.25% to 9.25% per annum.

Finance Lease and Sales Leaseback Obligations

The Company enters into various finance lease and sales leaseback agreements. The terms of the outstanding lease agreements mature through October 1, 2026, with monthly installment payments ranging from $2,874 to $33,706 and a fixed interest rate ranging from 7.09% to 12.73% per annum.

Other

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnamese and Chinese subsidiaries and the Taiwan IPO. The Company provides funding in U.S. Dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuations for the six month period ended October 31, 2022, resulted in net foreign currency transaction losses of $797,459 compared to net foreign currency losses of approximately $121,400 for the same period in the prior year. During the six months of fiscal year 2023, the Company paid approximately $33,630,000 to its foreign subsidiaries for manufacturing services. All intercompany balances have been eliminated upon consolidation.

The Company has not changed its plans to indefinitely reinvest the earnings of the Company's foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $11,255,000 as of October 31, 2022.

Conditions surrounding COVID-19 change rapidly and additional impacts of which the Company is not currently aware may arise. Based on past performance and current expectations, the Company believes that the existing sources of liquidity, including current cash, will provide sufficient resources to meet known capital requirements and working capital needs through the next twelve months.

The impact of inflation and the continuing global supply chain disruptions in the electronic component marketplace have been challenging. Prices for raw materials necessary for production have fluctuated significantly in the past and the Company is currently experiencing upward pricing pressure on raw materials. The Company anticipates supply chain and raw material price volatility will continue during fiscal 2023.

Off-balance Sheet Transactions:

The Company has no off-balance sheet transactions.

Tabular Disclosure of Contractual Obligations:

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item.

Item 4. Controls and Procedures.

Disclosure Controls:

The Company's management, including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 13a-15(e) and 15(d)-15(e) thereunder) as of October 31, 2022. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and its Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of October 31, 2022.

Internal Controls:

There has been no change in the Company's internal control over financial reporting during the six months ended October 31, 2022, that has materially affected or is reasonably likely to materially affect its internal control over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time the Company is involved in legal proceedings, claims, or investigations that are incidental to the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect these legal proceedings or claims will have any material adverse impact on its future consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors.

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
31.2	Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.1	Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
101.INS	Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

SIGNATURES:

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

SIGMATRON INTERNATIONAL, INC.

/s/ Gary R. Fairhead	December 12, 2022
Gary R. Fairhead CEO (Principal Executive Officer)	Date
/s/ James J. Reiman	December 12, 2022
James J. Reiman Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)	Date

EXHIBIT 31.1

**Certification of Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gary R. Fairhead, Chief Executive Officer of SigmaTron International, Inc., certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of SigmaTron International, Inc. for the quarter ended October 31, 2022 (this “report”);

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 controls 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: December 12, 2022

/s/ Gary R. Fairhead

Gary R. Fairhead
Chief Executive Officer of
SigmaTron International, Inc.

EXHIBIT 31.2

Certification of Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James J. Reiman, Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc., certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of SigmaTron International, Inc. for the quarter ended October 31, 2022 (this "report");

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 controls 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: December 12, 2022

/s/ James J. Reiman
James J. Reiman
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.

EXHIBIT 32.1

**Certification by the Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, Gary R. Fairhead, am Chief Executive Officer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2022 (the "Report").

I hereby certify that to the best of my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and

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

Date: December 12, 2022

/s/ Gary R. Fairhead
Gary R. Fairhead
Chief Executive Officer of
SigmaTron International, Inc.

EXHIBIT 32.2

**Certification by the Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, James J. Reiman, am Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2022 (the "Report").

I hereby certify that to the best of my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and

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

Date: December 12, 2022

/s/ James J. Reiman

James J. Reiman
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.