

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended September 28, 2018

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

For the transition period from _____ to _____

Commission File No. 0-5278

IEH CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-5549348

(I.R.S. Employer Identification Number)

140 58th Street, Suite 8E, Brooklyn, New York 11220

(Address of principal executive office)

Registrant's telephone number, including area code: (718) 492-4440

Former name, former address and former fiscal year,
if changed since last report.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

2,323,468 shares of Common Shares, par value \$.01 per share, were issued and outstanding as of November 16, 2018.

EXPLANATORY NOTE

We are filing this Amendment No. 1 to Form 10-Q (Amendment No. 1) on Form 10-Q/A to our Quarterly Report on Form 10-Q for the quarter ended September 28, 2018 (“Original 2Q 2018 Form 10-Q”) which amends and restates the Original 2Q 2018 Form 10-Q as filed with the Securities and Exchange Commission (“SEC”) on November 16, 2018. The primary reason for filing this Amendment No. 1 to the Original 2Q 2018 Form 10-Q is to clarify the accounting rule basis for the computation of “Fully Diluted Earnings Per Share” and “Weighted Average Number of Common Shares Outstanding – Fully Diluted” in the Statement of Operations for the six-month period and three-month period ended September 28, 2018, respectively. Such clarification, based on FASB ASC Topic 260, is reflected in an amendment to the subparagraph entitled “Net Income Per Share” in Note 2 of the Financial Statements – Summary of Significant Accounting Policies on page 12. Secondly, this Amendment No. 1 to the Original 2Q 2018 Form 10-Q corrects an error in the computation of Fully Diluted Earnings Per Share” and “Weighted Average Number of Common Shares Outstanding – Fully Diluted” in the Statement of Operations for the six-month period and three-month period ended September 28, 2018, respectively.

The Company is filing this Form 10-Q/A together with the final version of the XBRL Report on Exhibit 101.1

Except as described above, no other changes have been made to the Original 2Q 2018 Form 10-Q, including, without limitation, no changes to the Company’s unaudited consolidated financial statements and accompanying notes for the quarter ended September 28, 2018, as set forth in Part I, Item 1 of the Original 2Q 2018 Form 10-Q.

With this Amendment No. 1 on Form 10-Q/A, the principal executive officer and principal financial officer of the Company have reissued their certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, respectively, including in Part II, Item 6 and attached as Exhibits 31.1, 31.2 and 32.1 to the Amendment No. 1 on For 10-Q/A.

IEH CORPORATION
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IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

IEH CORPORATION

BALANCE SHEETS

As of September 28, 2018 and March 30, 2018

	September 28, 2018	March 30, 2018
	(Unaudited)	(Audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,087,248	\$ 1,407,013
Accounts receivable, less allowances for doubtful accounts of \$0 at September 28, 2018 and \$11,562 at March 30, 2018 (Note 13)	4,407,017	4,429,267
Inventories (Note 3)	11,577,700	10,751,498
Excess payments to Commercial finance company (Note 6)	448,930	154,960
Prepaid expenses and other current assets (Note 4)	296,633	489,594
Total Current Assets	<u>20,817,528</u>	<u>17,232,332</u>
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation and amortization of \$9,602,961 at September 28, 2018 and \$9,377,361 at March 30, 2018 (Note 5)		
	<u>2,166,449</u>	<u>2,066,155</u>
	<u>2,166,449</u>	<u>2,066,155</u>
OTHER ASSETS:		
Other assets	54,489	54,489
	<u>54,489</u>	<u>54,489</u>
Total Assets	<u><u>23,038,466</u></u>	<u><u>\$19,352,976</u></u>

The accompanying notes should be read in conjunction with the financial statements.

IEH CORPORATION

BALANCE SHEETS (Continued)

As of September 28, 2018 and March 30, 2018

	September 28, 2018	March 30, 2018
	<u>(Unaudited)</u>	<u>(Audited)</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 155,518	\$ 576,629
Accrued corporate income taxes	1,764,260	935,762
Other current liabilities (Note 7)	835,287	768,369
Total Current Liabilities	<u>2,755,065</u>	<u>2,280,760</u>
Total Liabilities	<u>2,755,065</u>	<u>2,280,760</u>
SHAREHOLDERS' EQUITY:		
Common stock, \$.01 par value; 10,000,000 shares authorized; 2,323,468 shares issued and outstanding at September 28, 2018 and 2,303,468 issued and outstanding at March 30, 2018 (Note 9)	23,235	23,035
Capital in excess of par value	3,773,004	3,767,608
Retained earnings (Note 9)	16,487,162	13,281,573
Total Shareholders' Equity	<u>20,283,401</u>	<u>17,072,216</u>
Total Liabilities and Shareholders' Equity	<u>\$23,038,466</u>	<u>\$19,352,976</u>

The accompanying notes should be read in conjunction with the financial statements.

IEH CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

For the Six and Three Months Ended September 28, 2018 and September 29, 2017

	Six Months Ended		Three Months Ended	
	Sept. 28, 2018	Sept. 29, 2017 (Restated)	Sept. 28, 2018	Sept. 29, 2017 (Restated)
REVENUE, net sales	<u>\$15,641,182</u>	<u>\$11,051,240</u>	<u>\$ 6,597,876</u>	<u>\$ 6,058,261</u>
COSTS AND EXPENSES				
Cost of products sold	8,626,465	6,977,485	4,041,230	3,622,433
Selling, general and administrative	2,077,479	2,052,224	1,042,532	1,113,213
Interest expense	15,552	16,639	5,304	8,101
Depreciation	<u>225,600</u>	<u>212,600</u>	<u>84,000</u>	<u>105,300</u>
	<u>10,945,096</u>	<u>9,258,948</u>	<u>5,173,066</u>	<u>4,849,047</u>
OPERATING INCOME	4,696,086	1,792,292	1,424,810	1,209,214
OTHER INCOME	<u>3,162</u>	<u>1,326</u>	<u>1,955</u>	<u>382</u>
INCOME BEFORE INCOME TAXES	4,699,248	1,793,618	1,426,765	1,209,596
PROVISION FOR INCOME TAXES	<u>1,493,659</u>	<u>923,336</u>	<u>480,461</u>	<u>644,936</u>
NET INCOME	<u>\$ 3,205,589</u>	<u>\$ 870,282</u>	<u>\$ 946,304</u>	<u>\$ 564,660</u>
BASIC EARNINGS PER SHARE <i>(Note 2)</i>	<u>\$ 1.38</u>	<u>\$.38</u>	<u>\$.41</u>	<u>\$.25</u>
FULLY DILUTED EARNINGS PER SHARE	<u>\$ 1.34</u>	<u>\$.38</u>	<u>\$.39</u>	<u>\$.24</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	<u>2,319</u>	<u>2,303</u>	<u>2,323</u>	<u>2,303</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – FULLY DILUTED (in thousands)	<u>2,397</u>	<u>2,312</u>	<u>2,411</u>	<u>2,316</u>

The accompanying notes should be read in conjunction with the financial statements.

IEH CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

For the Six Months Ended September 28, 2018 and September 29, 2017

	Six Months Ended	
	September 28, 2018	September 29, 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	<u>\$ 3,205,589</u>	<u>\$ 870,282</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	225,600	212,600
Recognition of stock compensation expense	5,596	22,384
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	22,250	(22,234)
(Increase) in inventories	(826,202)	(749,508)
(Increase) in excess payments to commercial finance company	(293,970)	(412,904)
Decrease in prepaid expenses and other current assets	192,961	598,082
Increase (decrease) in accounts payable	(421,111)	192,583
Increase (decrease) in other current liabilities	66,918	(85,104)
Increase in accrued corporate taxes	828,498	278,639
Total adjustments	<u>(199,460)</u>	<u>34,538</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,006,129</u>	<u>904,820</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	<u>(325,894)</u>	<u>(232,900)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(325,894)</u>	<u>\$ (232,900)</u>

The accompanying notes should be read in conjunction with the financial statements.

IEH CORPORATION

STATEMENTS OF CASH FLOWS (continued)
(Unaudited)

For the Six Months Ended September 28, 2018 and September 29, 2017

	Six Months Ended	
	September 28, 2018	September 29, 2017 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of special cash dividend	\$ —	\$ (575,867)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ —	(575,867)
INCREASE (DECREASE) IN CASH	2,680,235	96,053
CASH, beginning of period	<u>1,407,013</u>	<u>1,210,761</u>
CASH, end of period	<u>\$ 4,087,248</u>	<u>1,306,814</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the six months for:		
Interest	<u>\$ 14,052</u>	<u>15,138</u>
Income Taxes	<u>\$ 504,662</u>	<u>51,147</u>
Increase in issued and outstanding shares	<u>\$ 200</u>	<u>\$ —</u>

The accompanying notes should be read in conjunction with the financial statements.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 1- INTERIM RESULTS AND BASIS OF PRESENTATION:

The accompanying unaudited financial statements as of September 28, 2018 and September 29, 2017 and for the six months then ended have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 28, 2018 and September 29, 2017 and the results of operations and cash flows for the six months then ended. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the six months ended September 28, 2018, are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year. The balance sheet at March 30, 2018 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company believes, however, that the disclosures in this report are adequate to make the information presented not misleading in any material respect. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto of IEH Corporation for the fiscal year ended March 30, 2018 included in the Company’s Annual Report on Form 10-K as filed with the SEC and the attached Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Business:

The Company designs, develops and manufactures printed circuit connectors for high performance applications. We have also developed a high-performance plastic circular connector line. All of our products utilize the HYPERBOLOID contact design, a rugged high-reliability contact system ideally suited for high-stress environments. We are the only independent producer of HYPERBOLOID in the United States.

Our customers consist of OEM’s (Original Equipment Manufacturers), companies manufacturing medical equipment, and distributors who resell our products to OEMs. We sell our products directly and through regional representatives located in all regions of the United States, Canada, Israel, India, various Pacific Rim countries, South Korea and the European Union (EU).

The customers of the Company services are in the following markets: Government, Military, Aerospace, Medical, Automotive, Industrial, Test Equipment and Commercial Aerospace. The Company appears on the Military Qualified Product Listing “QPL” to MIL-DTL-55302 and supply customer requested modifications to this specification. Sales to the Commercial Aerospace and Military markets were 35% and 45%, respectively, of the Company’s net sales for the year ended March 30, 2018. The balance of the Company’s sales is principally in the following markets: Space (10%), Oil and Gas Exploration (5%), and Medical, Industrial and Testing Equipment (5%). The Company’s offering of “QPL” items has recently been expanded to include additional products.

In order to remain competitive, the Company has an internal program to upgrade, add and maintain machinery, review material costs and increase labor force productivity. During the fiscal year ended March 30, 2018, the Company purchased several machines to increase the productivity of certain processes. This will help the Company meet this goal.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Business New Product Development:

The Company is sought after by many of its customers to design and manufacture custom connectors. This has created many new products that are innovative designs and employ new technologies. The Company continues to be successful because of its ability to assist its customers and create a new design, including engineering drawing packages, in a relatively short period of time. The Company will continue to support its customers to the best of its ability.

The circular product line of connectors introduced several years ago for the medical industry continues to be very rewarding for the Company. The line has been expanded to include connector cable assemblies utilizing the circular connectors.

A new product line featuring high density connectors is being added to the Company's product offering. This offering should be available within the next few months. The Company expects the new product line to bring additional revenue.

The standard printed circuit board connectors we produce are continually being expanded and utilized in many of the military programs being built today. We have recently received approval for additional products that the Company can offer under the Military Qualified Product Listing "QPL."

Accounting Period:

The Company maintains an accounting period based upon a 52-53 week year, which ends on the nearest Friday in business days to March 31. The year ended March 30, 2018 was comprised of 52 weeks. The current fiscal year, ending on March 29, 2019, will be comprised of 52 weeks.

Revenue Recognition:

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The Company has historically adopted shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point).

Revenue is realized or realizable and earned when all of the following criteria are met:

- Persuasive evidence of an arrangement exists
- Shipment has occurred
- The Company's selling price for its products are fixed and determinable
- Collectability is reasonable assured

The Company does not offer any discounts, credits or other sales incentives. Historically, the Company believes that it has no collection issues with its customer base.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Revenue Recognition: (continued)

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of product. The cost of defective products is immaterial at this time.

The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not invoice its customers separately for these services.

Inventories:

Inventories are stated at an average cost on a first-in, first-out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements.

The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in six years, it is deemed to be obsolete. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience, is made to inventory in recognition of this impairment.

Concentration of Credit Risk:

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Deposit Insurance Corporation (FDIC) will permanently insure all accounts maintained with each financial institution up to \$250,000 in the aggregate.

As of September 28, 2018 and March 30, 2018, the Company had funds on deposit in the amount of \$4,300,136 and \$1,887,682, in one financial institution comprised of the following:

	<u>September 28, 2018</u>	<u>March 30, 2018</u>
Non-interest-bearing accounts	\$ 1,806,250	\$ 746,958
Interest bearing account	<u>2,493,886</u>	<u>1,140,724</u>
	<u>\$ 4,300,136</u>	<u>\$ 1,887,682</u>

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Concentration of Credit Risk (continued):

The Company has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization using the Double Declining Balance method over the estimated useful lives (5-7 years) of the related assets.

Maintenance and repair expenditures are charged to operations, and renewals and betterments are capitalized. Items of property, plant and equipment, which are sold, retired or otherwise disposed of, are removed from the asset and accumulated depreciation or amortization accounts. Any gain or loss thereon is either credited or charged to operations.

Net Income Per Share:

The Company has adopted the provisions of Financial Accounting Standards Board ("FASB") ASC Topic 260, *Earnings per Share*, which includes the provisions of SFAS No. 128, "Earnings Per Share," which requires the disclosure of "basic" and "diluted" earnings (loss) per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Fully diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding on a fully diluted basis during each period.

Under the requirements of ASC Topic 260, during this period the Company is required to use the Treasury Stock method in computing fully diluted earnings per share and the weighted average number of common shares outstanding on a fully diluted basis because the options previously granted by the Company are considered to be "in the money" (i.e., when the option grant price is lower than the prevailing market price of the Company's common stock). The weighted average number of common shares outstanding has been increased to reflect the dilutive effect of potential shares, such as those issuable upon the exercise of the stock options as if they had been issued.

Fair Value of Financial Instruments:

The carrying value of the Company's financial instruments, consisting of accounts receivable, accounts payable, and borrowings, approximate their fair value due to the relatively short maturity (six months) of these instruments.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual amounts could differ from those estimates.

Impairment of Long-Lived Assets:

There were no long-lived asset impairments recognized by the Company for the six months ended September 28, 2018 and September 29, 2017, respectively, and currently all assets are being utilized.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Stock-Based Compensation Plan:

Compensation expense for stock options granted to directors, officers and key employees is based on the fair value of the award on the measurement date, which is the date of the grant. The expense is recognized ratably over the service period of the award. The fair value of stock options is estimated using a Black-Scholes valuation model. The fair value of any other non-vested stock awards is generally the market price of the Company's common stock on the date of the grant.

Recent Accounting Pronouncements:

FASB has issued certain accounting standards updates as of September 28, 2018 that will become effective in subsequent periods. The Company believes that none of those updates would have significantly affected the Company's financial accounting measures or disclosures had they been in effect during the six months ended September 28, 2018 and September 29, 2017, respectively, and it does not believe that any of those pronouncements will have a significant impact on the Company's financial statements at the time that they become effective.

Note 3- INVENTORIES:

Inventories are stated at average cost, on a first in first out basis, which does not exceed market value.

The Company manufactures products pursuant to specific technical and contractual requirements. The Company historically purchases material in excess of its requirements to avail itself of favorable pricing as well as the possibility of receiving additional orders from customers. This excess may result in material not being used in subsequent periods, which may result in this material being deemed obsolete.

The Company annually reviews its purchase and usage activity of its inventory of parts as well as work in process and finished goods to determine which items of inventory have become obsolete within the framework of current and anticipated orders. The Company based upon historical experience has determined that if a part has not been used and purchased or an item of finished goods has not been sold in six years, it is deemed to be obsolete.

The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost. A periodic adjustment, based upon historical experience, is made to inventory in recognition of this impairment.

Inventories were comprised of the following:

	September 28, 2018	March 30, 2018
Raw materials	\$ 7,155,030	\$ 6,644,436
Work in progress	2,463,946	2,288,115
Finished goods	<u>1,958,724</u>	<u>1,818,947</u>
	<u>\$ 11,577,700</u>	<u>\$10,751,498</u>

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 4- PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets were comprised of the following:

	September 28, 2018	March 30, 2018
Prepaid insurance	\$ 56,285	\$ 16,256
Prepaid corporate taxes	156,912	467,606
Other current assets	83,436	5,732
	\$ 296,633	\$ 489,594

Note 5- PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment were comprised of the following:

	September 28, 2018	March 30, 2018
Computers	\$ 496,489	\$ 496,489
Leasehold improvements	894,988	888,488
Machinery and equipment	6,346,130	6,189,340
Tools and dyes	3,842,946	3,681,077
Furniture and fixture	179,072	179,072
Website development cost	9,785	9,050
	11,769,410	11,443,516
Less: accumulated depreciation and amortization	(9,602,961)	(9,377,361)
	\$ 2,166,449	\$ 2,066,155

Note 6- ACCOUNTS RECEIVABLE FINANCING:

The Company entered into an accounts receivable financing agreement with a commercial finance company, whereby it can borrow up to 80 percent of its eligible receivables (as defined in the financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced rate with a minimum rate of 6% per annum.

The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or the commercial finance company upon receiving 60 days' prior notice. Funds advanced by the commercial finance company are secured by IEH's accounts receivable and inventories.

As of September 28, 2018 and March 30, 2018, the Company had reported excess payments to the commercial finance company of \$448,930 and \$154,960, respectively. These excess payments are reported in the accompanying financial statements as of September 28, 2018 and March 30, 2018 as "Excess payments to commercial finance company."

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 7- OTHER CURRENT LIABILITIES:

Other current liabilities were comprised of the following:

	September 28, 2018	March 30, 2018
Payroll and vacation accruals	\$ 733,089	\$ 569,043
Sales commissions	63,450	104,791
Other	38,748	94,535
	\$ 835,287	\$ 768,369

Note 8- CORRECTION OF AN ERROR:

On July 1, 2015, the Company granted 245,000 options to purchase shares of the Company's common stock under the 2011 Equity Incentive Plan.

The Company did account for these grants as statutory stock options but did not report these grants as additional compensation expense during the fiscal year ended March 25, 2016. Upon subsequent review, it was determined that these grants should have been reported as compensation expense using a Black-Scholes Method of valuation for the fiscal year ended March 25, 2016.

The Company is reporting additional stock option compensation expense of \$995,055 as an adjustment of the opening component balances of stockholders' equity as of March 31, 2017.

The following table shows the effect of this correction:

	Capital in Excess of Par value	Retained earnings
Balances at March 25, 2016	\$2,744,573	\$10,812,960
Correction of an error: recognition of stock option compensation expense	995,055	(995,055)
Restated balances at March 26, 2016	3,739,628	9,817,905
Net income for the year ended March 31, 2017	—	1,473,976
Balances at March 31, 2017	\$3,739,628	\$11,291,881

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 8- CORRECTION OF AN ERROR: (continued)

	Capital in Excess of Par value	Retained earnings
Balances at March 31, 2017 <i>(from page 16)</i>	\$ 3,739,628	\$11,291,881
Stock compensation recognized for the year ended March 25, 2016	16,788	—
Dividend distribution paid on June 17, 2017	—	(575,867)
Stock compensation recognized for the quarter ended June 30, 2017	2,798	—
Restated net income for the quarter ended June 30, 2017	—	305,622
Balances at June 30, 2017	3,759,214	11,021,636
Stock compensation recognized for the quarter ended September 29, 2017	2,798	—
Restated net income for the quarter ended September 29, 2017	—	564,660
Balances at September 29, 2017	\$ 3,762,012	\$11,586,296

The financial statements for the three and six months periods ended September 29, 2017 have been restated to include the recognition of quarterly stock compensation as follows:

	Quarter ended Sep 29, 2017 (in thousands) (restated)	Six months ended Sep 29, 2017 (in thousands) (restated)
IEH employees	\$ —	\$ —
Non-employee directors	3	22
Total stock compensation expense	\$ 3	\$ 22

Note 9- CHANGES IN SHAREHOLDERS' EQUITY:

The accumulated retained earnings increased by \$3,205,589, which represents the net income for the six months ended September 28, 2018.

On May 9, 2018, the Estate of Michael Offerman, the late Chief Executive Officer of the Company, exercised all of the options (75,000) that had been awarded to him under the 2011 Equity Incentive Plan. As a result of such exercise, the aggregate issued and outstanding shares of common stock of the Company increased to 2,323,468 shares.

Note 10- 2011 EQUITY INCENTIVE PLAN:

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10- 2011 EQUITY INCENTIVE PLAN: (continued)

management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired in accordance with its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock.

The aggregate fair market value of shares subject to options granted to a participant(s) that are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

On July 1, 2015, our Board of Directors granted 245,000 options to purchase shares of the Company's common stock under the 2011 Plan as follows: (i) Michael Offerman, our then Chief Executive Officer, was granted 75,000 options; (ii) Robert Knoth, our Chief Financial Officer, was granted 50,000 options; (iii) four non-executive officer key employees were granted 110,000 options; and (iv) each of our non-management directors, Allen Gottlieb and Gerald Chafetz, was granted 5,000 options. The stock options: (i) have a ten-year term; (ii) have an exercise price equal to the value of the Company's common stock on the date of grant; and (iii) were all immediately vested. The options granted to Michael Offerman had an exercise price equal to 110% of such fair market value because he owned ten percent (10%) or greater of the Company's outstanding common stock. In the event of the termination of each recipient's employment by, or association with, the Company (as applicable), the options will remain exercisable in accordance with the terms of the 2011 Plan.

Effective July 15, 2016, the Board of Directors of the Company unanimously voted to increase the number of directors from three to six directors and elected David Offerman as a Class II director and Dr. Sonia Marciano and Eric C. Hugel as Class I Directors.

Effective August 15, 2016, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to each of Dr. Marciano and Mr. Hugel as follows: Each of the new non-management directors will receive a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested immediately (August 15, 2016); (ii) 2,000 shares vested on August 15, 2017; and (iii) 2,000 shares will vest on August 15, 2018. The stock options: (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

On September 7, 2018, the Board of Directors elected Michael E. Rosenfeld to the Board of Directors to fill the vacancy of a Class I Director of the Company created by the death of the Company's then President and Chief Executive Officer, Michael Offerman. Such appointment will become effective on October 26, 2018.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10- 2011 EQUITY INCENTIVE PLAN: (continued)

At the same time, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to Mr. Rosenfeld as follows: He will receive a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares will vest on October 26, 2018; (ii) 2,000 shares will vest on October 26, 2019; and (iii) 2,000 shares will vest on October 26, 2020. The stock options: (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

The table below summarizes the option awards for the named executive officers and non-management directors:

<u>Name</u>	<u>Stock Option Grants</u>
David Offerman	50,000
Robert Knoth	50,000
Allen Gottlieb	5,000
Gerald Chafetz	5,000
Sonia Marciano	5,000
Eric Hugel	5,000
Michael E. Rosenfeld	5,000*

*Options for 1,000 shares vested on October 26, 2018, Options for 1,000 shares have not yet vested. 2,000 shares shall vest on October 26, 2019 and 2,000 shares shall vest on October 26, 2020.

The following table shows the option activity for the fiscal year ended March 30, 2018 and the current six months ended September 28, 2018.

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our statement of operations:

	Six months ended Sept. 28, 2018	Six months Ended Sept. 29, 2017	Quarter ended Sept. 28, 2018	Quarter ended Sept. 29, 2017 (in thousands) (restated)
<u>Ref</u>	<u>(in thousands)</u>	<u>(in thousands)</u>	<u>(in thousands)</u>	<u>(restated)</u>
IEH employees	\$ —	\$ —	\$ —	\$ —
Non-employee directors	6	22	3	3
Total stock compensation expense	<u>(a) \$ 6</u>	<u>\$ 22</u>	<u>\$ 3</u>	<u>\$ 3</u>

- (a): The Company reported compensation expense of \$2,798 during the quarter ended September 28, 2018 and \$2,798 during the quarter ended September 29, 2017 resulting from stock options granted on August 15, 2016.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10- 2011 EQUITY INCENTIVE PLAN: (continued)

Unrecognized stock-based compensation expense:

	Quarter ended September 28, 2018 (in thousands)	Quarter ended September 29, 2017 (in thousands) (restated)
Ref	Ref	Ref
Unrecognized expense for IEH employees	\$ —	\$ —
Unrecognized expense for Non-employee directors	8	19
Total unrecognized expense	<u>(b) \$ 8</u>	<u>\$ 19</u>

- (b): Unrecognized stock-based compensation expense related to prior years' equity grants of stock options to non-employee directors, that had not vested as of the end of the applicable fiscal year.

Note: Stock option grants to IEH officers, directors and key employees in the fiscal years ended March 30, 2018 and March 31, 2017 were valued using a Black-Scholes model, under the following criteria:

	<u>March 30, 2018</u>	<u>March 31, 2017</u>
Risk free interest rate	2.09%	1.88%
Contractual term	10 years	10 years
Dividend yield	—	—
Expected lives	10 years	10 years
Expected volatility	64%	56%
Fair value per option	\$ 5.85	\$ 6.00

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 10- 2011 EQUITY INCENTIVE PLAN: (continued)

The following table shows the activity for the fiscal years ended March 30, 2018 and March 31, 2017.

		Shares	Weighted Avg. Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at the Beginning of the Year	3/25/2016	245,000	\$ 6.18	9.27	\$ —
Granted	8/15/2016	10,000	\$ 5.30	10.00	—
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Year	3/31/2017	<u>255,000</u>	\$ 6.15	8.82	\$ 87
Fully Vested		<u>247,000</u>	\$ 6.05		
Exercisable at the End of the Year March 31 2017		247,000			
Outstanding at the Beginning of the Year	3/31/2017	255,000	\$ 6.15	8.82	\$ 87
Granted		0			
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Year	3/30/2018	<u>255,000</u>	\$ 6.15	8.07	\$ 702
Fully Vested		<u>251,000</u>	\$ 6.02		
Exercisable at the End of the Year March 30, 2018		<u>251,000</u>			
Outstanding at the Beginning of the Year	3/30/2018	255,000	\$ 6.15	8.07	\$ 702
Granted		0			
Exercised		(75,000)			
Forfeited or Expired		0			
Outstanding at the End of the Quarter	6/29/2018	<u>180,000</u>	\$ 6.04	7.57	\$ 666
Fully Vested		<u>176,000</u>	\$ 5.94		
Exercisable at the End of the Year September 28, 2018		<u>176,000</u>			
Outstanding at the Beginning of the Quarter	6/29/2018	180,000	\$ 6.04	7.57	\$ 666
Granted		0			
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Quarter	9/28/2018	<u>180,000</u>	\$ 6.04	7.32	\$ 1,393
Fully Vested		<u>180,000</u>	\$ 5.94		
Exercisable at the End of the Quarter September 28, 2018		<u>180,000</u>			

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company's common stock.

IEH CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Note 11- CASH BONUS PLAN:

In 1987, the Company adopted a cash bonus plan (“Cash Bonus Plan”) for non-union, management and administrative staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. The Company accrued a contribution provision of \$162,000 for the six months ended September 28, 2018. For the fiscal year ended March 30, 2018, the Company’s contribution was \$324,000.

Note 12- COMMITMENTS AND CONTINGENCIES:

The Company leases space for its corporate offices (including its manufacturing facility) at 140 58th Street, Suite 8E, Brooklyn, New York. The lease term runs from December 1, 2010 through November 30, 2020. The basic minimum annual rentals are as follows:

Fiscal year ending March:

2019	\$ 92,760
2020	189,200
2021	<u>128,640</u>
	<u>\$ 410,600</u>

The rental expense for the six months ended September 28, 2018 was \$90,960 and \$88,290 for the six months ended September 29, 2017.

The Company has a collective bargaining multi-employer pension plan (“Multi-Employer Plan”) with the United Auto Workers of America, Local 259 (“UAW”). Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. With the passage of the Multi-Employer Pension Plan Amendment Act of 1990 (the “1990 Act”), the Company may become subject to liabilities in excess of contributions made under the collective bargaining agreement. Generally, these are contingent upon termination, withdrawal, or partial withdrawal from the Multi-Employer Plan.

The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company’s proportional share of the Multi-Employer Plan’s unfunded vested benefits, which is currently not available. The Plan’s information and data for the year ending December 31, 2018 is not yet available. As of the date hereof, the Company expects that its proportional share of the 2018 liability will also be fully funded. The amount of accumulated benefits and net assets of such Plan is also not currently available to the Company. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$37,048 and \$58,652 for the six months ended September 28, 2018 and September 29, 2017, respectively.

Note 13- ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The Company historically had maintained an allowance for uncollectable accounts receivables. The Company did determine that over the past five years, no customer account balances were determined to be uncollectable and charged off to operations. A review of accounts receivable at September 28, 2018 indicated that none were either deemed to be delinquent or uncollectable. Accordingly, The Company has determined that collectability is not an issue and it that there is no longer a need to maintain this allowance.

Note 14- SUBSEQUENT EVENTS:

The Company has evaluated all subsequent events through November 16, 2018, the date the financial statements were available to be issued. Based on this evaluation, except as set forth below, the Company has determined that no subsequent events have occurred which require disclosure through the date that these financial statements were available to be issued.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933 (the "Securities Act"). Statements contained in this report which are not statements of historical facts may be considered forward-looking information with respect to plans, projections, or future performance of the Company as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those projected. The words "anticipate", "believe", "estimate", "expect", "objective", and "think" or similar expressions used herein are intended to identify forward-looking statements. The forward-looking statements are based on the Company's current views and assumptions and involve risks and uncertainties that include, among other things, the effects of the Company's business, actions of competitors, changes in laws and regulations, including accounting standards, employee relations, customer demand, prices of purchased raw material and parts, domestic economic conditions, including housing starts and changes in consumer disposable income, and foreign economic conditions, including currency rate fluctuations. Some or all of the facts are beyond the Company's control.

Except as may be required by applicable law, we do not undertake or intend to update or revise our forward-looking statements, and we assume no obligation to update any forward-looking statements contained in this report as a result of new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. You should carefully review and consider the various disclosures we make in this report and our other reports filed with the SEC that attempt to advise interested parties of the risks, uncertainties and other factors that may affect our business. The following discussion and analysis should be read in conjunction with the financial statements and related footnotes included elsewhere in this quarterly report which provide additional information concerning the Company's financial activities and condition.

Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company believes the following are the critical accounting policies, which could have the most significant effect on the Company's reported results and require the most difficult, subjective or complex judgments by management.

Impairment of Long-Lived Assets:

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. The Company makes estimates of its future cash flows related to assets subject to impairment review.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Critical Accounting Policies *(continued)*

Inventory Valuation:

Raw materials and supplies are stated at average cost on a first in first out basis, which does not exceed market value. Finished goods and work in process are valued at the lower of actual cost, determined on a specific identification basis, or market. The Company estimates which materials may be obsolete and which products in work in process or finished goods may be sold at less than cost, and adjusts their inventory value accordingly. Future periods could include either income or expense items if estimates change and for differences between the estimated and actual amount realized from the sale of inventory.

Income Taxes:

The Company records a liability for potential tax assessments based on its estimate of the potential exposure. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. Income tax expense in future periods could be adjusted for the difference between actual payments and the Company's recorded liability based on its assessments and estimates.

Revenue Recognition:

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. The Company has historically adopted shipping terms that title to merchandise passes to the customer at the shipping point (FOB Shipping Point).

Revenue is realized or realizable and earned when all of the following criteria are met:

- Persuasive evidence of an arrangement exists
- Shipment has occurred
- The Company's selling price for its products are fixed and determinable
- Collectability is reasonable assured

The Company does not offer any discounts, credits or other sales incentives. Historically, the Company believes that it has no collection issues with its customer base.

The Company's policy with respect to customer returns and allowances as well as product warranty is as follows:

The Company will accept a return of defective product within one year from shipment for repair or replacement at the Company's option. If the product is repairable, the Company at its own cost, will repair and return it to the customer. If unrepairable, the Company will either offer an allowance against payment or will reimburse the customer for the total cost of product. The cost of defective products is immaterial at this time.

The Company provides engineering services as part of the relationship with its customers in developing the custom product. The Company is not obligated to provide such engineering service to its customers. The Company does not invoice its customers separately for these services.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Critical Accounting Policies (continued)

The Company did not expend any funds on, nor receiving any revenues related to, customer sponsored research and development activities, relating to the development of new designs, techniques and the improvement of existing designs, for the six months ended September 28, 2018 and September 29, 2017, respectively, relating to the development of new designs, techniques and the improvement of existing designs.

Stock-Based Compensation Plan:

Compensation expense for stock options granted to directors, officers and key employees is based on the fair value of the award on the measurement date, which is the date of the grant. The expense is recognized ratably over the service period of the award. The fair value of stock options is estimated using a Black-Scholes valuation model. The fair value of any other non-vested stock awards is generally the market price of the Company’s common stock on the date of the grant.

Comparative Analysis-Six Months Ended September 28, 2018 and September 29, 2017

Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

Relationship to Total Revenues	September 28, 2018	September 29, 2017
Operating Revenues (in thousands)	<u>\$ 15,641</u>	<u>\$ 11,051</u>
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	55.15%	63.14%
Selling, General and Administrative	13.28%	18.37%
Interest Expense	.10%	.15%
Depreciation and amortization	<u>1.44%</u>	<u>1.92%</u>
TOTAL COSTS AND EXPENSES	<u>69.97%</u>	<u>83.58%</u>
Operating Income	30.03%	16.42%
Other Income	<u>.02%</u>	<u>.01%</u>
Income before Income Taxes	30.05%	16.43%
Income Taxes	<u>(9.55%)</u>	<u>(8.36%)</u>
Net Income	<u>20.50%</u>	<u>8.07%</u>

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Comparative Analysis-Six Months Ended September 28, 2018 and September 29, 2017 *(continued)*

Results of Operations *(continued)*

Operating revenues for the six months ended September 28, 2018 amounted to \$15,641,182 reflecting an 41.53% increase versus \$11,051,240 for the six months ended September 29, 2017. The increase in revenues of \$4,589,942 can be attributed to increased marketing efforts and sales management support along with successful penetration into new markets and continued cultivation of our existing customer base.

The results of this six month period ending September 28, 2018 reflect the completion of a large customer contract which was fulfilled by the end of the first fiscal quarter. Our reasonable expectation at this time is that this customer's business will not be repetitive and accordingly there can be no assurance that the operating revenues in future fiscal quarters will equal or exceed the results of the first fiscal quarter.

Cost of products sold were \$8,626,465 for the six months ended September 28, 2018 or 55.15% of operating revenues. This reflected an increase of \$1,648,980 or 23.63% in the cost of products sold from \$6,977,485 or 63.14% of operating revenues for the six months ended September 29, 2017. The increase in cost of products sold can be attributed to increased production costs necessary to support the increase in sales.

Selling, general and administrative expenses were \$2,077,479 or 13.28% of operating revenues for the six months ended September 28, 2018 compared to \$2,052,224 or 18.37% of operating revenues. This comparative increase of \$25,255 can be attributed to the Company's efforts to better control expenses.

Interest expense was \$15,552 for the six months ended September 28, 2018 or .10% of operating revenues. For the six months ended September 29, 2017, interest expense was \$16,639 or .15% of operating revenues. The decrease can be attributed to a reduction in borrowing from our commercial financial company during the current six-month period.

Depreciation and amortization of \$225,600 or 1.44% of operating revenues was reported for the six months ended September 28, 2018 as compared to \$212,600 or 1.92% of operating revenues for the six months ended September 29, 2017.

The Company reported net income of \$3,205,589 for the six months ended September 28, 2018 as compared to net income of \$870,282 for the six months ended September 29, 2017. The increase in net income for the current six-month period can be attributed primarily to the increase in operating revenues for the current six-month period.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Comparative Analysis-Three Months Ended September 28, 2018 and September 29, 2017

Results of Operations

The following table sets forth for the periods indicated, percentages for certain items reflected in the financial data as such items relate to the revenues of the Company:

Relationship to Total Revenues	September 28, 2018	September 29, 2017
Operating Revenues (in thousands)	<u>\$ 6,598</u>	<u>\$ 6,058</u>
Operating Expenses: (as a percentage of Operating Revenues)		
Costs of Products Sold	61.25%	59.79%
Selling, General and Administrative	15.80%	18.33%
Interest Expense	0.08%	0.13%
Depreciation and amortization	<u>1.27%</u>	<u>1.74%</u>
TOTAL COSTS AND EXPENSES	<u>78.40%</u>	<u>79.99%</u>
Operating Income	21.60%	20.01%
Other Income	<u>0.03%</u>	<u>0.01%</u>
Income before Income Taxes	21.63%	20.02%
Income Taxes	<u>(7.28%)</u>	<u>(10.65%)</u>
Net Income	<u>14.35%</u>	<u>9.37%</u>

Operating revenues for the three months ended September 28, 2018 amounted to \$6,597,876 reflecting an 8.91% increase versus \$6,058,261 for the three months ended September 29, 2017. The increase in revenues of \$539,615 can be attributed to increased marketing efforts and sales management support along with successful penetration into new markets and continued cultivation of our existing customer base.

Cost of products sold were \$4,041,230 for the three months ended September 28, 2018 or 61.25% of operating revenues. This reflected an increase of \$418,797 or 11.56% in the cost of products sold from \$3,622,433 or 59.79% of operating revenues for the three months ended September 29, 2017. The increase in cost of products sold can be attributed to increased production costs necessary to support the increase in sales.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Comparative Analysis-Three Months Ended September 28, 2018 and September 29, 2017 *(continued)*

Results of Operations *(continued)*

Selling, general and administrative expenses were \$1,042,532 or 15.80% of operating revenues for the three months ended September 28, 2018 compared to \$1,113,213 or 18.33% of operating revenues. This comparative decrease of \$70,681 can be attributed to the Company's efforts to better control expenses.

Interest expense was \$5,304 for the three months ended September 28, 2018 or 0.08% of operating revenues. For the three months ended September 29, 2017, interest expense was \$8,101 or 0.13% of operating revenues. The decrease can be attributed to a reduction in borrowing from our commercial financial company during the current three-month period.

Depreciation and amortization of \$84,000 or 1.27% of operating revenues was reported for the three months ended September 28, 2018 as compared to \$105,300 or 1.74% of operating revenues for the three months ended September 29, 2017.

The Company reported net income of \$946,304 for the three months ended September 28, 2018 as compared to net income of \$564,660 for the three months ended September 29, 2017. The increase in net income for the current three-month period can be attributed primarily to the increase in operating revenues for the current period.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources

The Company reported working capital of \$18,062,463 as of September 28, 2018, compared to a working capital of \$14,951,572 as of March 30, 2018. The increase in working capital of \$3,110,891 was attributable to the following items:

Net income	\$ 3,205,589
Depreciation and amortization	225,600
Capital expenditures	(325,894)
Recognition of stock compensation expense	5,596
	<u>\$ 3,110,891</u>

As a result of the above, the current ratio (current assets to current liabilities) was 7.56 to 1 at September 28, 2018 as compared to 7.56 to 1 at March 30, 2018. Current liabilities at September 28, 2018 were \$2,755,065 compared to \$2,280,760 at March 30, 2018.

For the six months ended September 28, 2018, the Company reported \$325,894 in capital expenditures and depreciation and amortization of \$225,600.

The net income of \$3,205,589 for the six months ended September 28, 2018 resulted in an increase in total shareholders' equity to \$20,283,401.

The Company has an accounts receivable financing agreement with a commercial finance company whereby it can borrow up to 80 percent of its eligible receivables (as defined in the financing agreement) at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 6% per annum.

The financing agreement has an initial term of one year and will automatically renew for successive one-year terms, unless terminated by the Company or its lender upon receiving 60 days' prior notice.

As of September 28, 2018 and March 30, 2018, the Company had reported excess payments to the commercial finance company of \$448,930 and \$154,960, respectively. These excess payments are reported in the accompanying financial statements as of September 28, 2018 and March 30, 2018 as "Excess payments to commercial finance company."

In the past two fiscal years, management has been reviewing its collection practices and policies for outstanding receivables and has revised its collection procedures to a more aggressive collection policy. As a consequence of this new policy the Company's experience is that its customers have been remitting payments on a more consistent and timely basis. The Company reviews the collectability of all accounts receivable on a monthly basis. The reserve that was less than 2% of average gross accounts receivable was no longer considered necessary as the company has no uncollectible account.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources *(continued)*

The Company has the Multi-Employer Plan with the UAW. Contributions are made by the Company in accordance with a negotiated labor contract and are based on the number of covered employees employed per month. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the Multi-Employer Plan. The Company has not taken any action to terminate, withdraw or partially withdraw from the Multi-Employer Plan, nor does it intend to do so in the future. Under the 1990 Act, liabilities would be based upon the Company's proportional share of the Multi-Employer Plan's unfunded vested benefits. Based upon the Plan's information and data as of December 31, 2016 furnished to the Company (including, without limitation, unfunded vested benefits, accumulated benefits and net assets), the Plan is fully funded. Based thereupon, the Company's proportional share of the liability through December 31, 2016 is fully funded. The Plan's information and data for the year ending December 31, 2017 is not yet available. As of the date hereof, the Company expects that its proportional share of the 2017 liability will also be fully funded. The total contributions charged to operations under the provisions of the Multi-Employer Plan were \$37,048 and \$58,562 for the six months ended September 28, 2018 and September 29, 2017, respectively.

Stock Option Plan

On August 31, 2011, the Company's shareholders approved the adoption of the Company's 2011 Equity Incentive Plan ("2011 Plan") to provide for the grant of stock options and restricted stock awards to purchase up to 750,000 shares of the Company's common stock to all employees, consultants and other eligible participants including senior management and members of the Board of Directors of the Company. The 2011 Plan replaced the prior 2002 Employee Stock Option Plan which had expired on its terms.

Options granted to employees under the 2011 Plan may be designated as options which qualify for incentive stock option treatment under Section 422A of the Internal Revenue Code, or options which do not qualify (non-qualified stock options).

Under the 2011 Plan, the exercise price of an option designated as an incentive stock option shall not be less than the fair market value of the Company's common stock on the day the option is granted. In the event an option designated as an incentive stock option is granted to a ten percent (10%) or greater shareholder, such exercise price shall be at least 110 percent (110%) of the fair market value of the Company's common stock and the option must not be exercisable after the expiration of five years from the day of the grant. The 2011 Plan also provides that holders of options that wish to pay for the exercise price of their options with shares of the Company's common stock must have beneficially owned such stock for at least six months prior to the exercise date.

Exercise prices of non-incentive stock options may be less than the fair market value of the Company's common stock. The aggregate fair market value of shares subject to options granted to a participant(s), which are designated as incentive stock options, and which become exercisable in any calendar year, shall not exceed \$100,000.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources *(continued)*

Stock Option Plan *(continued)*

On July 1, 2015, our Board of Directors granted 245,000 options to purchase shares of the Company's common stock under the 2011 Plan as follows: (i) Michael Offerman, our then Chief Executive Officer, was granted 75,000 options; (ii) Robert Knoth, our Chief Financial Officer, was granted 50,000 options; (iii) four non-executive officer key employees were granted 110,000 options; and (iv) each of our non-management directors, Allen Gottlieb and Gerald Chafetz, were granted 5,000 options. The stock options: (i) have a ten-year term; (ii) have an exercise price equal to the value of the Company's common stock on the date of grant; and (iii) were all immediately vested. The options granted to Michael Offerman has an exercise price equal to 110% of such value because he owned ten percent (10%) or greater of the Company's outstanding common stock. In the event of the termination of each recipient's employment by, or association with, the Company (as applicable), the options will remain exercisable in accordance with the terms of the 2011 Plan.

Effective July 15, 2016, the Board of Directors of the Company unanimously voted to increase the number of directors from three to six directors and elected David Offerman as a Class II director and Dr. Sonia Marciano and Eric C. Hugel as Class I Directors.

Effective August 15, 2016, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to each of Dr. Marciano and Mr. Hugel as follows: Each of the new non-management directors will receive a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares vested immediately (August 15, 2016); (ii) 2,000 shares vested on August 15, 2017; and (iii) 2,000 shares will vest on August 15, 2018. The stock options (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

On September 7, 2018, the Board of Directors elected Michael E. Rosenfeld to the Board of Directors to fill the vacancy of a Class I Director of the Company created by the death of the Company's then President and Chief Executive Officer, Michael Offerman. Such appointment will become effective on October 26, 2018.

At the same time, the Board of Directors also approved the granting of stock options to purchase shares of the Company's common stock under the 2011 Plan to Mr. Rosenfeld as follows: He will receive a grant of options totalling 5,000 shares each subject to the following vesting schedule: (i) 1,000 shares will vest on October 26, 2018; (ii) 2,000 shares will vest on October 26, 2019; and (iii) 2,000 shares will vest on October 26, 2020. The stock options: (i) have a ten-year term; and (ii) have an exercise price equal to the value of the Company's common stock on the date of grant. In the event of the termination of each recipient's association with the Company, the options will remain exercisable in accordance with the terms of the 2011 Plan.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources (continued)

Stock Option Plan (continued)

Name	Stock Option Grants*
David Offerman	50,000
Robert Knoth	50,000
Allen Gottlieb	5,000
Gerald Chafetz	5,000
Sonia Marciano	5,000
Eric Hugel	5,000
Michael E. Rosenfeld	5,000*

*Options for 1,000 shares were vested on October 26, 2018 and options for 4,000 shares have not yet vested. 2,000 shares shall vest on October 26, 2019 and 2,000 shares shall vest on October 26, 2020.

The following table shows the option activity for the fiscal year ended March 30, 2018 and the current six months ended September 28, 2018.

Stock-based compensation expense:

Stock-based compensation expense, shown in the table below, is recorded in general and administrative expenses included in our statement of operations:

	Six months ended Sep 28, 2018	Six months Ended Sep 29,2017	Quarter ended Sep 28, 2018	Quarter ended Sep 29, 2017 (in thousands) (restated)
<u>Ref</u>	<u>(in thousands)</u>	<u>(in thousands)</u>	<u>(in thousands)</u>	<u>(in thousands)</u>
IEH employees	\$ —	\$ —	\$ —	\$ —
Non-employee directors	6	22	3	3
Total stock compensation expense	<u>(a) \$ 6</u>	<u>\$ 22</u>	<u>\$ 3</u>	<u>\$ 3</u>

(a): The Company reported compensation expense of \$2,798 during the quarter ended September 28, 2018 and \$2,798 during the quarter ended September 29, 2017 resulting from stock options granted on August 15, 2016.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources (continued)

Stock Option Plan (continued)

Unrecognized stock-based compensation expense:

	Quarter ended September 28, 2018 (in thousands)	Quarter ended September 29, 2017 (in thousands) (restated)
Ref	(in thousands)	(restated)
Unrecognized expense for IEH employees	\$ —	\$ —
Unrecognized expense for Non-employee directors	8	19
Total unrecognized expense	8	19
	(b) \$ 8	\$ 19

(b): Unrecognized stock-based compensation expense related to prior years’ equity grants of stock options to non-employee directors, that had not vested as of the end of the applicable fiscal year.

Note: Stock option grants to IEH officers, directors and key employees in the fiscal years ended March 30, 2018 and March 31, 2017 were valued using a Black-Scholes model, under the following criteria:

	March 30, 2018	March 31, 2017
Risk free interest rate	2.09%	1.88%
Contractual term	10 years	10 years
Dividend yield	—	—
Expected lives	10 years	10 years
Expected volatility	64%	56%
Fair value per option	\$ 5.85	\$ 6.00

IEH CORPORATION

PART I: FINANCIAL INFORMATION

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

Liquidity and Capital Resources (continued)

Stock Option Plan (continued)

The following table shows the activity for the fiscal years ended March 30, 2018 and March 31, 2017 and through September 28, 2018.

		Shares	Weighted Avg. Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at the Beginning of the Year	3/25/2016	245,000	\$ 6.18	9.27	\$ —
Granted	8/15/2016	10,000	\$ 5.30	10.00	—
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Year	3/31/2017	<u>255,000</u>	\$ 6.15	8.82	\$ 87
Fully Vested		<u>247,000</u>	\$ 6.05		
Exercisable at the End of the Year March 31 2017		247,000			
Outstanding at the Beginning of the Year	3/31/2017	255,000	\$ 6.15	8.82	\$ 87
Granted		0			
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Year	3/30/2018	<u>255,000</u>	\$ 6.15	8.07	\$ 702
Fully Vested		<u>251,000</u>	\$ 6.02		
Exercisable at the End of the Year March 30, 2018		<u>251,000</u>			
Outstanding at the Beginning of the Year	3/30/2018	255,000	\$ 6.15	8.07	\$ 702
Granted		0			
Exercised		(75,000)			
Forfeited or Expired		0			
Outstanding at the End of the Quarter	6/29/2018	<u>180,000</u>	\$ 6.04	7.57	\$ 666
Fully Vested		<u>176,000</u>	\$ 5.94		
Exercisable at the End of the Year September 28, 2018		<u>176,000</u>			
Outstanding at the Beginning of the Quarter	6/29/2018	180,000	\$ 6.04	7.57	\$ 666
Granted		0			
Exercised		0			
Forfeited or Expired		0			
Outstanding at the End of the Quarter	9/28/2018	<u>180,000</u>	\$ 6.04	7.32	\$ 1,393
Fully Vested		<u>180,000</u>	\$ 5.94		
Exercisable at the End of the Quarter September 28, 2018		<u>180,000</u>			

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations *(continued)*

Liquidity and Capital Resources *(continued)*

Stock Option Plan *(continued)*

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in-the-money options on those dates. This amount will change based on the fair market value of the Company's common stock.

The Company intends to provide additional information regarding the compensation awarded to the named executive officers and non-management directors in respect of and during the fiscal year ended March 30, 2018, in the proxy statement for the Company's 2018 annual meeting of shareholders.

Cash Bonus Plan

In 1987, the Company adopted the Cash Bonus Plan for non-union, management and administrative staff. Contributions to the Cash Bonus Plan are made by the Company only when the Company is profitable for the fiscal year. The Company accrued a contribution provision of \$162,000 for the six months ended September 28, 2018. For the fiscal year ended March 30, 2018, the Company's contribution was \$324,000.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a "smaller reporting company" as defined by Regulation S-K and as such, are not required to provide this information contained in this item pursuant to Regulation S-K.

We do not believe that any of our financial instruments have significant risk associated with market sensitivity. For more information on these investments see Note 2 to our financial statements included in this Form 10-Q/A. We are not exposed to significant financial market risks from changes in foreign currency exchange rates and are only minimally impacted by changes in interest rates. We have not used, and currently do not contemplate using, any derivative financial instruments.

Interest Rate Risk

At any time, fluctuations in interest rates could affect interest earnings on our cash and marketable securities. We believe that the effect, if any, of reasonably possible near-term changes in interest rates on our financial position, results of operations, and cash flows would not be material. Currently, we do not hedge these interest rate exposures. The primary objective of our investment activities is to preserve capital. We have not used derivative financial instruments in our investment portfolio.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures About Market Risk *(continued)*

Interest Rate Risk *(continued)*

As of September 28, 2018, our unrestricted cash per the Company's books was \$4,087,248 of which \$2,493,886 was in an interest-bearing money market account with and the balance of \$1,593,362 was maintained in non-interest-bearing checking accounts used to pay operating expenses. As of March 30, 2018, our unrestricted cash per the Company's books was \$1,407,013 of which \$1,140,724 was maintained in an interest-bearing money market account and the balance of \$266,289 was maintained in non-interest-bearing checking accounts to pay operating expenses.

Item 4. Controls and Procedures

Evaluations of Disclosure Controls and Procedures

Under the supervision and with the participation of our management including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15e and 15d-15e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q/A. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures throughout the period covered by this report were not effective. They determined that deficiencies included how the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to our management to allow for timely decisions regarding disclosure. The deficiencies in our internal controls over financial reporting and disclosure controls related to the expertise of recording complex accounting issues with respect to stock-based compensation expense.

A controls system cannot provide absolute assurance, however, that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management has determined that as of March 30, 2018, there were material weaknesses in both the design and effectiveness of our internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, these weaknesses related to the analysis and reporting of stock-based compensation expense. Stock compensation was properly reported for the three and six month periods ended September 28, 2018.

Additionally, the Corporation did not report fully diluted earnings per share for the year ended March 30, 2018. The Corporation commenced reporting fully diluted earnings per share for the quarters ended September 28, 2018 and September 29, 2017 using the treasury method. Stock compensation was properly reported for the three and six months periods ended September 28, 2018.

Management has undertaken steps to correct this past deficiencies in its system of internal controls over financial reporting and has implemented procedures to closely monitor its system of internal controls in the future. In addition, management is recommending to the Board of Directors to form an audit committee of the Board which will be responsible to review: (i) all financial reports of the Company including, without limitation, the audited and unaudited financial statements of the Company, as applicable; and (ii) periodically review our disclosure controls and internal controls over financial reporting. The audit committee will also be authorized to investigate and make recommendations to the Board to implement any necessary system of internal controls over financial reporting to prevent any future deficiency in the internal controls over financial reporting. The audit committee will be comprised of at least three independent directors of the Company. Management believes that these changes are reasonably likely to affect materially and positively our internal controls over financial reporting.

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 4. Controls and Procedures *(continued)*

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal controls over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, 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. The Company's internal controls over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; and
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 28, 2018. In making this evaluation, management used the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As stated above, based on our evaluation under the framework in Internal Control—Integrated Framework, our management has concluded that our internal controls over financial reporting were not effective as of March 30, 2018 and September 28, 2018. Management has now undertaken steps to correct these deficiencies in the internal controls over financial reporting.

This Quarterly Report on Form 10-Q/A does not include an attestation report of our independent registered public accounting firm regarding our internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

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

IEH CORPORATION

PART I: FINANCIAL INFORMATION

Item 4. Controls and Procedures *(continued)*

Changes in Internal Control over Financial Reporting

As stated above, management has now undertaken steps to correct the deficiencies in our system of internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act).

Inherent Limitations on Effectiveness of Controls

We do not expect that internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within its company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Other Information Related to Internal Controls

Historically, the Company has relied upon the entire Board of Directors in appointing the Company's independent auditors and reviewing the financial condition and statements of the Company. However, in light of the aforementioned deficiencies in our internal controls over financial reporting described above, management is recommending to the Board of Directors to form an audit committee of the Board which will be responsible to review: (i) all financial reports of the Company including, without limitation, the audited and unaudited financial statements of the Company, as applicable; and (ii) periodically review our disclosure controls and internal controls over financial reporting. The audit committee will also be authorized to investigate and make recommendations to the Board to implement any necessary system of internal controls over financial reporting to prevent any future deficiency in the internal controls over financial reporting. The audit committee will be comprised of at least three independent directors of the Company.

Additionally, in response to the passage of the Sarbanes-Oxley Act of 2002, our Board of Directors and management have adopted a Code of Ethics and have instituted a periodic review by members of our management team to assist and guide the disclosure process. The Board has also determined to periodically review and develop policies and procedures to enhance our disclosure controls and procedures as well as with reviewing our periodic reports and other public disclosures.

IEH CORPORATION

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to or aware of any pending or threatened legal proceedings which, in the opinion of the Company's management, would result in any material adverse effect on its results of operations or its financial condition.

Item 1a. Risk Factors

You should carefully consider the risks described below, together with all of following risk factors and the other information included in this report, in considering our business herein as well as the information included in other reports and prospects. The risks and uncertainties described below are not the only ones facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations, financial condition and/or operating results. If any of the matters or events described in the following risks actually occurs, our business, financial condition or results of operations could be harmed. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment due to any of these risks.

Risks Related to Our Business

Failure to increase our revenue and keep our expenses consistent with revenues could prevent us from achieving and maintaining profitability.

We have generated net income of \$2,565,559, \$1,473,976 and \$1,690,110, respectively, for the fiscal years ended March 30, 2018, March 31, 2017 and March 25, 2016 and \$3,205,589 for the six months ended September 28, 2018. The results of this six month period ending September 28, 2018 reflect the completion of a large customer contract which was fulfilled by the end of the first fiscal quarter. Our reasonable expectation at this time is that this customer's business will not be repetitive and accordingly there can be no assurance that the operating revenues in future fiscal quarters will equal or exceed the results of the first fiscal quarter. We have expended, and will continue to be required to expend, substantial funds to pursue product development projects, enhance our marketing and sales efforts and to effectively maintain business operations. Therefore, we will need to generate higher revenues to achieve and maintain profitability and cannot assure you that we will be profitable in any future period.

Our capital requirements are significant and we have historically partially funded our operations through the financing of our accounts receivable.

We have an existing accounts receivable financing agreement with a commercial finance company whereby we can borrow up to 80 percent of our eligible receivables at an interest rate of 2.5% above JP Morgan Chase's publicly announced prime rate with a minimum rate of 6% per annum. No assurances can be given that this financing agreement will continue into the future. If we are unable to continue with this agreement, our cash flow might adversely be affected.

Our success is dependent on the performance of our management and the cooperation, performance and retention of our executive officers and key employees.

Our business and operations are substantially dependent on the performance of our senior management team and executive officers. If our management team is unable to perform it may adversely impact our results of operations and financial condition. We do not maintain "key person" life insurance on any of our executive officers. The loss of one or several key employees could seriously harm our business. Any reorganization or reduction in the size of our employee base could harm our ability to attract and retain other valuable employees critical to the success of our business.

IEH CORPORATION

PART II: OTHER INFORMATION

Item 1a. Risk Factors *(continued)*

Risks Related to Our Business *(continued)*

If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.

Our future success depends upon the continued service of our key management, technical, sales, finance, and other critical personnel. We cannot assure you that we will be able to retain them. Key personnel have left our Company in the past and there likely will be additional departures of key personnel from time to time in the future. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of Company initiatives, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting, and the results of our operations. In addition, hiring, training, and successfully integrating replacement sales and other personnel could be time consuming, may cause additional disruptions to our operations, and may be unsuccessful, which could negatively impact future revenues.

Our reported financial results could be adversely affected by changes in financial accounting standards or by the application of existing or future accounting standards to our business as it evolves.

As a result of the enactment of the Sarbanes-Oxley Act and the review of accounting policies by the SEC and national and international accounting standards bodies, the frequency of accounting policy changes may accelerate. Possible future changes to accounting standards, could adversely affect our reported results of operations.

Risks Related to Our Common Stock

Our stock price is volatile and could decline; we have a very limited trading market.

The price of our common stock has been, and is likely to continue to be, volatile. For example, our stock price during the fiscal year ended March 30, 2018 traded as low as \$6.12 per share and as high as \$8.89 per share. During the six-month period ended September 28, 2018, our common stock traded in the range of \$7.30 per share to \$22.00 per share. We cannot assure you that your initial investment in our common stock will not decline.

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

Not applicable

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosure

None

IEH CORPORATION

PART II: OTHER INFORMATION

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

Exhibit 31.1 [Certification Pursuant to 17CFR240.13a-14\(a\) or 17CFR240.15d-14\(a\)*](#)

Exhibit 31.2 [Certification Pursuant to 17CFR240.13a-14\(a\) or 17CFR240.15d-14\(a\)*](#)

Exhibit 32.1 [Certification Pursuant to 17CFR240.13a-14\(b\) or 17CFR240.15d-14\(b\) and Section 1350 of Chapter 63 of Title 18 of the United States Code*](#)

Exhibit 101.INS XBRL Instance Document*

Exhibit 101.SCH XBRL Taxonomy Extension Schema*

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document*

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase Document*

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*

Exhibit 101.DEF XBRL Taxonomy Extension Definition Label Document*

*Submitted electronically herewith

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q/A are the following formatted in XBRL (Extensible Business Reporting Language): (i) Statement of Operations for the six months ended September 28, 2018 and September 29, 2017; (ii) Balance Sheets as of September 28, 2018 and March 30, 2018; (iii) Statement of Cash Flows for the six months ended September 28, 2018 and September 29, 2017; and (iv) Notes to Financial Statements for the six months ended September 28, 2018.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q/A shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

(b) Reports on Form 8-K during Quarter.

(i) Form 8-K, dated July 9, 2018

(ii) Form 8-K dated August 13, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

IEH CORPORATION

(Registrant)

November 27, 2018

/s/ David Offerman

David Offerman

President and Chief Executive Officer

(Principal Executive Officer)

November 27, 2018

/s/ Robert Knoth

Robert Knoth

Chief Financial Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, David Offerman, certify that:

1. I have reviewed this quarterly report of Form 10-Q/A of IEH Corporation for the quarter ended September 28, 2018.
2. Based on my knowledge, this quarterly 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 quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and we 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 me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
 - 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; and
 - 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 quarterly report based upon 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.
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 registrant's board of directors (or persons performing the equivalent function):
 - 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, as set forth in Item 4 – Controls and Procedures; 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: November 27, 2018

/s/ David Offerman

David Offerman

President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Robert Knoth, certify that:

1. I have reviewed this quarterly report of Form 10-Q/A of IEH Corporation for the quarter ended September 28, 2018.
2. Based on my knowledge, this quarterly 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 quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 me by others within those entities, particularly during the period in which this quarterly report is being prepared; and
 - 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; and
 - 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 quarterly report based upon 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.
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 registrant's board of directors (or persons performing the equivalent function):
 - 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, as set forth in Item 4 – Controls and Procedures; 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: November 27, 2018

/s/ Robert Knoth

Robert Knoth

Chief Financial Officer (Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2004**

In connection with the Quarterly Report of IEH Corporation (the “*Company*”) on Form 10-Q/A for the quarter ending September 28, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), David Offerman, President and Chief Executive Officer (Principal Executive Officer) and Robert Knoth, Chief Financial Officer (Principal Accounting Officer) of the Company, respectfully certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2004, that:

1. The Report fully complies with the requirements of the Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David Offerman
David Offerman
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Robert Knoth
Robert Knoth
Chief Financial Officer
(Principal Accounting Officer)

Dated: November 27, 2018

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to IEH Corporation and will be retained by IEH Corporation and furnished to the Securities and Exchange Commission or its staff upon request.