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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

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

For the transition period from __________ to __________.

Commission file number: 001-41882

INNO HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Texas	**87-4294543**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2465 Farm Market 359 South , Brookshire, TX 77423
(Address of principal executive offices, including ZIP Code)

(800) 909-8800
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	**INHD**	**The Nasdaq Stock Market**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The registrant was not a public company as of the last business day of its most recently completed second fiscal quarter and, therefore, cannot calculate the aggregate market value of its voting and non-voting common equity held by non-affiliates as of such date.

As of May 13, 2024, there were 20,751,726 shares of common stock, no par value, issued and outstanding.

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As of March 31, 2024 (unaudited) and September 30, 2023

	March 31, 2024 (unaudited)	September 30, 2023
ASSETS		
Current assets		
Cash and cash equivalent	$ 4,045,442	$ 4,898
Accounts receivable, net	-	70,435
Inventories	360,853	394,293
Deferred offering costs	-	538,765
Prepayments and other current assets	963,841	180,467
Total current assets	5,370,136	1,188,858
Non-current assets		
ROU assets	691,030	437,770
Property and equipment, net	1,071,329	869,584
Other non-current assets	9,851	49,550
Total non-current assets	1,772,210	1,356,904
Total assets	$ 7,142,346	$ 2,545,762
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	837,039	781,056
Accounts payable – related party	14,489	535,595
Unearned revenue	639,810	1,137,828
Other payables and accrued liabilities	442,285	92,164
Other payables – related party	270,000	504,372
Short-term loan payable	50,000	790,000
Lease liability – current	665,502	212,277
Long-term notes payable – current portion	50,684	49,393
Total current liabilities	2,969,809	4,102,685
Non-current liabilities		
Notes payable	85,150	110,846
Lease liability – non-current	21,915	275,817
Total non-current liabilities	107,065	386,663
Total liabilities	3,076,874	4,489,348
Commitments and contingency	—	—

INNO HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
As of March 31, 2024 (unaudited), and September 30, 2023

	March 31, 2024 (unaudited)	September 30, 2023

Stockholders' Equity (Deficit)		
Common stock, no par value; 100,000,000 shares authorized; 20,751,726 and 18,251,726 shares issued and outstanding on March 31, 2024 and September 30, 2023	—	—
Additional paid in capital	10,676,534	2,830,000
Accumulated deficit	(6,386,790)	(4,524,815)
Non-controlling interest	(224,272)	(248,771)
Total equity (deficit)	4,065,472	(1,943,586)
Total liabilities and equity (deficit)	$ 7,142,346	$ 2,545,762

* On November 30, 2022, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Common Stock of the Company. Further on July 24, 2023, the Company effected a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of the Common Stock at a split ratio of 1-for-2 such that every holder of Common Stock of the Company shall receive one share of common stock for every two shares of Common Stock held and to reduce the number of authorized shares of Common Stock from 200,000,000 to 100,000,000. All references to number of shares, and to per share information in the consolidated financial statements have been retroactively adjusted.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

INNO HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the Three Months and Six Months Ended March 31, 2024 and 2023 (unaudited)

	For the Three Month Ended March 31,		For the Six Month Ended March 31,	
	2024	2023	2024	2023
REVENUES	$ 183,196	$ 88,613	$ 349,813	$ 397,614
COSTS AND EXPENSES:				
Costs of materials and labor	208,991	85,012	378,608	368,824
Selling, general and administrative expenses (exclusive of expenses shown separately below)	1,102,198	557,351	1,887,734	1,019,452
Impairment loss	23,911	-	23,911	-
Depreciation	22,263	17,764	43,323	32,783
Bad debt expense	59,935	-	59,935	400,600
Total costs and expenses	1,417,298	660,127	2,393,511	1,821,659
LOSS FROM OPERATIONS	(1,234,102)	(571,514)	(2,043,698)	(1,424,045)
OTHER INCOME (EXPENSE)				
Interest income (expenses), net	58,168	(16,090)	51,539	(35,078)
Other non-operating income (expense), net	82,007	(1,291)	81,768	(800)
Total other income (expenses), net	140,175	(17,381)	133,307	(35,878)
LOSS BEFORE INCOME TAXES	(1,093,927)	(588,895)	(1,910,391)	(1,459,923)
PROVISION FOR INCOME TAXES	-	-	800	-
NET LOSS	(1,093,927)	(588,895)	(1,911,191)	(1,459,923)
Non-controlling interest	(33,470)	(32,514)	(49,216)	(62,537)
NET LOSS ATTRIBUTABLE TO INNO HOLDINGS INC.	$ (1,060,457)	$ (556,381)	$ (1,861,975)	$ (1,397,386)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK				
Basic and Diluted	20,751,726	18,133,017	19,672,491	18,072,591
LOSSES PER SHARE				
Basic and Diluted	$ (0.05)	$ (0.03)	$ (0.09)	$ (0.08)

* On November 30, 2022, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Common Stock of the Company. Further on July 24, 2023, the Company effected a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of the Common Stock at a split ratio of 1-for-2 such that every holder of Common Stock of the Company shall receive one share of Common Stock for every two shares of Common Stock held and to reduce the number of authorized shares of Common Stock from 200,000,000 to 100,000,000. The computation of basic and diluted Losses Per Share were retroactively adjusted for all periods presented.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

INNO HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Six Months Ended March 31, 2024 and 2023

	Common Stock*		Additional Paid in Capital	Accumulated Deficit	Non-controlling interest	Subscription Receivable	Total
	Shares	Amount					
Balance, September 30, 2023	18,251,726	$ —	$ 2,830,000	$ (4,524,815)	$ (248,771)	$ —	$(1,943,586)
Net loss				(801,518)	(15,746)		(817,264)

	Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Non-controlling interest	Subscription Receivable	Total
Shares issued upon IPO completion	2,500,000	—	7,859,534	—	—	—	7,859,534
Balance, December 31, 2023 (unaudited)	20,751,726	$ —	$10,689,534	$ (5,326,333)	$ (264,517)	$ —	$ 5,098,684
Net loss	—	—	—	(1,060,457)	(33,470)	—	(1,093,927)
Disposal of subsidiary	—	—	—	—	73,715	—	73,715
Warrants assumption	—	—	(13,000)	—	—	—	(13,000)
Balance, March 31, 2024 (unaudited)	20,751,726	$ —	$10,676,534	$ (6,386,790)	$ (224,272)	$ —	$ 4,065,472

	Common Stock*		Additional Paid in	Accumulated	Non-controlling	Subscription	
	Shares	Amount	Capital	Deficit	interest	Receivable	Total
Balance, September 30, 2022	17,970,000	$ —	$1,805,000	$ (629,037)	$ (121,345)	$ —	$1,054,618
Net loss	—	—	—	(841,005)	(30,023)	—	(871,028)
Shares issued for cash	142,857	—	500,000	—	—	(500,000)	—
Balance, December 31, 2022 (unaudited)	18,112,857	$ —	$2,305,000	$ (1,470,042)	$ (151,368)	$ (500,000)	$ 183,590
Net loss	—	—	—	(556,381)	(32,514)	—	(588,895)
Shares issued for cash	105,975	—	400,000	—	—	500,000	900,000
Balance, March 31, 2023 (unaudited)	18,218,832	$ —	$2,705,000	$ (2,026,423)	$ (183,882)	$ —	$ 494,695

* On January 21, 2022, the sole owner of the Company and Inno Metal Studs Corp. ("IMSC"), Mr. Dekui Liu, entered into an agreement to sell 100% of his ownership in IMSC for 15,170,000 shares of the Company's common stock (the "Transaction"). Under ASC 805-40 and ASC 805-50, the Transaction was considered as a reverse acquisition between entities under common control. Accordingly, the outstanding shares of common stock upon completion of the Transaction was presented retroactively as outstanding for all reporting periods.

* On November 30, 2022, the Company implemented a 2-for-1 forward split of the issued and outstanding shares of Common Stock of the Company. Further on July 24, 2023, the Company effected a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of the common stock at a split ratio of 1-for-2 such that every holder of common stock of the Company shall receive one share of common stock for every two shares of common stock held and to reduce the number of authorized shares of common stock from 200,000,000 to 100,000,000. All references to number of shares, and to per share information in the consolidated financial statements have been retroactively adjusted.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

INNO HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	For the Six Months Ended March 31, (unaudited)	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,911,191)	$ (1,459,923)
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation expense	43,323	32,783
Stock-based compensation expense	62,500	—
Non-cash operating lease expense	103,481	56,238
Bad debt expense	59,935	400,600
Fixed assets disposal loss	250	—
Subsidiary disposal loss	23,715	—
Impairment loss	23,911	—
Change in operating assets and liabilities		
Accounts receivable	10,500	468,895
Inventories	33,440	(402,423)
Deferred offering costs	(51,701)	(216,193)
Prepayments and other current assets	(845,874)	118,662
Accounts payable	40,442	176,292
Accounts payable – related party	(471,106)	—
Unearned revenue	(498,018)	228,103
Operating lease liabilities	(102,178)	(53,767)
Other payables and accrued liabilities	350,121	(20,733)
Other non-current liabilities	—	(2,457)
Net cash used in operating activities	(3,128,450)	(673,923)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed assets additions	(270,798)	(226,899)
Proceed from fixed assets disposal	1,569	—
Net cash used in investing activities	(269,229)	(226,899)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related parties	91,000	134,767
Payments to related parties	(325,372)	—
Repayments to short-term loans	(740,000)	—
Repayments to long-term note	(24,405)	(19,280)
Payment made to retire warrants	(13,000)	—
Cash proceeds from IPO	8,450,000	900,000
Net cash provided by financing activities	7,438,223	1,015,487
CHANGES IN CASH AND CASH EQUIVALENT	4,040,544	114,665
CASH AND CASH EQUIVALENT, beginning of period	4,898	50,628
CASH AND CASH EQUIVALENT, ending of period	$ 4,045,442	$ 165,293
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	$ 800	$ —
Cash paid for interest	$ 20,223	$ 35,078

Noncash investing and financing activities:				
Deferred offering costs offset to APIC upon IPO completion	$	590,466	$	—
Right-of-use assets obtained in exchange for operating lease liabilities	$	356,741	$	—
Deposit applied to lease liability	$	39,699	$	—

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Note 1 — Nature of business and organization

INNO HOLDINGS, INC., a Texas corporation (the "Company"), was incorporated on September 8, 2021. The Company is principally engaged in the marketing and sale of construction products along with full-scope construction services in the US.

On January 18, 2022, the Company formed a limited liability company, Castor Building Tech LLC ("CBT"), in California. The Company owned 53% of the equity interest in CBT. On October 16, 2023, the Company and the noncontrolling interest parties reached a new ownership agreement that the Company's ownership increased to 55%. According to the new ownership agreement, the ownership percentage change is retroactively effective from January 18, 2022. The impact of historical noncontrolling interest allocation from this ownership percentage change is immaterial.

Effective as of January 21, 2022, the Company acquired 100% of the ordinary shares of Inno Metal Studs Corp. ("IMSC"), a Texas corporation incorporated on October 31, 2019. Pursuant to the terms of the Share Purchase Agreement with IMSC's sole owner and CEO of the Company, Mr. Dekui Liu, the Company issued 15,170,000 shares of its common stock to Mr. Dekui Liu in exchange for his 100% ownership in IMSC. Upon completion of the transaction, IMSC became a 100% owned subsidiary of the Company.

Inno Research Institute LLC ("IRI"), a Texas limited liability company was formed on September 8, 2021, is a 65% owned subsidiary of IMSC. On January 27, 2024, IRI was voluntarily terminated and resulted in a disposal loss of $23,715. The R&D activities carried out by IRI will be transferred to Inno AI Tech Corp, a new subsidiary of the Company.

On January 21, 2024, the Company incorporated Inno Disrupts Inc., a wholly owned subsidiary in Texas. The purpose of Inno Disrupts Inc. is to remodel buildings using the Company's framing steel products, enhance producing and marketing capabilities, manage the designated buildings in US, and other activities.

On February 11, 2024, the Company formed Inno AI Tech Corp., a wholly owned entity in Texas to conduct AI tech research and consulting activities.

Note 2 — Basis of Presentation and Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities Exchange Commission ("SEC"). The Company's fiscal year end date is September 30.

Certain information and footnote disclosures normally included in the Company's annual audited financial statements and accompanying notes have been condensed or omitted in this accompanying interim consolidated financial statements and footnotes. Accordingly, the accompanying interim condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023, filed with the Securities and Exchange Commission ("SEC") on January 16, 2024.

In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments and accruals, consisting only of normal, recurring adjustments that are necessary for a fair statement of the results of all interim periods reported herein. The results of the interim periods are not necessarily indicative of the results expected for the full fiscal year or any other interim period or any future year or period.

Consolidated Principles of consolidation

The Consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions have been eliminated.

Use of estimates and assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand, bank and money market deposits, and marketable securities with maturities of less than 90 days.

From time to time, the Company may maintain bank balances in interest bearing accounts in excess of the $ 250,000, which is currently the maximum amount insured by the Federal Deposit Insurance Corporation for interest bearing accounts (there is currently no insurance limit for deposits in noninterest bearing accounts). The Company has not experienced any losses with respect to cash. Management believes the Company is not exposed to any significant credit risk with respect to its cash.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

Accounts receivable

During the ordinary course of business, the Company extends unsecured credit to its customers. Accounts receivable are stated at the amount the Company expects to collect from customers. Management reviews its accounts receivable balances each reporting period to determine if an allowance for credit loss is required.

In October 2020, the Company adopted ASU 2016-13, Topics 326 — Credit Loss, Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology, for its accounting standard for its trade accounts receivable.

The Company continuously monitors the recoverability of accounts receivable. If there are any indicators that a customer may not make payment, the Company may consider making provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such customer. The following are some of the factors that the Company develops allowance for credit losses:

- the customer fails to comply with its payment schedule;
- the customer is in serious financial difficulty;
- a significant dispute with the customer has occurred regarding job progress or other matters;
- the customer breaches any of its contractual obligations;
- the customer appears to be financially distressed due to economic or legal factors;
- the business between the customer and the Company is not active; and
- other objective evidence indicates non-collectability of the accounts receivable.

The adoption of the credit loss accounting standard has no material impact on the Company's consolidated financial statements. Accounts receivable are recognized and carried at carrying amount less an allowance for credit losses, if any. The Company maintains an allowance for credit losses resulting from the inability of its customers to make required payments based on contractual terms. The Company reviews the collectability of its receivables on a regular and ongoing basis. The Company has also included in the calculation of allowance for credit losses based on its customers' businesses and their ability to pay their accounts receivable. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The Company also considers external factors to the specific customer, including current conditions and forecasts of economic conditions. In the event we recover amounts previously reserved, we will reduce the specific allowance for credit losses.

Fair values of financial instruments

ASC 825, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments. ASC 820, "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current assets and liabilities are approximate fair values due to their short-term nature.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

For other financial instruments to be reported at fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 — Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 — Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

As of March 31, 2024, the Company hold $ 1,989,616 United State Treasury Notes, purchased on March 25, 2024 and that matured on May 15, 2024, with unrealized gain of $1,062. As of September 30, 2023, the Company did not have any other financial instruments reported at fair value.

Revenue recognition

The Company has adopted Accounting Standards Codification ("ASC") 606 since its inception and recognizes revenue from product and service sales revenues, net of promotional discounts and return allowances, if any, when the following revenue recognition criteria are met: a contract has been identified, separate performance obligations are identified, the transaction price is determined, the transaction price is allocated to separate performance obligations and revenue is recognized upon satisfying each performance obligation. The Company transfers the risk of loss or damage upon delivery, therefore, revenue from product sales is recognized when it is delivered to the customer. For services, all sales are recognized upon completion based on terms stated in the sales agreements.

The Company evaluates the criteria of ASC 606 — Revenue Recognition Principal Agent Considerations in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. Generally, when the Company is primarily responsible for fulfilling the promise to provide a specified good or service, the Company is subject to inventory risk before the good or service has been transferred to a customer and the Company has discretion in establishing the price, revenue is recorded at gross.

Payments received prior to the delivery of goods to customers are recorded as unearned revenue.

Sales discounts are recorded in the period in which the related sale is recognized. Sales return allowances are estimated based on historical amounts and are recorded upon recognizing the related sales. Shipping and handling costs are recorded as selling expenses.

Costs and expenses

Costs and expenses are operating expenses, which consist of costs of material and labor, selling, general and administrative expenses, and depreciation, are expensed as incurred.

Inventory

Inventory consists of material and finished goods ready for sale and is stated at the lower of cost or net realizable value. The Company values its inventory using the FIFO costing method. The Company's policy is to include as a part of cost of goods sold any freight incurred to ship the product from its vendors to warehouses. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling expenses. The Company regularly reviews inventory and considers forecasts of future demand, market conditions and product obsolescence.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

If the estimated realizable value of the inventory is less than cost, the Company makes provisions in order to reduce its carrying value to its estimated net realizable value. The Company regularly assesses its inventory for obsolescence and records an allowance only when the inventory is no longer suitable for reproduction. The Company's inventory generally has a long life cycle and does not become obsolete quickly.

Deferred offering costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly related to an equity financing that is probable of successful completion until such financing is consummated. After consummation of an equity financing, these costs are recorded as a reduction of the proceeds received as a result of the financing. Should a planned equity financing be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses in the consolidated statements of operations in the period of determination.

Property and equipment

Property and equipment is stated at their historical cost, less accumulated depreciation. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

Machinery and equipment	7 years
Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	the shorter of the lease term or the estimated useful life of the improvements

Expenditures for renewals and betterments are capitalized while repairs and maintenance costs are normally charged to the statement of operations in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset.

Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset were removed from their respective accounts and any gain or loss is recorded in the statements of income.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment, the Company recorded $23,911 impairment loss during the three and six months ended March 31, 2024 to write down the leasehold improvement balance as a result of the early termination of the lease in Corona CA. No impairment expenses for property and equipment were recorded during the three and six months ended March 31, 2023.

Leases

On its inception date, the Company adopted ASC 842 — Leases ("ASC 842"), which requires lessees to record right-of-use ("ROU") assets and related lease obligations on the balance sheet, as well as disclose key information regarding leasing arrangements.

ROU assets represent our right to use an underlying asset for the lease terms and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

Stock-based Compensation

The Company applies ASC No. 718, "Compensation-Stock Compensation," which requires that share-based payment transactions with employees and nonemployees upon adoption of ASU 2018-07, be measured based on the grant date fair value of the equity instrument and recognized as compensation expense over the requisite service period, with a corresponding addition to equity. Under this method, compensation cost related to employee share options or similar equity instruments is measured at the grant date based on the fair value of the award and is recognized over the period during which an employee is required to provide service in exchange for the award, which generally is the vesting period. In addition to the requisite service period, the Company also evaluates the performance condition and market condition under ASC 718-10-20. For an award which contains both a performance and a market condition, and where both conditions must be satisfied for the award to vest, the market condition is incorporated into the fair value of the award, and that fair value is recognized over the employee's requisite service period or nonemployee's vesting period if it is probable the performance condition will be met. If the performance condition is ultimately not met, compensation cost related to the award should not be recognized (or should be reversed) because the vesting condition in the award has not been satisfied.

The Company will recognize forfeitures of such equity-based compensation as they occur.

Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their perspective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax position, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The Company has adopted the provisions of ASC 740 since inception and has analyzed filing positions in each of the federal and state jurisdictions where the Company is required to file income tax returns, as well as open tax years in such jurisdictions. The Company has identified the U.S. federal jurisdiction, and the states of Texas and California, as its “major” tax jurisdictions. However, the Company has certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

The Company believes that its income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. The Company’s policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Commitments and contingencies

In the ordinary course of business, the Company is subject to certain contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, such as government investigations and tax matters. The Company recognizes its liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Company may consider many factors in making these assessments including historical and specific facts and circumstances of each matter.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

Earnings per share

Basic earnings per share are computed by dividing net income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities to issue common stock were exercised.

Recently issued but not yet adopted accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740), Improvements to Income Tax Disclosures. The new guidance requires enhanced disclosures about income tax expenses. The Company is required to adopt this guidance in the first quarter of the fiscal year 2026. Early adoption is permitted on a prospective basis. We are currently evaluating the impact of this ASU on our annual income tax disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures. The new guidance requires enhanced disclosures about significant segment expenses. The Company is required to adopt this guidance for its annual reporting in fiscal year 2025 and for interim period reporting beginning the first quarter of fiscal year 2026 on a retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this ASU on our segment disclosures.

In June 2022, FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in this ASU clarify the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and require specific disclosures related to such an equity security. This standard is effective for fiscal years beginning after December 15, 2024. The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This ASU clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606) as if the entity had originated the contracts. The guidance is effective for fiscal years beginning after December 15, 2023, with early application permitted. The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

Note 2 — Basis of Presentation and Summary of significant accounting policies (cont.)

Subsequent events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date that the consolidated financial statements are available to be issued. Material subsequent events that required recognition or additional disclosure in the consolidated financial statements are presented. Except for these events disclosed in Note 13, Commitments and Contingencies, no other material subsequent events were noted.

Note 3 — Accounts Receivable, Net

Accounts receivable for the Company consisted of the following as of the dates indicated below:

	March 31, 2024 (unaudited)	September 30, 2023
Accounts receivable	$ 867,360	$ 1,338,395
Less: allowance for credit losses	(867,360)	(1,267,960)
Accounts receivable, net	$ -	$ 70,435

The Company wrote off the allowance for credit losses subsequent to exhaustive efforts to recover the receivable, which typically occurs within a 12-month period following the initial reservation for the allowance. A summary of the activities in the allowance for expected credit losses for the six months ended March 31,2024 and 2023 is as follows:

	March 31, 2024 (unaudited)	March 31, 2023 (unaudited)
Allowance for credit losses, beginning	$ 1,267,960	$ -
Add/ (Deduct):		
Provision for credit loss	59,935	400,600
Write-offs	(460,535)	-
Allowance for credit losses, end	$ 867,360	$ 400,600

The Company recorded credit losses of $ 59,935 for the three months and six months ended March 31, 2024. The Company recorded credit losses of $ Nil and $400,600 for the three months and six months ended March 31, 2023, respectively.

Note 4 — Inventories

As of March 31, 2024 and September 30, 2023, inventories consisted of the following:

	March 31, 2024 (unaudited)	September 30, 2023
Raw material	$ 84,597	$ 134,299
Production inventory	276,256	259,994
Total	$ 360,853	$ 394,293

As of March 31, 2024 and September 30, 2023, there was no allowance for obsolescence recorded.

Note 5 — Deferred offering costs

Deferred offering costs consisted of fees and expenses incurred in connection with the sale of the Company's common stock in the IPO, including the legal, accounting, printing and other offering related costs. Upon completion of the IPO, these deferred offering costs are to be reclassified from current assets to stockholders' equity and recorded against the net proceeds from the offering. As of March 31, 2024 and September 30, 2023, deferred offering costs amounted to $Nil and $538,765, respectively. On December 18, 2023, the whole amount of deferred offering costs was charged against to the fund raised recorded under additional paid in capital upon the completion of the initial public offering.

Note 6 — Prepayments and other current assets

As of March 31, 2024 and September 30, 2023, prepayments and other current assets consisted of the following:

	March 31, 2024 (unaudited)	September 30, 2023
Short term deposit for building acquisition	$ 440,000	$ -
Prepaid marketing and promotional services	272,815	-
Advance to suppliers	25,127	87,217
Prepaid insurance	125,918	3,663
Prepaid for services by stock grants	20,833	83,333
Other prepayments and current assets	79,148	6,254
Total	$ 963,841	$ 180,467

As disclosed in Note 13, $440,000 deposit was subsequently refunded on April 30,2024.

Note 7 — Property and equipment, net

As of March 31, 2024 and September 30, 2023, property and equipment consisted of the following:

	March 31, 2024 (unaudited)	September 30, 2023
Machinery and equipment	$ 346,900	$ 346,900
Office equipment	3,064	5,488
Motor vehicles	139,837	64,082
Construction-in-progress	692,042	497,000
Leasehold improvements	18,000	54,049
Total	1,199,843	967,519
Less: accumulated depreciation	(128,514)	(97,935)
Property and equipment, net	$ 1,071,329	$ 869,584

The Construction-in-progress is related to the project to expand the Company's operation and manufacturing capabilities in the factory in Texas.

In connection with the termination of the lease in Corona, CA as disclosed in Note 13, the Company recorded $ 23,911 impairment loss during the three and six months ended March 31, 2024 to write down the leasehold improvement balance.

For the three months ended March 31, 2024 and 2023, depreciation expenses amounted to $ 22,263 and $17,764, respectively. For the six months ended March 31, 2024 and 2023, depreciation expenses amounted to $43,323 and $32,783, respectively.

Note 8 – Other payables and accrued liabilities

As of March 31, 2024 and September 30, 2023, Other payables and accrued liabilities consisted of the following:

	March 31, 2024 (unaudited)	September 30, 2024
Refundable to customers due to project termination	$ 304,000	$ -
Accrued payroll	104,289	-
Other payable	33,996	92,164
Total	$ 442,285	$ 92,164

Note 9 — Loans payable

Short-term loans

Revolving line of credit

On September 16, 2022, the Company entered into an agreement with Origin Bank for a revolving line of credit (the "Line of Credit") of up to $ 1,000,000 with interest at the floating Prime Rate plus one percent (1.0%) per annum, which is to be adjusted daily to the rate in effect. Interest shall be due and payable monthly as it accrues. The Line of Credit is secured by a Security Agreement and Financing Statement that covers certain properties of the Company and guaranteed by Mr. Dekui Liu, the majority shareholder and CEO of the Company. As of March 31, 2024, the line of credit was fully paid off and closed. For the three months ended March 31, 2024 and 2023, the Company recorded interest expense related to the Line of Credit of $2,585 and $14,200, respectively. For the six months ended March 31, 2024 and 2023, the Company recorded interest expense related to the Line of Credit of $15,881and $29,462, respectively. As of March 31, 2024 and September 30, 2023, the total outstanding balance of the Line of Credit was $ Nil and $560,000, respectively. The balance was presented on the consolidated balance sheet as a short-term loan.

Short term loan without interest

From June 2023 to August 2023, the Company borrowed short-term loans due on demand without interest, amounting to $ 230,000 from three individuals for operating purposes. During the three months ended March 31, 2024, $180,000 short term loan was paid off, and as of March 31, 2024 and September 30, 2023, the outstanding balance due to these individuals were $50,000 and $230,000, respectively. The balance was presented on the consolidated balance sheet as a short-term loan.

Long-term loan

Promissory note payable

On October 28, 2021, the Company issued to BancorpSouth Bank a five-year unsecured 4.75% promissory note, payable in equal monthly installments of $4,661 commencing November 28, 2021 (the "Note"). The principal amount of the Note was $ 248,500. The Note is secured by a Security Agreement and Financing Statement that covers certain properties of the Company and guaranteed by Mr. Dekui Liu, the majority shareholder and CEO of the Company. For the three months ended March 31, 2024 and 2023, the Company recorded interest expense related to the note of $1,709 and $1,564, respectively. For the six months ended March 31, 2024 and 2023, the Company recorded interest expense related to the note of $3,796 and $4,025, respectively.

As of March 31, 2024 and September 30, 2023, the total outstanding balance of the Note was $ 135,834 and $160,239, respectively, which was presented on the consolidated balance sheet as a current portion of $50,684 and $49,393, and a non-current portion of $ 85,150 and $110,846, respectively.

Note 10 — Related party transactions

The Company borrows short term loans without interest from its majority shareholder and CEO, Mr. Dekui Liu, for operation and cashflow needs from time to time. As of March 31, 2024, the amount due to Mr. Liu was $2,000. As of September 30, 2023, the amount due to Mr. Liu was $ 327,372.

Note 10 — Related party transactions (cont.)

The Company engaged Yunited Assets LLC ("Yunited"), a limited liability company owned by Mr. Cheng Yu, the minority owner of the Company's subsidiary, Inno Research Institute, for consultation services on a project-by-project basis. During the three and six months ended March 31, 2024, the Company recorded $Nil and $ 3,100, respectively, of project-based consulting service fees, included in cost of materials and labor. During the three and six months ended March 31, 2023, the Company also recorded $10,000 and $20,000 consulting fee to Yunited for Mr. Yu's daily operating services included in the general and administrative expenses. No such services have been provided for the three and six months ended March 31, 2024. As of March 31, 2024 and September 30, 2023, the outstanding balance of accounts payable – related party due to Yunited was $Nil and $50,000.

During the year ended September 30, 2022, the Company purchased prefab home and other material and supplies from Baicheng Trading LLC ("Baicheng"), in which the father of Mr. Dekui Liu, the Company's majority shareholder and CEO, is a director. During the three and six months ended March 31, 2024, Baicheng further provided the renovation designing services for the buildings with a fee of $52,000. During the three and six months ended March 31, 2023, the company did not engage in any transactions with Baicheng. As of March 31, 2024, and September 30, 2023, the outstanding balance of accounts payable-related party were $14,489 and $485,595, respectively.

In March 2023, the Company entered into an agreement with Vision Opportunity Fund LP, a Florida limited partnership partially owned by a minority shareholder of the Company. In August 2023, all rights, obligations and interests under the agreement were subsequently assigned by Vision Opportunity Fund LP to its general partner, New Vision 101 LLC ("Vision 101"). Pursuant to the agreement, the Company agreed to provide supplies and act as project developer for an amount equal to $15,875,800 plus applicable taxes. As of March 31, 2024, amount of $ 271,185 has been received and recorded as deferred revenue, and $Nil amount of revenue has been recognized.

Starting in December 2022, for operation and cashflow needs, the Company received advances of funds from Zfounder Organization Inc., ("Zfounder"), one of the Company's minority shareholders, and Wise Hill Inc., ("Wise Hill"), a company owned by a minority shareholder of the Company who also serves as the CEO and Board member of Zfounder. The advanced amounts are non-interest bearing. As of March 31, 2024, the outstanding balance due to Zfounder. and Wise Hill. were $60,000 and $208,000, respectively. As of September 30, 2023, the outstanding balance due to Zfounder. and Wise Hill. were $55,000 and $122,000, respectively.

Note 11 — Equity

The Company was incorporated in Texas on September 8, 2021. The total authorized shares of capital stock were 200,000,000 shares without par value.

On November 30, 2022, the Company effected a forward stock split (the "Stock Split") of the Company's issued and outstanding shares of the common stock at a split ratio of 2-for-1. Further on July 24, 2023, the Company effected a reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of the common stock at a split ratio of 1-for-2 such that every holder of common stock of the Company shall receive one share of common stock for every two shares of common stock held and to reduce the number of authorized shares of common stock from 200,000,000 to 100,000,000. Shortly after the Reverse Stock Split, the Board of Directors of the Company approved issuance of additional shares to preserve the original purchase price per share of the shares sold in the period from February 1 to June 30, 2023. All share numbers of the Company's Common Stock are stated on a post-split basis.

As of March 31, 2024 and September 30, 2023, after giving effect to the stock splits of the outstanding shares of Common Stock, there were 20,751,726 and 18,251,726 shares of Common Stock issued and outstanding, respectively. The total authorized number of shares of capital stock was 100,000,000 shares without par value.

In December 2022, The Company issued 142,857 shares of its common stock at a price of $ 3.50 per share to an accredited investor for $500,000 in cash.

In February 2023, The Company issued 27,028 shares of its common stock at a price of $ 3.70 per share to an accredited investor for $100,000 in cash.

In March 2023, The Company issued 78,947 shares of its common stock at a price of $ 3.80 per share to an accredited investor for $300,000 in cash.

The registration statement for the Company's Initial Public Offering (the "Offering") was declared effective on November 9, 2023. The Common Stock commenced trading on the Nasdaq Capital Market (the "Nasdaq") on December 14, 2023, under the symbol "INHD." The closing of the Offering took place on December 18, 2023. On December 18, 2023, in connection with the closing of the initial public offering of 2,500,000 shares ("the Shares") of its common stock, no par value, the Company adopted its Amended and Restated Bylaws, effective the same day. In connection with the Offering of the Shares at an offering price of $4.00 per share, the Company also granted the underwriters an option exercisable for 45-days to purchase up to 375,000 shares of Common Stock as the Public Offering Price, less the underwriting discount to cover-over allotment. Additionally, the Company also issued warrants to the underwriters to purchase up to 201,250 shares of Common Stock at an exercise price of $ 4.80 per share, subject to adjustment as set forth in the warrants, exercisable from June 18, 2024 and valid until December 18, 2028. On March 1, 2024, the Company entered into a warrant assumption agreement with the underwriter to assume those certain underwriter's warrants for the purchase an aggregate amount of 201,250 shares of the Company's common stock in connection with the Company's initial public offering. Pursuant to the warrant assumption agreement, the Company paid an aggregate amount of $13,000 for the assumption of the Warrants. The paid amount of $ 13,000 was recorded to reduce Additional Paid-in Capital. As of March 31, 2024, the Warrants are no longer outstanding.

The total gross proceeds from the Offering were $ 10,000,000, before deducting underwriting discounts and other offering expenses associated with the Offering payable by the Company or paid by the Company. Transaction costs related to the offering amounted to $2,140,466, consisting of $700,000 of underwriting fees, $345,876 of underwriting related expenses, $595,000 of legal fees and $499,590 of other costs. Of the total transaction cost of $2,140,466, $590,466 in transaction costs were incurred and paid by the company before the closing date. These costs were recorded as deferred offering costs and were offset to equity upon the completion of the IPO. $8,450,000 total net cash from the Offering has been received by the Company on December 19, 2023.

Note 12 — Concentration of risk

Credit risk

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

As of March 31, 2024 and September 30, 2023, $ 4,045,442 and $4,898, respectively, were deposited with various major financial institutions in the United States. Accounts at each institution in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. As of March 31, 2024, the Company had deposits in excess of the FDIC insurance limit with two financial institutions in the United States with $3,289,479 uninsured. As of September 30, 2023, the Company did not have deposit in excess of the FDIC insurance limit.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposing the Company to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

Customer and vendor concentration risk

For the three and six months ended March 31, 2024, three customers accounted for 100% of the Company's total revenues. For the three and six months ended March 31, 2023, two and five customers accounted for 79% and 75%, respectively. As of March 31, 2024, $ Nil outstanding of accounts receivable. Accounts receivable from one customer accounted for 100% of the Company's total accounts receivable as of September 30, 2023.

For the three and six months ended March 31, 2024, two suppliers accounted for 77% and 58% of the Company's total purchases, respectively. For the three and six months ended March 31, 2023, two suppliers accounted for 45% and three suppliers accounted for 64% of the Company's total purchases, respectively. As of March 31, 2024 and September 30, 2023, accounts payable to three suppliers accounted for 54% and two suppliers accounted for 55% of the Company's total accounts payable, respectively.

Note 13— Commitments and contingencies

Lease commitments

The Company has adopted ASC 842 since its inception date.

The Company has entered into a lease agreement for office and production space in Texas with a term from December 1, 2019 until December 31, 2024 at a rate of $4,129 to $5,089 per month. On January 1, 2024, the Company terminated the facility lease in Texas without penalty and entered into a new lease agreement with the landlord. The new lease term is from January 1, 2024 to January 1, 2027, with a monthly rent of $18,000. The facility consists of 15,000 square feet of indoor space and 2.5 acres of concrete slab in the yard. Subsequently, on February 1, 2024, a mutual amendment to the lease agreement was executed. Under the terms of the amendment, the Company has opted to prepay the lease payments covering the period up to December 31, 2026, with the due date set for April 1, 2024. This prepayment arrangement secures a rent-free period for the final year of the lease, spanning the entirety of 2027.

The Company has also entered into a lease agreement for office and production space in Corona, California with a term from May 1, 2022 until April 30, 2027 at a rate of $6,617 to $7,740 per month. In August 2023, the Company relocated its California office from Corona to Diamond Bar. The Company was obligated to pay the monthly rent for the office in Corona until February 1, 2024 when the landlord found a new lessee to occupy the facility. The right-of-use asset and lease liability were adjusted to reflect the termination of the lease. A loss of $24,710 was recognized in the income statement, representing the difference between the carrying amounts of the right-of-use assets $251,953 and the lease liability $221,156 (net with deposit of $39,699), as well as additional fees charged by the landlord.

The lease in Diamond Bar, California has a term of 24 months from August 18, 2023 to August 17, 2025 at a rate of $ 4,730 to $4,926 per month.

In addition, the Company will be responsible for its pro rata share of certain costs, including utility costs, insurance and common area costs, as further detailed in the lease agreements.

Note 13— Commitments and contingencies (cont.)

Total commitment for the full term of the leases is $ 770,676. $691,030 and $437,770 of operating lease right-of-use assets and $ 687,417 and $488,094 of operating lease liabilities were reflected on the March 31, 2024 and September 30, 2023 consolidated balance sheets, respectively.

The three months and six months ended March 31, 2024 and 2023:

Lease cost	For the three months ended March 31,		For the six months ended March 31,	
	2024	**2023**	**2024**	**2023**
Operating lease cost (included in G&A in the Company's statement of operations)	$ 77,606	$ 36,351	$ 129,311	$ 72,702
Other information:				
Cash paid for amounts included in the measurement of lease liabilities	$ 88,086	$ 35,116	$ 112,812	$ 70,231
Remaining term in years	1.00-3.75	1.75 – 4.08	1.00 – 3.75	1.75 – 4.08
Average discount rate – operating leases	9.5%	8%	9.5%	8%

The supplemental balance sheet information related to leases is as follows:

Operating leases	**March 31, 2024**	**September 30, 2023**
Right of use asset – non-current	$ 691,030	$ 437,770
Lease Liability – current	665,502	212,277
Lease Liability – non-current	21,915	275,817
Total operating lease liabilities	$ 687,417	$ 488,094

Maturities of the Company's lease liabilities are as follows:

	Operating Lease
For periods subsequent to March 31, 2024:	
The remaining six months ended September 30, 2024	$ 635,771
2025	62,790
Less: Imputed interest/present value discount	(11,144)
Present value of lease liabilities	$ 687,417

Other commitment

On January 4, 2024, the Company entered into an agreement to acquire certain real property located at 300 South Park Avenue, Pomona, Los Angeles, California, approximately 120,776sq. ft. of office and commercial building (the building together with the land), with a total purchase price of $ 14,600,000. The amount of $440,000 was deposited into escrow on January 10, 2024. The Company has 45 calendar days from the opening the escrow account ("Due Diligence Period") to perform reviews, inspections, and investigations regarding the real property and the condition of title thereto as the Company deems necessary or appropriate, and to submit a written application to the lender for the assumption of the exiting loan (approximately $9.7 million). and has 120 days from the opening of the escrow account for a loan assumption contingency period. Subsequently on April 29, 2024, the loan failed to be assumed and the acquisition contract was terminated. On April 30, 2024, the deposit amount of $440,000 has been fully refunded.

Note 13— Commitments and contingencies (cont.)

Contingencies

The Company is not currently a party to any material legal proceedings, investigations or claims. As the Company may, from time to time, be involved in legal matters arising in the ordinary course of its business, there can be no assurance that such matters will not arise in the future or that any such matters in which the Company is involved, or which may arise in the ordinary course of the Company's business, will not at some point proceed to litigation or that such litigation will not have a material adverse effect on the business, financial condition or results of operations of the Company.

Nasdaq Listing Rule 5550(a)(2)

On April 12, 2024, the Company received a letter (the "Notice") from The Nasdaq notifying the Company that, because the closing bid price for its common stock has been below $1.00 per share for 30 consecutive business days, it no longer complies with the minimum bid price requirement for continued listing on The Nasdaq Capital Market (the "Minimum Bid Price Requirement"). Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of $1.00 per share (the "Minimum Bid Price Requirement"), and Listing Rule 5810(c)(3)(A) provides that a failure to meet the Minimum Bid Price Requirement exists if the deficiency continues for a period of 30 consecutive business days.

The Notice has no immediate effect on the listing of the Company's common stock on The Nasdaq. Pursuant to Nasdaq Marketplace Rule 5810(c)(3)(A), the Company has been provided an initial compliance period of 180 calendar days, or until October 9, 2024 to regain compliance with the Minimum Bid Price Requirement. During the compliance period, the Company's shares of common stock will continue to be listed and traded on The Nasdaq. To regain compliance, the closing bid price of the Company's common stock must meet or exceed $1.00 per share for a minimum of 10 consecutive business days during the 180-calendar day grace period.

In the event the Company is not in compliance with the Minimum Bid Price Requirement by October 9, 2024, the Company may be afforded a second 180 calendar day grace period. To qualify, the Company would be required to meet the continued listing requirements for market value of publicly held shares and all other initial listing standards for The Nasdaq, with the exception of the Minimum Bid Price Requirement. In addition, the Company would be required to provide written notice of its intention to cure the minimum bid price deficiency during this second 180-day compliance period by effecting a reverse stock split, if necessary.

The Company intends to actively monitor the bid price for its common stock between now and October 9, 2024 and will consider available options to regain compliance with the Minimum Bid Price Requirement.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under the heading "Cautionary Note Regarding Forward-Looking Statements" in this Quarter Report on Form 10-Q.

Overview

We are a building technology company that primarily manufactures cold-formed-steel members and offers a full range of services required to transform raw materials into precise steel framing products and prefabricated homes. We transform raw material (coils of rolled steel of various gauges and other materials) through our proprietary technologies to cut, punch and bend the steel into members or other components. These work-in-process components are further processed into finished products which are used in a variety of building types, including residential, commercial, industrial, and infrastructure. At each stage of the process, we are adding value to the original rolled steel (and other materials) to its final assembled use by businesses or directly to customers.

Our largest commodity expense is our primary raw material — rolled steel in various gauges and widths. Like any commodity, steel is subject to supply/demand-based price fluctuations which can have an impact on the profitability of our business if prices change between the time we enter into a contract with a customer to deliver finished goods and the time the steel is purchased from the mill. We seek to mitigate our exposure to steel price fluctuations in two ways:

- Entering fixed price forward contracts with steel mills/suppliers for delivery in the future so that our bids for customer contracts have known pricing for the steel. This is particularly useful in larger projects that involve delivery of product over many months.
- Maintaining an approximately three-month inventory of our most actively used rolled steel coils (defined by width and gauge). This inventory requires an active forward-looking assessment of steel needs to meet expected demand. Maintaining inventory is a real financial exposure especially during periods of pricing volatility.

Key Performance Indicators ("KPIs")

In addition to the measures presented in our consolidated financial statements, our management regularly monitors certain KPIs for our business. The KPIs used by the Company include:

The capital turnover rate of raw-material procurement

Our business is reliant on timely delivery of raw materials. At the same time, our primary raw material (steel) is expensive to warehouse. We strive to achieve roughly 1-3 months of raw materials inventory to balance our cost of inventory against the risk of not having raw materials when needed. We do this by setting up long-term cooperative relationship with multiple local and national suppliers, including steel mills, in order to obtain a better payment cycle to secure the raw materials and to maximize the use of funds. At the same time, to match the raw-material usage of the sales order each quarter, we make quarterly purchase plans, to ensure the efficiency of capital turnover is higher.

The collection period of accounts receivable

Timely payments from customers are essential to a successful business. Based on our historical collectability experience, we will target strategic relationships with large-scale homebuilders and professional companies to reduce the risk associated with accounts receivable and reduce the days outstanding for accounts receivable. Eventually, we expect to achieve the goal of receiving 100% of the payment before products leave the shop.

Lead time

Construction requires the coordination of many contractors, subcontractors, permitting, etc. that must be done on very exacting schedules where any delays will have a ripple effect down the chain. While there are many things we cannot control, we strive to communicate with the customers at a high frequency and make the best production arrangement to minimize storage period and shorten the lead time, which is one of the most important operating indicators of INNO.

The growth of total operating income

We maintain internal long-term targets for both gross profit and operating income, based partly on long-term revenue growth targets and partly on execution and internal controls. Ultimately, we strive to deliver profitable long-term growth.

Production capacity improvement

We are committed to investing in the improvement of production capacity and production efficiency to support larger orders and to meet the goal of increasing total operating income.

Results of Operation

The following table presents certain Consolidated statement-of-operations information and presentation of that data as a percentage of change from year to year.

For the Three and Six Months ended March 31, 2024, and 2023

	Three months ended March 31,			Six months ended March 31,		
	2024	2023		2024	2023	
Revenues	$ 183,196	$ 88,613	107%	$ 349,813	$ 397,614	-12%
Costs of materials and labor	208,991	85,012	146%	378,608	368,824	3%
Selling, general and administrative expenses (exclusive of items shown separately below)	1,102,198	557,351	98%	1,887,734	1,019,452	85%
Impairment loss	23,911	-	100%	23,911	-	100%
Depreciation	22,263	17,764	25%	43,323	32,783	32%
Bad debt expense	59,935	-	100%	59,935	400,600	-85%
Operating loss	(1,234,102)	(571,514)	116%	(2,043,698)	(1,424,045)	44%
Other income (expenses)	140,175	(17,381)	-906%	133,307	(35,878)	-472%
Loss before income taxes	(1,093,927)	(588,895)	86%	(1,910,391)	(1,459,923)	31%
Income tax expense	-	-		800	-	100%
Net loss	(1,093,927)	(588,895)	86%	(1,911,191)	(1,459,923)	31%
Non-controlling interest	(33,470)	(32,514)	3%	(49,216)	(62,537)	-21%
Net loss attributable to INNO HOLDINGS INC.	$(1,060,457)	$ (556,381)	91%	$(1,861,975)	$(1,397,386)	33%
Operating loss % of revenues	-674%	-645%		-584%	-358%	
Net loss % of revenues	-597%	-665%		-546%	-367%	

Revenues

Revenue for the three months ended March 31, 2024 increased 107% to $183,196 in comparison to $88,613 for the three months ended March 31, 2023. The increase was due to the completion of three projects during the three months ended March 31, 2024 compared to one project during the same period in 2023. Revenue for the six months ended March 31, 2024 decreased 12% to $349,813 in comparison to $397,614 for the six months ended March 31, 2023. The decrease was primarily due to the various statuses and stages of projects. To mitigate collection issues, the Company has focused on developing relationships with larger customers. During the three and six months ended March 31, 2024, the Company has been working on obtaining permits for large projects and exploring new business opportunities with larger customers.

Our backlog as of March 31, 2024 was approximately $14,000,000 to $19,000,000. The range of backlog amount is comprised of all remaining payments related to our signed customer contracts and estimation of order adjustments. The timing of revenue recognition from these contracts is subject to variation based on each project's permit status and construction progress. These signed contracts included an agreement, amount of $15,875,800, with Vision Opportunity Fund LP, assigned to Vision 101 partially owned by one of our minority shareholders. None of the contract amount has been delivered to Vision 101 or recognized as revenue as of March 31, 2024.

Our revenues are significantly impacted by demand for residential and commercial buildings, economic conditions including interest rates and costs of labor, materials and other variables that impact the cost of our finished goods. We cannot ensure that growth will continue, and our business may be adversely affected by negative overall economic conditions currently being experienced.

Costs of Materials and Labor

Costs of materials and labor include raw materials (primarily rolled steel) and direct labor in the processing of raw materials through the manufacturing process. Costs of materials and labor for the three months ended March 31, 2024, increased to $208,991 in comparison to $85,012 for the three months ended March 31, 2023. The rise in the Cost of Goods Sold (COGS), pertaining to materials and labor, is predominantly due to the increase in sales volume. Moreover, a discount granted to one of the customers, as a remedy for the impact of the deferred timeline, has led to a situation where the escalation in costs has outpaced the growth in revenue.

Costs of materials and labor for the six months ended March 31, 2024 was $378,608 compared to $368,824 for the six months ended March 31, 2023. A discount granted to one of our customers, as a remedy for a deferred timeline, has led to a situation where the increase in costs has outpaced the revenue changes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended March 31, 2024, increased 98% to $1,102,198 in comparison to $557,351 for the comparable period in 2023. Selling, general and administrative expenses for the six months ended March 31, 2024, increased 85% to $1,887,734 in comparison to $1,019,452 for the comparable period in 2023. The main reason for the increase was the additional overhead costs, such as rent, payroll, insurance, consulting and professional fees, as well as marketing and promotional expenses to support our future expansion and meet the regulatory standards of a public company.

Bad debt expense

Bad debt expense increased by $59,935 for the three months ended March 31, 2024 compared to the same period in 2023. Bad debt expense decreased by $340,665 for the six months ended March 31, 2024 compared to the same period in 2023. We estimated the credit losses based on each customer's financial situation, project status and the outstanding days of the accounts receivable balance. Started prior year, we strengthen our risk control of accounts receivable and reduce the days outstanding for accounts receivable by discontinuing business with smaller customers with high credit risk. Most of our current customers adhere to a 30-day payment term. For the current quarter's transactions, we have maintained a high collection rate.

Operating Loss

Operating loss was $1,234,102 for the three months ended March 31, 2024, in comparison to an operating loss of $571,514 for the comparable period in 2023. The increase in operating loss was primarily attributed to the increase in COGS, selling, general and administrative expenses and bad debt expense offset by increased revenue, as discussed above.

Operating loss was $2,043,698 for the six months ended March 31,2024, in comparison to an operating loss of $ 1,424,045 for the comparable period in 2023. The increase in operating loss was primarily attributed to the lower revenue and increased expenses offset by the decrease in bad debt expense, as discussed above.

Other Income (Expense)

Other income for the three months ended March 31, 2024, was $140,175, in comparison to other expenses of $17,381 for the comparable period in 2023. Other income for the six months ended March 31, 2024, was $133,307, in comparison to other expenses of $35,878 for the comparable period in 2023. The increase in other income was primarily related to the recognition of supporting services provided to one of its customers and the interest earned from the bank deposit.

Net Loss

Net loss for the three months ended March 31, 2024 was $1,093,927, in comparison to net loss of $588,895 for the three months ended March 31, 2023. Net loss for the six months ended March 31, 2024 was $1,911,191, in comparison to a net loss of $1,459,923 for the six months ended March 31, 2023. The increase in net loss was primarily due to changes in revenue, costs and expenses as outlined above.

Liquidity and Capital Resources

Sources of Liquidity

During the three and six months ended March 31, 2024 and 2023, we primarily funded our operations with cash generated from operations, private and public shares offering, as well as through borrowing under our revolving line of credit, a long term promissory note, and related parties. We had cash of $4,045,442 as of March 31, 2024 compared to $4,898 of cash as of September 30, 2023. The cash increase was primarily due to the proceeds from the initial public offering closed in December 2023 and offset by the cash usage in operating and investing activities during the periods ended March 31, 2024.

The Company has participated in several private-placement offerings. On December 3, 2022, we closed on a private-placement offering pursuant to which we sold to an accredited investor an aggregate of $500,000 in common stock, at a purchase price of $3.50 per share. On March 13, 2023, we closed on a private-placement offering pursuant to which we sold to an accredited investor an aggregate of $100,000 in common stock, at a purchase price of $3.70 per share. On March 29, 2023, we closed on a private-placement offering pursuant to which we sold to an accredited investor an aggregate of $300,000 in common stock, at a purchase price of $3.80 per share. The offerings were completed pursuant to an exemption from registration under Rule 506(b) of the Securities Act of 1933, as amended.

On December 18, 2023, the Company successfully closed the initial public offering with net proceeds of $8 million.

We believe the cash and cash equivalents on hand as of March 31, 2024 of $4,045,442 will be sufficient to fund our operations and capital expenditure requirements for the next twelve months from the date the consolidated financial statements are issued.

Working Capital

As of March 31, 2024 and September 30, 2023, our working capital (deficit) was $2,400,327 and $(2,913,827), respectively. The historical seasonality in our business during the year can cause cash and cash equivalents, inventory, and accounts payable to fluctuate, resulting in changes in our working capital.

Cash Flows

Operating Activities

Net cash used in operating activities for the six months ended March 31, 2024 was $3,128,450 compared to $673,923 of net cash used in operating activities for the six months ended March 31,2023. The increase of net cash usage in operating activities was mainly due to a $623,774 increase of loss with non-cash reconciling items adjustment and a $1,830,753 increase of working capital outflow.

For the six months ended March 31, 2024, net cash used in operating activities was $3,128,450, primarily driven by the net loss of $1,911,191, partially offset by non-cash items of $317,115 and working capital used cash of $1,534,374, which was primarily driven by a $845,874 increase of prepayments and other current assets, including prepaid insurance, advance to suppliers, prepaid marketing expenses as well as escrow deposits for building purchase, and a $680,739 decrease in accounts payable, unearned revenue and other current liabilities.

For the six months ended March 31, 2023, net cash used in operating activities was $673,923, primarily driven by the net loss of $1,459,923, partially offset by non-cash items of $489,621, which mainly included bad debt expense of $400,600. Working capital provided cash of $296,379, which was primarily driven by a $327,438 increase in accounts payable, unearned revenue and other current liabilities, a $468,895 decrease in account receivable, a $118,662 decrease of prepayments and other current assets, and partially offset by a $402,423 increase in inventories and a $216,193 increase in deferred offering costs.

Investing Activities

For the six months ended March 31, 2024 and 2023, net cash used in investing activities was the result of additions to property and equipment of $270,798 and $226,899, respectively, which are mainly related to the additions of machinery, tools, motor vehicles, and leasehold improvements.

Financing Activities

Net cash provided by financing activities was $7,438,223 and $1,015,487, respectively, for the six months ended March 31, 2024 and 2023.

For the six months ended March 31, 2024, net cash provided by financing activities was primarily due to the $8,450,000 net cash from the initial public offering, $91,000 proceeds from related parties and offset by $740,000 payment of short-term loans and $325,372 repayment to related parties.

For the six months ended March 31, 2023, net cash provided by financing activities was primarily due to the $900,000 proceeds from stock issuance and $134,767 proceeds from related parties.

Critical Accounting Policies and Estimate

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Note 2 — Basis of Presentation and Summary of significant accounting policies in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of our most recently filed Form 10-K, describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Our critical accounting estimates, identified in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our most recently filed Form 10-K, include the discussion of estimates used for revenue recognition, inventory valuation, going concern assessment, and our provision for income taxes. Such accounting estimates require significant judgments and assumptions to be used in the preparation of the Condensed Consolidated Financial Statements included in this Form 10-Q, and actual results could differ materially from the amounts reported.

New Accounting Standards

From time to time, the FASB or other standards-setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update. To understand the impact of recently issued guidance, whether adopted or to be adopted, please review the information provided in Note 2 — Basis of Presentation and Summary of significant accounting policies, "Recently issued but not yet adopted accounting pronouncements", in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q. Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our Condensed Consolidated Financial Statements upon adoption.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

An evaluation was performed under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that, as of March 31, 2024, our disclosure controls and procedures were not effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms due to material weaknesses in our internal controls described below.

- Lack of sufficient personnel commensurate with our accounting and reporting requirements and insufficient segregation of duties within accounting functions.

- Lack of adequate policies and procedures in internal control function to ensure that proper control and procedures have been designed and implemented over key business cycles.

We plan to hire additional qualified personnel with relevant experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework. However, we cannot assure you that we will remediate our material weaknesses in a timely manner.

Inherent Limitations Over Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our control systems are designed to provide such reasonable assurance of achieving their objectives. 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 our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal controls over financial reporting during the period ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There were no material developments during the period ended March 31, 2024 to the legal proceedings previously disclosed in Item 3 "Legal Proceedings" of our Annual Report on Form 10-K filed on January 16, 2024.

ITEM 1A. RISK FACTORS.

Our failure to meet the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our common stock, which could negatively impact the market price and liquidity of our common stock and our ability to access the capital markets.

On April 12, 2024, we received a letter from The Nasdaq notifying us that the minimum bid price per share for our common stock fell below $1.00 for a period of 30 consecutive business days. Therefore, the Company did not meet the minimum bid price requirement set forth in the Nasdaq Listing Rules.

The letter also states that pursuant to Nasdaq Listing Rules 5810(c)(3)(A), we will be provided 180 calendar days to regain compliance with the minimum bid price requirement, or until October 9, 2024.

We can regain compliance if, at any time during the Tolling Period or such 180-day period, the closing bid price of our common stock is at least $1.00 for a minimum period of 10 consecutive business days. If by October 9, 2024, we do not regain compliance with the Nasdaq Listing Rules, we may be eligible for additional time to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A)(ii). We would also need to provide written notice to Nasdaq of our intention to cure the minimum bid price deficiency during the second compliance period by effecting a reverse stock split, if necessary. As part of its review process, the Nasdaq staff will make a determination of whether it believes we will be able to cure this deficiency. Should the Nasdaq staff conclude that we will not be able to cure the deficiency, or should we determine not to submit a transfer application or make the required representation, Nasdaq will provide notice that our shares of common stock will be subject to delisting.

If we do not regain compliance within the allotted compliance period, including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that our shares of common stock will be subject to delisting from the Nasdaq Capital Market. At such time, we may appeal the delisting determination to a hearings panel.

We intend to monitor our common stock closing bid price between now and October 9, 2024 and will consider available options to resolve the Company's noncompliance with the minimum bid price requirement, as may be necessary. There can be no assurance that the Company will be able to regain compliance with the minimum bid price requirement or will otherwise be in compliance with other Nasdaq listing criteria.

Our common stock may be subject to the penny stock rules adopted by the SEC that require brokers to provide extensive disclosure to their customers prior to executing trades in penny stocks. These disclosure requirements may cause a reduction in the trading activity of our common stock, which could make it more difficult for our stockholders to sell their securities.

Rule 3a51-1 of the Exchange Act establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a minimum bid price of less than $5.00 per share, subject to a limited number of exceptions, including for having securities registered on certain national securities exchanges. If our common stock were delisted from the Nasdaq, market liquidity for our common stock could be severely and adversely affected.

For any transaction involving a penny stock, unless exempt, the penny stock rules require that a broker or dealer approve a person's account for transactions in penny stocks and the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience and objectives of the person and make a reasonable determination that the transactions in penny stocks are suitable for that person and that that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form, sets forth:

- the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit	**Description**	**Schedule/ Form**	**File Number**	**Exhibits**	**Filing Date**
3.1	Amended and Restated Certificate of Formation dated July 14, 2023	S-1	333-273429	3.5	October 20, 2023
3.2	Amended and Restated Bylaws of Inno Holdings Inc., dated December 18, 2023	8-K	001-41882	3.1	December 18, 2023
4.1	Underwriter's Warrant, dated December 18, 2023, issued by Inno Holdings Inc.	8-K	001-41882	4.1	December 18, 2023
4.2	Form of Common Stock Certificate	S-1	333-273429	4.1	October 20, 2023

10.1	Form of Indemnification Agreement	S-1	333-273429	10.1	October 20, 2023
10.2++	Development and Supply Agreement, by and between Vision Fund LP and Inno Metal Studs Corp, dated March 24, 2023.	S-1	333-273429	10.2	October 20, 2023
10.3++	Addendum to Development and Supply Agreement, by and among Vision Opportunity Fund LP, New Vision 101 LLC and Inno Metal Studs Corp, dated August 9, 2023.	S-1	333-273429	10.5	October 20, 2023
10.4	Inno Holdings Inc. 2023 Omnibus Incentive Plan	10-K	001-41882	10.4	January 16, 2024
10.5	Offer Letter, by and between Inno Holdings, Inc. and Tianwei Li, dated July 14, 2023.	S-1	333-273429	10.4	October 20, 2023
10.6	Agreement for Purchase and Sale and Escrow Instructions, dated January 4, 2024	8-K	001-41882	10.1	January 16, 2024
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
99.1	Audit Committee Charter	10-K	001-41882	99.1	January 16, 2024
99.2	Compensation Committee Charter	10-K	001-41882	99.2	January 16, 2024

101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101).

* Filed or furnished herewith.

++ Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10). The omitted information is not material and would likely cause competitive harm to the Company if publicly disclosed. The Company agrees to furnish an unredacted copy to the SEC upon its request.

Certain schedules and exhibits have been omitted in compliance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon its request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INNO HOLDINGS, INC.

Date: May 13, 2024

By: */s/ Dekui Liu*
Dekui Liu
Chief Executive Officer
(Principal Executive Officer)

Date: May 13, 2024

By: */s/ Tianwei Li*
Tianwei Li
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dekui Liu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inno Holdings Inc. (the “Registrant”);

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

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

4. The Registrant’s other certifying officer(s) 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)) for the Registrant and have:

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

   (b) Omitted;

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

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

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

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

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

Date: May 13, 2024

By: */s/ Dekui Liu*
Dekui Liu
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tianwei Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inno Holdings Inc. (the “Registrant”);

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

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

4. The Registrant’s other certifying officer(s) 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)) for the Registrant and have:

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

   (b) Omitted;

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

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

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

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

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

Date: May 13, 2024

By: */s/ Tianwei Li*
Tianwei Li
Chief Financial Officer
(Principal Financial Officer and 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 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Inno Holdings Inc., a Texas corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Principal Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 13, 2024

By: */s/ Dekui Liu*
Dekui Liu
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Inno Holdings Inc., a Texas corporation (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Principal Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 13, 2024

By: *<u>/s/ Tianwei Li</u>*
Tianwei Li
Chief Financial Officer
(Principal Financial Officer and Accounting Officer)