

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

Form 10-K

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

For the fiscal year ending September 30, 2023

☐ 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

(State or Other Jurisdiction
of Incorporation or Organization)

87-4294543

(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 January 16, 2024, there were 20,751,726 shares of common stock, no par value, issued and outstanding.

TABLE OF CONTENTS

	PAGE
PART I	
ITEM 1: BUSINESS	1
ITEM 2: PROPERTIES	19
ITEM 3: LEGAL PROCEEDINGS	19
PART II	
ITEM 5: MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES	20
ITEM 6: [RESERVED]	22
ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	22
ITEM 8: FINANCIAL STATEMENTS	F-1
ITEM 9A: CONTROLS AND PROCEDURES	35
PART III	
ITEM 10: DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE	36
ITEM 11: EXECUTIVE COMPENSATION	42
ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	45
ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	46
ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES	48
PART IV	
ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	49
SIGNATURES	50

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this annual report, including in the following sections: "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. When used in this annual report, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions, as they relate to us or our management, identify forward-looking statements. Such statements include, but are not limited to, statements contained in this annual report relating to our business strategy, our future operating results, and our liquidity and capital-resources outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees of assurance of future performance. We caution you, therefore, against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation:

- our ability to effectively operate our business segments;
- our ability to manage our research, development, expansion, growth, and operating expenses;
- our ability to evaluate and measure our business, prospects, and performance metrics;
- our ability to compete, directly and indirectly, and succeed in a highly competitive and evolving industry;
- our ability to respond and adapt to changes in technology and customer behavior;
- our ability to protect our intellectual property and to develop, maintain, and enhance a strong brand; and
- other factors relating to our industry, our operations, and results of operations.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

USE OF CERTAIN DEFINED TERMS

Unless the context otherwise requires, in this annual report on Form 10-K references to:

- the "Company," "INNO," the "registrant," "we," "our," or "us" mean INNO HOLDINGS INC. and its subsidiaries;
- "year" or "fiscal year" means the year ending September 30;
- all dollar or \$ references, when used in this prospectus, refer to United States dollars;
- "framing" means the process of connecting building materials together to create a structure;

- “stud” means a vertical framing member which forms part of a wall or partition, also known as a wall stud, a fundamental component of frame construction;
- “truss” means a web-like roof design that uses tension and compression to create strong, light components that can span a long distance;
- “joist” means a horizontal structural member used in framing to span an open space, often between beams that subsequently transfer loads to vertical members;
- “cold-formed steel” or “CFS” or “light-gauge steel” or “LGS” means steel products shaped by cold-working processes carried out near room temperature, such as rolling, pressing, stamping, bending, etc.;
- “turnkey cost” is the total cost that must be covered before a product or service is ready to be sold and used by consumers;
- “prefab” means a building manufactured in sections to enable assembly on site.

PART I

ITEM 1. BUSINESS

Overview

INNO HOLDINGS INC. (“INNO,” “we,” “us,” or “Company”) is an innovative building-technology company with a mission to transform the construction industry with our proprietary cold-formed steel-framing technology and other building innovations. INNO recognized the inherent inefficiency and waste in traditional lumber-based construction techniques and sought to develop steel-based construction technologies to solve the problems. INNO takes its name from “innovation” and is committed to the research and development of steel studs/tracks/headers, providing higher performance and greater efficiencies in all aspects of construction, making better structural solutions for both commercial and residential buildings, resulting in substantial labor cost savings, in our view. The Company’s products are created using a combination of intelligent machines and cutting-edge techniques to provide an optimal design solution of framing for engineers, builders, and construction companies. We are currently a manufacturer of cold-formed-steel members and we offer a full range of services required to transform raw materials into precise steel framing products and prefabricated homes. We sell these finished products either to businesses or directly to customers. The finished products and cold-formed-steel members are used in a variety of building types, including residential, commercial, industrial, and infrastructure. We hope to transform the building industry by reducing construction times while providing more affordable, environmentally sustainable, and durable solutions compared to traditional construction materials and methods. We believe we are also well positioned to disrupt the construction industry, which now accounts for \$10 trillion of the global economy.

We work with our customers to manufacture products in accordance with the customers’ drawings and specifications. Our work complies with specific national and international codes and standards applicable to the construction industry. We believe that we have earned our reputation through outstanding technical expertise, attention to detail, and a total commitment to excellence in customer service.

Our primary manufacturing operations are located on approximately five acres in Brookshire, Texas. Our facility houses state-of-the-art equipment that gives us the capability to manufacture 15,000 linear feet of product per day. We offer a full range of services such as structural designs, metal stud production, and preassembly of metal studs into steel wall panels, which are required to transform raw materials into finished products that are compliant with local building codes. Our manufacturing capabilities include fabrication operations, such as cutting, punching, forming and assembling, and machine operations, which includes computer numerical controlled (“CNC”) machine operations. We also provide support services for our manufacturing capabilities: manufacturing engineering (planning, fixture and tooling development, and manufacturing), quality control (inspection and testing), materials procurement, production control (scheduling, project management, and expediting), and final assembly.

All manufacturing at our facility is done in accordance with our written quality assurance program, which meets specific national codes as well as international codes, standards, and specifications. For example, we have ICC-ES evaluation reports (ESR-4641) that show that our cold-formed steel-framing members are compliant with the 2018 and 2015 International Building Code (“IBC”), 2019 California Building Code (“CBC”), and 2020 Florida Building Code. The standards used for each customer project are specific to each customer’s needs, and we have implemented those standards into our manufacturing operations.

Major Drivers of Our Business Opportunity

The traditional construction industry is labor intensive and suffers from a skilled labor shortage, which increases overall labor costs and contributes to inefficiencies in the construction process. Our steel-framing technology can decrease construction times by 50% or more by prefabricating panels and can reduce labor costs proportionately due to reduced construction timelines. Our intelligent CNC cold-formed roller machine automatically punches the holes for Mechanical, Electrical and Plumbing (MEP) channels eliminating many steps at the job site, compared to traditional onsite manual measurement and cutting procedures. INNO is dedicated to bringing automation to the construction industry to solve the overreliance on a declining supply of expensive, skilled labor.

Construction Site



Source: INNO

Reducing the need for on-site customization found in traditional construction processes is not only more profitable, it can decrease the risks associated with an inherently dangerous workplace. According to Frommer D’Amico, “10 Top Hazards In a Building Site”, nearly 6.5 million people go to work at approximately 252,000 construction sites across the U.S each day. On the job, these construction workers face a wide range of occupational safety hazards. Heavy equipment, bad weather and chaotic job site conditions can create dangerous situations. INNO typically manufactures metal studs and prefab wall panels, joists, and trusses within our indoor facility, unaffected by weather. The final products delivered to the jobsite are assembled wall

panels, joists and trusses, which means almost 70% of structure framing work has been completed before it gets to the construction site where the remaining tasks are to erect and connect the pieces. A construction jobsite using INNO framing products is typically very clean and organized due to a lack of cuttings and debris, which reduces the risk of safety hazards. We anticipate that cold-formed steel-framing technology will ultimately replace wooden and traditional steel structures and we believe it is a big step forward in construction industry.

Construction site



Source: INNO

We are bringing sustainability to the market by replacing traditional wooden structures with cold-formed steel framing, allowing for the reduction of material waste — an average of 2% of steel scrap versus ~20% for wood waste. All steel scrap is 100% recyclable, which we support through our recycling operations. Many businesses are seeking actions that demonstrate sustainability, and steel is uniquely environmental-friendly in its reuse, giving us an edge in Leadership in Energy and Environmental Design (“LEED”) certifiable products and projects.

Scrap Metal Recycling Bin



Source: INNO

We are constantly striving to produce lasting results within the building technology sector. With increasingly evolving technological advancements in the industry, our objective is to continue staying ahead of the curve by focusing our ongoing research and development on cold-formed steel framing with an emphasis on architectural and engineering technologies. Our cold-formed steel-framing system increases building and labor savings by integrating each stage of the construction process with Building Information Modeling (“BIM”), which is a highly collaborative process that allows architects, engineers, real estate developers, contractors, manufacturers, and other construction professionals to plan, design, and construct a structure or building within one 3D model, to establish a common data environment, ensuring INNO delivers the final products with the minimum amount of rework needed.

BIM Model



Source: INNO

Off-site building is a technique in which a building or an infrastructure is planned and designed in a modular format. Those modules are fabricated offsite in a factory. Once fabricated, those modules are transported to the site and are installed together to finalize the structure. According to the Allied Market Research published report, titled “Offsite Construction Market by Material (Steel, Wood, Concrete, and Others) and Application (Residential, Commercial, and Industrial): Global Opportunity Analysis and Industry Forecast, 2021-2030”, the global Offsite Construction industry generated \$130.4 billion in 2020,

and is anticipated to generate \$235.4 billion by 2030, representing a CAGR of 5.9% from 2021 to 2030. The rapid rise in urbanization and industrialization, increase in the pace of construction, high efficiency of offsite building is driving the growth of this market. The North America off-site construction market size was valued at \$49.5 billion in 2021, and is projected to reach \$80.9 billion by 2031, representing a CAGR of 4.9% from 2022 to 2031.

In its 2016 article titled, "Imagining Construction's Digital Future," McKinsey & Company noted that large construction projects typically take 20% longer to complete than projected and are up to 80% over budget. The article noted that developers are searching for "... off-site approaches that help them improve predictability, consistency, and repeatability." The article also highlighted that developers can leverage off-site capabilities "... to transform the construction site into a manufacturing system. The result: greater efficiency, less waste, and improved safety." Off-site construction is one of the five key trends discussed in the article in which we believe INNO participates, Due to our efficient production model, environmentally sustainable solutions, and superior product quality, believe we also participate the other four trends discussed, including green construction; cost efficiency; supply chain agility; and improved durability and strength).

We are leveraging the trend toward off-site and modular building techniques to increase productivity, reduce errors on-site, and decrease construction costs. As the market continues to move toward panelized building, we anticipate having an edge in the industry as a large-scale pioneer and building industry leader with our cost-reducing, time-saving, and quality solutions.

Our Products

Cold-Formed Steel Framing

Cold-formed steel is the material of choice to lower building costs and adapt to modular or off-site building. It is consistent in quality and form, and it can be shipped preassembled or it can be assembled on-site by workers with little training. Our steel roof trusses, wall panels, and joist systems are a cost-effective noncombustible alternative to

traditional building materials. They are now commonly used to build apartments, hotels, temporary housing, nursing homes, commercial buildings, industrial buildings, and single-family detached homes. These types of structures are expected to be the targets of our Company's sales and marketing team.

Our proprietary cold-formed roller machines are equipped with proprietary software, which optimizes production efficiency and supports individual part customization to ensure each cold-formed-steel member is produced to the exact specifications of the plans. Our intelligent machines can precisely cut and punch out steel studs, leaving channels for the mechanical, electrical, and plumbing designs. We arrive at an accurate, comprehensive, and information-rich design model with the utilization of light-gauge steel-framing engineering software, which creates a digital model of the project that includes all functional systems, geometric features, and aesthetics, such as electrical wiring, air conditioning, doors, and windows. The light-gauge steel-framing engineering software is a shared multidisciplinary resource that allows collaborators to achieve maximum efficiency and effectiveness by compressing design lead time. We have created a full BIM solution that instructs our advanced cold-formed roller machines to produce each steel-framing piece to certain specifications.

After the design phase, our top-quality raw materials are processed on several production lines, each with made-to-order specific dimensions, screw holes, and cross-cut stitching. These customizations reduce the need for on-site manual calculations and simplify the assembling steps, both of which increase construction efficiency and reduce labor costs. All steel-framing products produced by our Company are International Code Council (ICC) certified. The International Code Council is the leading global source of model codes and standards and building safety solutions that include product evaluation, accreditation, technology, training, and certification. The Code Council's codes, standards, and solutions are used to ensure safe, affordable, and sustainable communities and buildings worldwide.

Our modular steel building framing systems avoid construction delays caused by partial or unsynchronized delivery of different building components. By breaking away from the methods of traditional stick-built building, our customers report that their construction timelines have been reduced at least by 20%.

Castor Cube

Due to high housing prices, some are having difficulties purchasing a home. Housing market trends have shown a gradual preference for modular homes, which is a prefabricated building that consists of repeated sections called modules, and involves constructing sections away from the building site, then delivering them to the intended site where the installation is completed. We believe demand for prefab homes is on an upward growth trend in the United States. According to the Straits Research Institute, North America's share of the global modular building market was valued at \$28 billion in 2021 and is expected to grow to \$53 billion by 2030, representing a CAGR of 7%. According to the summary of an IBISWorld report titled, "Prefabricated Home Manufacturing in the US — Market Size 2002-2029," the prefabricated home manufacturing market size in the U.S. is expected to be \$9.1 billion in 2023. We expect to capitalize on this trend by providing high-quality and affordable modular homes.

Most consumers are drawn to prefab homes because of their cost-effectiveness, efficiency, and permanent property characteristics. Castor Cube is a low-maintenance, single-story, 743-square-foot manufactured home with 4 color options that can resist earthquakes, withstand winds, and prevent pests. It is a cold-formed-steel building system equipped with honeycomb panels, and it is designed to maximize the strength-to-weight value. As a result, it yields high structural stability. Castor Cube can be built on a foundation or used as a mobile home.

The Castor Cube can be built on a foundation steel chassis, which can be single or used as a mobile multi-sectioned. We anticipate that this modular home product will be completely constructed within our facilities starting in the fourth quarter of 2023. Once built, it will be transported to permanent locations for installation. The timeline for product delivery is not affected by weather since it will be manufactured in our 100% climate-controlled factory. Furthermore, we expect that streamlined building process will shorten the completion time. We anticipate being able to produce up to one Castor Cube per day beginning in the year of 2024. We believe the Castor Cube demonstrates the effectiveness of our Company's modular technique.



Source: INNO

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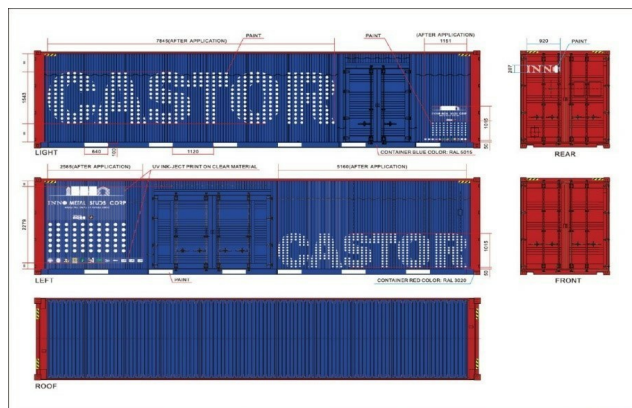
Mobile Factory: Off-site Equipment Rental, Sales, Service, and Support

We believe innovative technology can increase productivity in the building sector. Research and development of more efficient methods in the manufacturing and building space is at the forefront of our business model.

Our Mobile Factory is an all-in-one, secured production facility that will produce steel-framing members onsite. It can print wall panel, floor truss, and roof truss components. The size is customized for a trailer, which enables it to be transported anywhere, ranging from metropolitan suburbs to remote areas with little to no infrastructure. It is designed to enable immediate stud production on any site.

Our Mobile Factory is complete with metal stud production equipment and a diesel generator. This generator can supply continuous power to our cold-formed roller machine. The production capacity of our Mobile Factory is at least 1,000 linear feet per day. We believe this innovation is the good solution for urgent deployment in disaster areas or remote areas. It is designed to reduce the cost and time of transportation of metal studs, which we believe can drive a lower carbon footprint for larger projects.

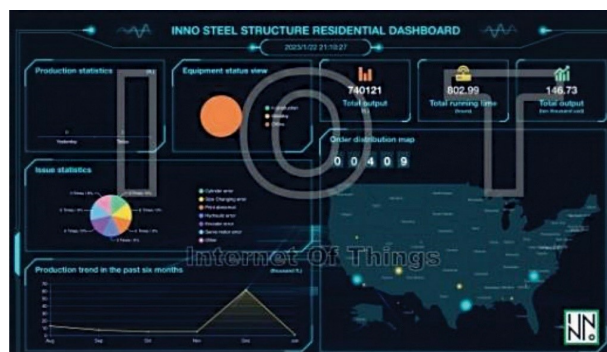
Mobile Factory Illustration



Source: INNO

The Mobile Factory is operated and managed by Internet of Things ("IoT") technology, a network of physical objects that are embedded with sensors, software and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet. INNO developed its proprietary IoT production management system independently. The system controls equipment and manages the Mobile Factory via a dashboard, allowing the user to gain a comparative understanding of production parameters, such as operation data, machinery breakdown data, uptime data and production efficiency.

IoT Production Management System



Source: INNO

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Related Services

We may from time to time participate in land development and contractor services if an opportunity exists to leverage our products. Specifically, we have evaluated the development of apartment complexes, retirement communities, and remodels for projects that would incorporate our metal framing studs. For example, we have agreed to provide project development services for our contract with Vision Opportunity Fund LP, partially owned by a minority shareholder of the Company, related to the development of an approximately 110,000 sqft retirement community.

Our Customers

We can serve commercial, residential, and industrial projects. For the cold-formed steel-framing business, the sales model is business-to-business because the main customers are developers, builders, and contractors. For the Castor Cube prefab home products, the sales model is expected to be either business-to-business or business-to-customer.

On a year-to-year basis we are generally dependent on a small number of major customers that change year to year. Our written agreements with major customers normally terminate upon completion, and our major customers change from year to year. For fiscal year 2023, we had 24 customers, and for fiscal year 2022 we had 46 customers, of which only 10 were customers the prior fiscal year. For the years ended September 30, 2023 and 2022, three customers accounted for 53% and one customer accounted for 15% of the Company's total revenues, respectively. As of September 30, 2023 and 2022, accounts receivable from one customer accounted for 100% and five customers accounted for 80% of the Company's total accounts receivable, respectively.

These agreements contain standard construction and supplier agreement terms including payment schedules, performance schedules, the ability to subcontract, insurance obligations and indemnification provisions, and confidentiality provisions. Our written agreements with these customers generally terminate upon completion of the project or early terminate upon mutual agreement of the parties and contain provisions restricting our right to assign the agreement.

Our Suppliers

Historically we rely on a limited number of suppliers. For the years ended September 30, 2023 and 2022, three suppliers accounted for 57% and three suppliers accounted for 75% of the Company's total purchases, respectively. As of September 30, 2023 and 2022, accounts payable to two suppliers accounted for 55% and three suppliers accounted for 94% of the Company's total accounts payable, respectively. We currently do not have written agreements with these suppliers or, generally, with any of our suppliers. All of our purchases from these suppliers are made by way of individual orders.

Our Competitive Strengths

Technology Innovations

INNO recognizes that no technology or product is completely immune to being copied, and therefore the company is committed to being a pioneer in the industry by constantly researching and developing new technologies, and being ahead in various aspects of the industry such as regulations, equipment autonomy, design technology, production efficiency, new product birth, orderly management, coordinated transportation, remote production, etc. In this way, INNO aims to have the most advanced and comprehensive technology in the industry and be the true technological barrier for competitors to overcome.

A significant competitive strength in our research and development capability is the Inno Research Institute, LLC, a subsidiary of INNO ("IRI"). IRI focuses on patentable innovative products and commercializing research discoveries in the cold-formed steel industry in the U.S. and committed to bringing innovation in the field of thin-walled structures, cold-formed steel building technology, and design methodology for resilient buildings.

Fully Integrated Manufacturing Process

Compared to other traditional metal stud manufacturers, INNO differentiates itself by integrating services from design to metal stud production to prefabrication, utilizing off-site building technology to reduce the need for on-site framing labor. This approach allows INNO to streamline the production process, increase efficiency, and reduce dependency on labor. By implementing off-site building technologies, INNO is able to prefabricate and assemble many components of the building in a factory setting, which can lead to improved quality control, faster construction times and reduced on-site labor costs. This approach allows INNO to be a leader in the metal studs manufacturing industry in the U.S. and set a new standard for the building industry.

Compared to other prefab home companies, INNO sets itself apart by making an innovation in the overall structure system and developing our own patent pending panel material for faster installation. Unlike other prefab home competitors who still use traditional wood-stick building methods or other unique liquid material (required by 3D printing), which are not as efficient and may not be able to guarantee delivery times, INNO's patent pending panel material and overall structure system allows for faster installation, improved efficiency and guaranteed delivery times. This allows INNO to offer a more efficient and cost-effective solution for prefab home building and maintain a competitive edge in the market. Additionally, INNO's patent pending material and system can guarantee the quality and safety of the building, which is a significant advantage over the other prefab home companies.

Rising Cost of Traditional Wood Construction Favors Transition to Steel

Utilizing INNO's off-site building technology can significantly reduce overall construction costs, even when compared to wood building. The past several years of western wildfires in the United States have had a significant impact on lumber stocks and mills, leading to disruptions in supply and fluctuations in lumber prices. A study by the Steel Framing Industry Association (SFIA) indicates that the cost to build with cold-formed steel is relatively the same as building with wood when the cost comparison includes the construction insurance premiums associated with using the materials. As the price of wood no longer provides a cost advantage, alternative building materials like steel have become increasingly popular in the market. By leveraging its off-site building technology, INNO is able to offer a cost-effective solution that takes advantage of the cost benefits of steel building while also providing faster and more efficient construction.

We are keeping our prices at a competitive level with traditional wood framing solutions. In a recent internal case study, we found that INNO's products delivered real-world cost-savings of 8-16% compared to wood framing. This study compared our solution against wood for a 2,2663 sqft. home built in 2022, for which we supplied materials. Based on fully quoted materials and estimated labor and insurance costs, we estimate the contractor saved 16% by using INNO products compared to wood framing. For the "low" scenario, we recently requested updated wood bids and used the lowest one; in this case, we estimate that INNO products would have provided the contractor with 8% savings.

Market Opportunity

We believe we compete in a \$40 billion+ U.S.-based market opportunity in 2023.

In concept, cold-formed-steel building structures are very similar to wooden structures. In steel buildings, the wooden structural elements are replaced by thin-walled steel components. The cold-forming process is the core technology used. By our estimates, the U.S. light-gauge steel framing market should be roughly \$6 billion in 2023.

According to the report released by Grand View Research in 2020, titled "Light Gauge Steel Framing Market Size, Share & Trends Analysis Report By Type, By End-use, By Region, and Segment Forecasts, 2021-2028", the global light-gauge steel-framing market was valued at \$33.89 billion in 2020 and is expected to reach \$48.21 billion by 2028, growing at a CAGR of 4.6% from 2021 to 2028. The substantial rise in construction spending and a shift in trend toward sustainable materials have contributed to higher energy efficiency at a lower cost, in turn driving the market demand for light-gauge steel frames. According to KBV Research's report released in February 2022, titled "North America Light Gauge Steel Framing Market Size, Share and Industry Trend Analysis Report By Type, By End Use, By Country, Historical Data and Growth Forecast, 2021-2027," the U. S. market has dominated the North American cold-formed steel-framing market, and it is expected to continue to be a dominant market player until 2027; thereby, achieving a market value of \$7.2 billion by 2027.

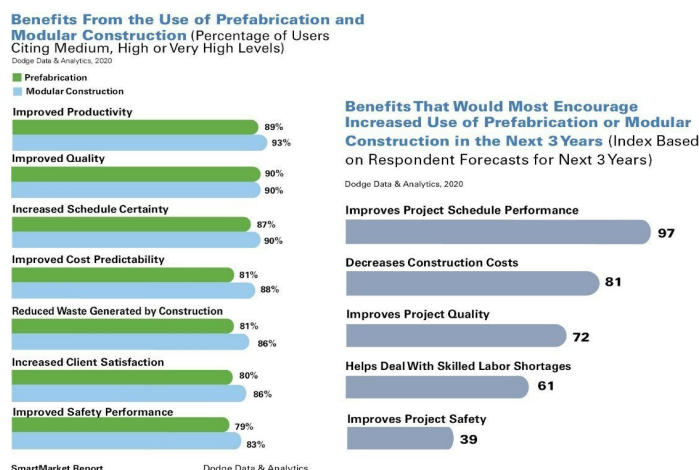
According to the summary of an IBISWorld report titled, "Wood Framing in the US — Market Size 2005-2029," the wood framing market size in the U.S. is expected to be \$24.9 billion in 2023. Since the wood structures could be replaced by cold-formed-steel structures, INNO's target market size includes the wood-framing market. If we combined the US light gauge steel (which we estimate to be currently at approximately \$6 billion based on the projected market value of \$7.2 billion by 2027) and wood framing market (\$24.9 billion) opportunities in 2023, we estimate it would amount to a \$29.9B market opportunity in which INNO competes.

Prefabricated Building Market

According to the summary of an IBISWorld report titled, "Prefabricated Home Manufacturing in the US — Market Size 2002-2029," the prefabricated home manufacturing market size in the U.S. is expected to be \$9.1 billion in 2023. According to the report released by Global Industry Analysts, Inc, titled "Prefabricated Building Global Market Trajectory & Analytics", the global prefabricated building market, estimated at \$106.1 billion in the year 2020, is projected to reach a revised size of \$164.1 billion by 2027, growing at a CAGR of 6.4% over the analysis period of 2020 through 2027. According to Straits Research Institute, the U.S. modular home market is projected to be valued at \$53 billion in 2030.

Prefabricated houses are those that are built with the help of prefabricated building materials. These building materials are prefabricated in an off-site facility and then transported to the desired location for assembly. The building materials used to develop prefabricated houses are divided into concrete-based and metal-based materials. The market is being driven by factors such as shorter construction times and cost savings. The market is also benefiting from increased customer interest in reducing CO2 emissions, green building, and waste reduction.

Due to the rise in labor wages and material costs, operators want to unlock greater efficiencies, reduce project costs and increase labor productivity in the face of a skilled labor shortage and low profit margin. Modeling technologies are impacting all aspects of the design and building industry. Studies from Dodge Data & Analytics report reveal a strong correlation between companies' BIM use and the degree to which they enjoy improved schedule and budget performance from using prefabrication or modular building. The modular building market is gaining popularity among the construction giants owing to the various benefits that it possesses, including reduced waste, speedy building, cost-effectiveness, eco-friendliness, and flexibility. According to experts, modular building projects can be completed 30% to 50% more quickly than traditional building. Modular buildings are extremely flexible, owing to the custom-made fit that are created according to the specific requirements of customers.



Source: DDA's new SmartMarket report, "Prefabrication and Modular Construction 2020."

Design firms and contractors alike agree that both prefabrication and modular building are providing significant improvements to cost, schedule, quality and safety performance, productivity, client satisfaction and their ability to reduce waste. According to the McKinsey Global Institute (MGI's) Reinventing construction: A route to higher productivity report, released in February 2017, parts of the construction industry are moving toward a manufacturing-like system of mass production, relying on prefabricated, standardized components that are produced off-site. Such system would include applications such as fully automated prefabrication processes that turn a 2D drawings or 3D model into a prefabricated building component, or fabrication directly off a 3D model or shop drawings, enabling the production of high-performing components and, ultimately, more efficient parts.

Regulatory and Governmental Pressures for Change

President Biden's Executive Order 14057 on the adoption of the federal Sustainable Development Catalyst for America's Clean Energy Industry and Jobs and the accompanying federal Sustainable Development Plan establish the ambitious goal of achieving zero emissions from building by 2045. The federal government will work on new construction, major renovations, and existing real estate to achieve linked electrification, reduced energy use, lower water consumption and waste reduction. The federal government will develop data-driven targets and annual indicators for energy and water reduction by 2030 based on leading performance benchmarks for building type categories and the composition of institutional building portfolios. As part of this

journey, the federal government will use performance contracts to reduce emissions, improve efficiency, and modernize facilities while providing financial savings.

In 2021, the Los Angeles City Council Public Safety Committee approved a proposal to expand Fire District I, an anachronistic planning overlay that would effectively ban wood-frame building in much of the city. The motion currently winding its way through City Council would expand Fire District I to neighborhoods with a population density of 5,000 residents per square mile, among other areas. With nearly all of Los Angeles comfortably above 5,000 residents per square mile, this expansion would effectively ban timber and wood-frame building in much of the city, including many rapidly growing neighborhoods near transit.

Sustainability and Green Building

Manufacturing of materials for buildings and construction accounted for approximately 11% of global energy-related CO2 emissions in 2017 according to the Global Status Report 2018, Global Alliance for Buildings and Construction & International Energy Agency. Increased global awareness of green building has driven efforts among all levels of government. For example, local governments are beginning to regulate in favor of using alternatives to wood in building projects. To reduce the city's vulnerability to wildfires, the Los Angeles City Council voted in early 2021 to explore a proposal that could prohibit the use of wood-frame building for larger developments in some of its most densely populated neighborhoods. Similarly, the Los Angeles City Council Public Safety Committee approval of a proposal in 2021 to expand Fire District 1, an anachronistic planning overlay that would effectively ban wood-frame building in much of the city. In most U.S. cities, fire safety is ensured by the International Building Code (IBC), which sets strict rules on allowable building materials and methods.

Cold-formed steel framing ("CFS") is a highly sustainable, green building solution. Through technological advances and processing changes, steel has drastically reduced its carbon footprint. CFS boasts a high level of recyclability, energy savings and greenhouses gas reduction. Due to its inherent advantages such as fire-resistance, termite resistance, consistent material quality and sustainability, we believe cold-formed steel will be the optimal alternative building material.

Macroeconomic Factors

The past several years of western wildfires have had a devastating impact on lumber stock and mills that were in the path of these fires, plus the disruption of supply chain due to the COVID-19 pandemic, has resulted in rising lumber prices. The net result of the fall in steel prices and rise in lumber costs is a much stronger case for parity between the two raw materials.

A new study conducted by R.A Smith, Inc., Brookfield, WI, and the SFIA addresses framing costs on behalf of architects, building owners, and general contractors. The study, "Costs to Build with Cold-formed Steel Versus a Wood-Framed Building," established that CFS framing and wood framing cost relatively the same when the cost comparison included the construction insurance premiums associated with using the selected material. CFS is noncombustible, which reduces the risk of property loss during construction and over the life of the structure. It reduces the risk of property loss leads to lower insurance premiums for builders and owners. The true cost of CFS over wood is less than 1% when insurance is included in the comparison.

Marketing

We are an innovative building-technology company with a mission to transform the construction industry with our proprietary cold-formed steel-framing technology and other innovations. While we have significant customer concentrations, we endeavor to broaden our customer base as well as the industries we serve. Our marketing strategy is a long-term plan to achieve our Company's mission by understanding the needs of customers and creating a distinct and sustainable competitive advantage. We position ourselves as the leader in intelligent steel-framing building systems. We intend to leverage our marketing and sales efforts to establish new potential customers. We also intend to leverage customer referrals, which in the past have been a source of new business. A significant portion of our business is the result of competitive bidding processes, and a significant portion of our business is from contract negotiation. We believe that the reputation we have developed with our current customers represents an important part of our marketing effort.

Quotation requests from customers are reviewed to determine the specific requirements and our ability to meet such requirements. Quotations are prepared by estimating the material and labor costs and assessing our current production schedule to determine our delivery commitments. Competitive bid quotations are submitted to the customer for review and award of the contract.

We have several strategic partners, including real estate companies, general contractors, builders and developers. Our strategic partners connect our Company with potential customers who are either potential homeowners or developers.

Through the several architecture, builder and contractor associations that we have joined, we share the advantages of cold-formed steel framing with others, and we educate and encourage construction industry practitioners to move out of their wood-framing comfort zone to embrace steel-framing technology.

We have a digital market channel and a social media presence. Also, we are actively conducting market research to determine the viability of our new products and new patents. We have increased our marketing budget and formed a professional sales team to increase our online marketing, which we believe can help us grow our revenue.

Research and Product Development/Innovations

We are a building technology company that is dedicated to research and product development innovation. Our scientists and engineers are committed to developing sturdier steel studs, tracks, headers, and other components, resulting in superior strength while maintaining the lowest costs possible. Our cold-formed roller machine is acquired from an original equipment manufacturer with certain modifications to the standard version of the machine that are unique and proprietary to INNO. When we refer to our "proprietary" cold-formed roller machines, we are referring to the modified machine with the intellectual property and process techniques we have developed. INNO uses CAD (Computer Aided Design) technology to arrive at the most accurate, comprehensive and information-rich design model within its parameters with the utilization of Vertex to ensure each member is produced to the exact specifications of called for in the design. The digital model of the project includes all functional systems and aesthetics, such as electrical wiring, air conditioning, doors, windows etc., as well as geometric features. It is a shared multi-disciplinary resource allowing all those working on a project to share information and working processes in order to achieve maximum efficiency and effectiveness, thus reducing all phases — design, pre-construction and construction — of the construction timeline. The platform gives us open communication, true collaboration, and aligned understanding. Taken all together, INNO has created a full BIM solution that works together to inform our state of the art light-gauge roll forming machines the instructions to automatically produce each steel framing member to exact specification.

We have continued making improvements to our cold-formed roller machines to optimally increase the printing speed. We are actively working on a list of 100 potential patentable products. Our goal is to commercialize patents and technologies that we own.

For example, the CFS portal frame system invented by our CEO could replace current shear wall systems to provide adequate lateral resistance against strong winds and severe earthquakes. The standard lateral force resisting systems in light frame cold-formed steel building are shear walls either

sheathed by structural panels such as OSB, Plywood, and steel sheets or braced by steel straps. These systems require a large amount interior walls to be load bearing walls which limits flexibility for room layout and may not support large openings for windows and doors. The steel portal frame system is a novel long span framing system to replace the traditional hot-rolled structural steel frame. The new technologies in the portal frame system include optimized stiffened holes on cold-formed steel frame members to increase structural stability and span capacity and special moment joint technology using adhesive and rivet connections which enable superior energy dissipation capacity and fast fabrication.

This new CFS moment frame does not require any interior shear walls for the Castor Cube, our modular home product. It will allow the Cube to have various room layouts. The homeowners will also be able to change the room layout in the future. The new CFS moment frame can also be used for long-span residential and mid-rise commercial buildings. The new technology should improve the structural integrity of building structures, increase the lateral resistance, and lower the overall costs.

Another innovation, the cold-formed steel truss system, utilizes a strong axis of cold-formed steel stud members for both chords and webs which allow longer spans and lighter weight than the conventional type trusses. The steel truss system has wide applications in storage and education buildings.

We believe the steel truss system and steel portal framing system will also allow INNO to enter the high-rise commercial and large span industrial building markets (Type I and Type II buildings) and deliver more competitive and cost-effective building structures than the traditional structural steel frame and concrete masonry systems.

Honeycomb aluminum panel is a metal composite panel product series developed in combination with the composite honeycomb panel technology developed by the aviation industry. The panel is a box-type structure with surrounding edges, which has good airtightness and improves the safety and service life of the panel. The product adopts a "honeycomb sandwich" structure, that is, a composite plate made of high-strength alloy aluminum plate coated with a decorative coating with excellent weather resistance as the surface, bottom plate and aluminum honeycomb core through high temperature and high pressure. This product series has the advantages of excellent material selection, advanced technology, and reasonable structure. It not only has excellent performance in large scale and flatness, but also has many choices in terms of shape, surface treatment, color and installation system. This advanced technology enables the Company to manufacture high-strength and light-weight wall panel products. These siding products have very flat surfaces and tightly controlled seam widths, which allow architects to design very straight and beautiful walls with large panels. Except for certain technical restrictions, there is no standard size for honeycomb aluminum panels, and all wall panels are factory-made according to design drawings. Our production method allows the panels to be highly flexible in size and shape, such as curved panels and folded panels. This flexibility creates a complete and multi-functional highly competitive wall panel system that can be installed on almost any joist and are extremely simple to install.

Revenue Model

Our revenue model currently consists of sales of the following:

- Light-gauged studs and tracks;
- Prefabricated wall panels and trusses;
- Structure framing work on site;
- Engineering services;
- Machine sales; and
- Replicable Apartment product.

Light-gauged studs and tracks

We supply metal studs from 12GA to 24GA depending on the structure engineering requirements and city building codes. The model for selling cold-formed steel studs and tracks is wholesale because it is business-to-business. Given the specific nature of our products, we do not sell retail. Unlike traditional metal stud suppliers, whose products are "made to stock" with no consideration for engineer design, our metal studs are typically made-to-order and customized for each project.

Prefabricated wall panels and trusses

Prefabricated wall panels and trusses are another option for customers. With these products, the customer can either choose to assemble the panels themselves or include this prefab service in their contract with us. Most customers typically choose prefab service because of our skilled team given that most wood framers are not familiar with steel framing.

INNO also has standardized modular wall products which could be used for all residential and commercial buildings. We design modular walls in 20 specifications to cover different building requirements. Modular walls are "made to stock" products and participate in both business-to-business and business-to-customer model channels.

Structure framing work on site

Steel structure installation on site is also an optional service. Depending on the project size and scope, we will provide on-site installation service if customers requested. With our full turnkey solution, all elements of the project construction are included, not just the cold-formed steel. This may include cabinetry and other items. In cases where the customer simply wants the framing, we bring our expertise in working with steel to that portion of the project. We are in the process of reducing our on-site work offerings.

Engineering services

Our engineering services provide stamped and sealed structure design services by our in-house engineer team. Because of the specific nature of our services, the rates vary case by case depending on the square footage and project complexity. Our engineer team will collaborate with customer's architect, civil engineers, and MEP engineers to make sure the final structure design is city approved. To begin the metal stud production, our engineer team also generates the shop drawings which is a digital file and readable by our intelligent CNC machine. We also have another option where the customer may outsource the engineer service and contact INNO for metal stud production, where we do not provide continuous services until the design is city approved.

Machine sales

We may sell or lease our machines. We provide technical and design support at relatively low costs, including industry compliance license and permits, as well as shop drawings and structural design. We also offer administration, operation, and management consulting support, including directing and assisting factory set-up, operation procedures, equipment installation, machine maintenance, repairs, and efficiency improvement. The training for such operations and installations are also provided. We will recommend, select, and advise pricings for material suppliers and other vendors.

Replicable Apartment Product

Our flagship product within this series is Village 101, a smart senior living apartment comprising 155 units with a floor area of 110,000 square feet. The architectural plan package for Village 101 is complete and ready for implementation. Village 101 serves as a prototype building tech community, showcasing our innovative approach to senior living.

Our pipeline includes various apartment product options with different unit sizes, ranging from 15 to 150 units. These products are under active research and development, with the aim of creating replicable housing complexes across the United States. By leveraging our expertise in building technology and innovative design, we target to provide scalable and high-quality housing solutions that meet the evolving needs of residents including but not limited to senior citizen, college students and Gen Z etc.

Through our revenue model, we anticipate generating sustainable income by catering to the demand for replicable apartment products. By expanding our product line and continually advancing our research and development efforts, we aim to capture a significant market share in the housing industry while delivering superior value to our clients.

Cost of Sales

Cost of Sales primarily consist below components.

- **Materials** — Rolled steel represents the single largest cost. We manage our relationship with suppliers (primarily US Steel) very adroitly by building in purchase orders and their associated costs to the customer to minimize our exposure to changes in steel prices for any specific project. We manage our purchases and deliveries as close to “just in time” as possible.
- **Labor** — Labor is potentially the most variable component of cost of sales. We have a team of hourly workers who largely work onsite at the factory producing parts from raw steel and assembling them into prefabricated pieces to be delivered to job sites. Contractors are non-employee hourly workers who largely work in our turnkey projects. As-needed hourly labor is largely available in our markets.
- **Freight and Shipping** — Our policy is to include any freight incurred to ship the product from our vendors to warehouses as a part of cost of goods sold. Outbound freight costs related to shipping costs to customers are considered periodic costs and are reflected in selling expenses.

Other Expenses

Other expenses are typically comprised of payroll of salaried and hourly workers. We pride ourselves on running lean and efficiently. We operate in a business-friendly state with a large and available workforce. Rent, utilities, insurance, consulting service and other normal expenses are all competitive in the commercial area where we are based.

Our Growth Strategy

We seek to leverage the trend toward off-site and modular building techniques to increase productivity, reduce errors on-site, and decrease costs. With both Castor Cube and Mobile Factory as our featured products in the coming years, we seek to become leaders in the industry. As the market continues to move toward panelized construction, we seek to have an edge in the industry as a large-scale pioneer of the overall cost-reducing process.

INNO's business growth strategy combines the following three parts: revenue growth strategy, profit growth strategy and technology growth strategy.

Revenue Growth Strategy

Our revenue growth strategy is composed of the following.

Capacity expansion and in-house research and development. We plan to expand factory operations and manufacturing capabilities in line with demand. We are also investing in R&D to ensure a pipeline of competitive and innovative building-technology products.

Multiple products. We are in the process of developing the Castor Cube, a 743-square-foot modular house product with the goal of mass producing. We are also working on developing Village 101, a smart senior living apartment comprising 155 units with a floor area of 110,000 square feet. The architectural plan package for Village 101 is complete and ready for implementation. Village 101 serves as a prototype building tech community, showcasing our innovative approach to senior living. Meanwhile, the new products extend to new building material composed of stainless steel, such as stainless-steel roof and panels with the vision of using such materials for seaside buildings.

Marketing investment. We are in the process of optimizing our online sales and marketing efforts by recruiting marketing talent and developing a marketing plan.

Potential Acquisitions. In accordance with our growth strategy, our company intends to pursue vertical integration by acquiring several companies operating within the construction industry in the United States. The objective of this vertical integration is to strengthen our position as a prominent building-technology developer and expand our capabilities within the market. We will position ourselves to offer a comprehensive range of solutions encompassing the entire building. The expanded scope of our offerings includes prefab structure systems, centralized MEP (mechanical, electrical, plumbing) systems, integrated wall systems, integrated floor systems, roofing systems, and prefab cabinets, sinks, and countertops. This integration allows us to deliver a single-cycle turnkey solution, streamlining the traditional linear process employed by traditional developers. To fortify our supply chain and augment our capabilities, we will consider the strategic acquisition of construction vendors/suppliers with the proceeds from IPO to pursue potential acquisitions. The targeted companies would include the ones that enjoy the popularities in the industry, including but not limited to the companies that can supply the interior finish, exterior wall panels, insulation materials and roof system etc. By incorporating the targeted companies into our operations, we will establish a comprehensive one-stop-shop solution for the multi-family apartments, thereby further solidifying our market position and value proposition. Consistent with our growth strategy, we are firmly committed to implementing a robust product life cycle management approach, encompassing all stages from procurement to delivery. Through our pursuit of vertical integration and strategic acquisitions, we are poised for substantial growth to assume a leadership role within the market. By expanding our product offerings, strengthening our supply chain, and cultivating key partnerships, we are well-positioned to provide comprehensive building solutions that effectively meet the evolving needs of our clients while concurrently driving revenue growth and delivering enhanced shareholder value.

Profit Growth Strategy

Our profit growth strategy is composed of the following.

Improving assembly automation. We plan to source and develop production robots and to expand automation where possible, to further increase our production efficiency.

Reducing transportation costs by utilizing Mobile Factory. Our Mobile Factory is equipped with our proprietary machines and can be transported to any jobsite. Mobile Factory utilizes Inno Statlink Data System which is ideal for remote production management. Mobile Factory saves significant transportation costs and as such, our goal is to increase the use of Mobile Factory.

Optimizing artificial intelligence design capabilities. We intend to optimize the artificial intelligence design capabilities by utilizing machine learning to get the wisest structure supporting data and running several models for all types of walls. The model we tested could reduce the raw materials used in different projects.

Technology Growth Strategy

Our technology growth strategy is composed of the following.

Develop EQ products to replace existing building materials with thinner and lighter products. We are developing technology in an effort to replace existing building materials with thinner materials. Once this technology matures, it is expected to save approximately 10% in raw materials.

Develop stainless steel as a building material for the high-end building market. We are developing technology to replace the current galvanized steel sheets with stainless steel. The new patent pending material could be used in extreme climate conditions for high-end customers.

Leverage module wall technology to increase the range of applications. We are in the process of developing different types of module wall products to expand our customer reach.

Strategic Partnerships

We have partnerships with at least 10 regional and national developers and builders. INNO's customers include national real-estate developers and some local builders in both Texas and California. The regional/national developers and builders have a strong pipeline of projects coming each year. Their project types cover residential, commercial, and industrial. They either intend to use steel framing for structure or to develop land with Castor Cube and Village 101 projects, as their strategic partners, INNO will provide customized offer and have higher probability to bid and win projects. The cold-formed steel framing business is categorized as business-to-business model, and the Castor Cube as well as Village 101 projects will be either to business or to customers.

Competitive Outlook

Lumber-Based vs. Cold-Formed Steel

Our primary competitors (or segment with which we are most often compared) are traditional lumber-based building products solutions in certain categories, particularly buildings below six floors and residential. The accessibility and proficiency in assembling lumber-based structures can make practitioners in construction industry unwilling to move out of the wood framing comfort zone. Further, lumber prices were generally lower than the price of metal studs before the COVID-19 pandemic. The switch to cold-formed Steel is being driven by materials price and several market-based advantages of steel. Steel is strong, safe, durable, versatile, and cost-effective. Steel has the exceptional environmental advantage of being highly recycled and infinitely recyclable. Steel is tough and does not rot, spawl, split, or absorb moisture, and it is resistant to pests, unlike wood building materials.

Inherent Benefits of Steel Framing

- Steel has the highest strength-to-weight ratio of any framing material.
- Non-combustible. Steel will not contribute fuel to the spread of fire.
- Steel is termite and rodent resistant.
- Steel ensures dimensional stability. Will not rot, warp, crack or shrink.
- Lower builder's risk insurance.
- Permanently straight walls. No call backs for nail pops.
- No toxicity contribution. Free of resins, adhesives, and chemicals normally present in other framing material.
- Consistent material quality. No regional variation.
- Grounded against electrical storms.
- Steel is inorganic. Unlike traditional framing products, steel is not vulnerable to mold.
- Steel is the most recycled product in the world. Optimum sustainability.

The SFIA has conducted studies of construction costs in two different locations using two identical buildings — one designed with wood and the other with cold-formed steel (CFS) framing. The mixed-use, 49,900 square foot building used in the studies is representative of many residential buildings constructed in the mid-rise market today and includes:

- A first floor non-combustible (concrete) podium with parking and retail space
- Residential dwellings on levels 2-5

- Roof-top/penthouse space atop level 5 housing building services.

The first location for the study was a building constructed in Chicago in late 2017. Results include hard construction costs only. In this case, cold-formed steel cost 2.6% more than traditional wood construction.

SFIA Cost Analysis: Wood vs. Cold-Formed Steel, Location 1

Chicago Total Building Cost Summary	
Total building cost w/wood framing	\$6,257,000
Total building cost w/ CFS framing	\$6,420,000
Difference in \$ (CFS over wood)	\$163,000
Difference in % (CFS over wood)	2.61%
Difference in \$/sq. ft. (CFS over wood)	\$3.27

Source: SFIA

15

The second location was in Morristown, New Jersey. It takes a deeper look at costs by including the impact of lower insurance premiums available for CFS construction compared to combustible framing (wood). The insurance costs from major insurers operating in New Jersey were converted to a cost per square foot and evaluated in terms of their impact on the overall building costs. In this case, cold-formed steel cost 0.9% more than traditional wood construction.

Cost Comparison Case Study 2

Costs in New Jersey for a Wood Versus CFS building, Including the Impact of Construction-Phase Insurance Premiums		
	Total Building Cost	Total Building Cost with lower BR and GL Premiums for CFS
Wood framing	\$6,401,779	6,401,779
CFS framing	\$6,568,551	\$6,460,696
Difference in \$ (CFS over wood)	\$166,772	\$58,917
Difference in % (CFS over wood)	2.61%	0.92%
Difference in \$/SF	\$3.34	\$1.18

Source: SFIA

The two case studies mentioned above are taken from the official SFIA website. We believe INNO's product cost is less than that of the preceding case studies, with the overall cost less than that of traditional wood.

Others Participating in Cold-formed Steel

The second category of competitors are divided into two groups: traditional manufacturers of metal studs and suppliers of cold-roller machines. Traditional manufacturers, such as Clark Dietrich and CEMCO, pre-punch their metal studs with punchouts at regular intervals for pipe installation, but the number of punchouts is fixed and not customized for each project. INNO employs proprietary software to calculate the minimum punchouts for MEP pipe installation that are consistent with the architectural plan set to ensure the structure's load-bearing capability to the greatest extent possible. The load-bearing capability gradually decreases as the number of punchouts increases. Traditional steel framing manufacturers are unable to automatically make punchouts for screw holes, so manual drilling holes at the jobsite for metal stud connections are still required. The screw holes are precisely located and punched by the INNO CNC machines.

Screw hole punchouts are left for panel assembly, and the stud spacing should be building code compliant. The number of screw holes for each panel is calculated systematically, and the screws are included in the product package. We prefabricate the wall panels, joists, and trusses in the factory, eliminating the need for on-site manual labor to measure stud intervals and drill holes for metal stud connection. These two traditional metal studs profile manufacturers have a nationwide retail network that we cannot compete with. We are using the Internet to increase the marginal effect of sales, and our future strategy is to use Internet sales to undermine traditional store-based sales.

In the cold-formed roller machine market, FRAMECAD is a traditional LGS/CFS machine manufacturer. When compared to their LGS equipment, INNO CNC machines manufacturing cost is approximately 50% less, based on our estimates. INNO CNC machines currently have three pending patents, the CUBE 200 (Application number: 63437142), CUBE 300 (Application number: 63427583) and NEW OPTIMIZED DESIGN FOR ROLL FORMER CNC MACHINE (Application number: 63427583). CUBE 200 is able to form C& U type studs and tracks in the thickness of 16 gauge and 6 inches width studs. CUBE 300 is able to form C&U type studs in the thickness of 12 gauge and 12 inches width studs.

In addition, mobile factories are an important countermeasure to traditional equipment. We have developed a mobile factory for offsite production of steel pieces and structures that compete in the traditional prefab and modular building markets. INNO differentiates itself from other steel framing companies and cold-formed roller machine suppliers by integrating services ranging from metal stud manufacturing to prefabrication. In this context, we distinguish ourselves through the technologies and innovations we bring to our process and methods for producing structural components from rolled steel into useful pieces that assemble without error.

3D "Printing" Technology

Currently, 3D printing technology is widely used for prefab homes; however, cooling time is required for formation because the technical principle is to melt the material and then wait for it to cool before settling. In contrast to other prefab home companies, which use 3D printing technology, INNO uses our own cold-formed steel technology to ensure that there is no waiting time for structure formation. 3D printing necessitates the use of unique liquid raw materials such as LAVACRETE and Light Stone Material (LSM), neither of which are easily accessible. This could lead to supply chain disruptions and affect delivery time. Furthermore, the steel is still commonly used to support the structure of prefab homes, regardless of the manufacturing technology used.

Safety is an important factor to consider when choosing a prefab home. Since INNO's CASTOR CUBE uses steel structure entirely, which has a high strength to weight ratio and good performance to resist disasters such as hurricanes and earthquakes. The foldable prefab home product manufactured by other company may not have the same level of disaster resistance as CASTOR CUBE.

Castor Cube plans to apply a patent for its utility hook-up system, which enable consumers to connect utility within one day. This is a unique feature that can make the process of setting up a prefab home more convenient for consumers. It is also worth noting that according to other prefab companies' product introduction videos and their social media platforms, they all take around 48 hours to construct a 350 square feet prefab home.

With the usage of INNO's patent pending honeycomb aluminum panels and Z-shaped pendant designed for replacing manual sheetrock installation, we can significantly reduce the number of manufacturing steps and minimize manual labor. INNO is planning to set up an automatic streamline to produce CASTOR CUBE. This will bring the significant increase in production capacity and it can help INNO to meet the growing demand for prefab homes more efficiently.

Government Regulations

Building Codes

Building codes are laws that set minimum requirements for how structural systems, plumbing, heating, ventilation and air conditioning, natural gas systems and other aspects of residential and commercial buildings should be designed and constructed. In the U.S., building codes mostly fall under the purview of state and local governments. All metal studs used for building structures are required to pass inspections in the jurisdiction they are located. We have ICC-ES evaluation reports (ESR-4641) that show that our cold-formed steel-framing members are compliant with the 2018 and 2015 International Building Code ("IBC"), 2019 California Building Code ("CBC"), and 2020 Florida Building Code ("FBC"). Because of the nature and use of our products, we need to be compliant with quality assurance programs.

Fire safety is one critical area of the building codes. As fire codes become stricter in some geographical areas or specific types of structures, our cold-formed steel materials are inherently non-combustible and therefore are advantaged over combustible alternatives.

Environmental Compliance

We are subject to U.S federal, state, and local environmental laws and regulations that involve the use, disposal and cleanup of substances regulated by those laws and subject to periodic inspections to monitor our compliance. We believe that we are currently in compliance with applicable environmental regulations. Expenditures for environmental compliance purposes during 2023 and 2022 were not material.

We were given awards by the U.S. Green Building Council ("USGBC") in 2020. Our manufacturing processes minimizes waste, prevents pollution, and recycles wherever possible. Our manufacturing process manufactures special length products for all types of projects, has self-contained building system solutions that do not rely on third-party suppliers, and designs products to fulfill the BCA Energy Efficiency program. This compliance proves that we are a green company that meets basic environmental milestones and legal requirements.

Occupational Health and Safety Laws

Our business and operations are subject to numerous federal, state, and local laws and regulations intended to protect our employees. Due to the nature of manufacturing, we are subject to substantial regulations related to safety in the workplace. In addition to the requirements of local and state governments in Texas, we must comply with federal health and safety regulations, the most significant of which are enforced by the Occupational Safety and Health Administration.

Further, our operations and facilities are subject to additional federal, state, or local laws or regulations, such as the COVID-19 safety and prevention regulations. Our operations are also subject to federal, state, and local labor laws relating to employee privacy, wage and hour matters, overtime pay, discrimination and harassment, equal opportunity and employee leave and benefits.

It is our policy and practice to comply with all legal and regulatory requirements and our procedures and internal controls are designed to promote such compliance. Expenditures for compliance with occupational health and safety laws and regulations during 2023 and 2022 were not material.

Human Capital Resources

The success of our business depends in large part on our ability to attract, retain, and develop a workforce of skilled employees at all levels of our organization. We provide employees with base wages and salaries that we believe are competitive and consistent with each employee's position. We also work with local, regional, and state-wide agencies to facilitate workforce hiring and development initiatives. We had 11 full-time employees at both of September 30, 2023 and 2022. We also utilize at-will contractors in our business. As of September 30, 2022, we had 10 at-will contractors employed. That number has since grown to 18 contractors as of September 30, 2023.

Intellectual Property Matters

Presently, we have no registered intellectual property rights and trademarks. The trademarks application status of our name and other marketing materials is pending. There are currently five pending patent applications and descriptions of each pending patent are as follows:

- New optimized design for Roll Former CNC machine that efficiently produces C&U type studs and tracks to be used in building high quality, quick erection structures. (Application number: 63427583)

- Cube 200, which is a new optimized design for a Roll Former CNC machine that efficiently produces C&U type studs and tracks to be used in building high quality, quick erection structures. (Application number: 63437142)
- Z-shaped pendant for castor exterior wall to replace the Z-shaped pendant for sheetrock with honeycomb aluminum plate. (Application number: 63434155)
- Cube 300, which is a new optimized design for a Roll Former CNC machine that efficiently produces C&U type studs and tracks to be used in building high quality, quick erection structures. (Application number: 63437143)
- Aluminum honeycomb plate for interior wall construction. (Application number: 63367663)

In the course of our business, we develop expertise in the manufacturing process. Although we have non-disclosure policies in place with respect to our personnel and in our contractual relationships, we cannot assure you that we will be able to protect our intellectual property rights with respect to this expertise.

Corporate Structure

Our Company, 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. It has three subsidiaries: Inno Metal Studs Corp, Castor Building Tech LLC, and Inno Research Institute LLC.

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 changed to 55%.

18

Effective 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, Mr. Dekui Liu, who was also the sole owner and CEO of the Company, 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. See Note 3 below for details.

Inno Research Institute LLC, a Texas limited liability company incorporated on September 8, 2021, is a 65% owned subsidiary of IMSC.

Corporate Information

Our principal executive offices are located at 2465 Farm Market 359 South, Brookshire, TX 77423, and our California office is located at 21660 Copley Drive, Diamond Bar, CA 91765. Our corporate website address is www.innometalstuds.com. Our telephone number is (800) 909-8800. Information contained in, or accessible through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only.

ITEM 2. PROPERTIES

We lease our principal executive offices which are located at 2465 Farm Market 359 South, Brookshire, TX 77423. The lease for the Company’s principal Executive Officer at 2465 Farm Market 359 South, Brookshire, TX 77423 has a 60-month term beginning on December 1, 2019 and ending on December 31, 2024.

We also leased a building at 4225 Prado Road, Suite 101, Corona, California 92880, as our California office. This lease has a five-year term beginning on May 1, 2022 and ending on April 30, 2027. In August 2023, our California office was relocated to 21660 Copley Drive, Diamond Bar, CA 91765. We will continue to be obligated to pay the monthly rent for the office in Corona, California until the landlord finds a new lessee to occupy the facility. The new lease in Diamond Bar, CA 91765 has a 24-month term beginning on August 1, 2023 and ending on July 31, 2025.

These lease agreements contain standard commercial lease terms including but not limited to provisions regarding utilities, alterations, maintenance and repair, insurance and indemnification.

We believe that our current leased property is in good condition and suitable for the conduct of our business.

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. The property will serve as an office and commercial building.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We believe that we do not have any pending or threatened litigation which, individually or in the aggregate, would have a material adverse effect on our business, results of operations, financial condition and/or cash flows.

19

PART II

ITEM 5 - MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

We have our common stock listed on the Nasdaq Capital Market under the symbol “INHD”.

Holders

As of January 11, 2024, there were approximately 4 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have not declared any cash dividends since inception, and we do not anticipate paying any dividends in the foreseeable future. Instead, we anticipate that all of our earnings will be used to provide working capital, to support our operations, and to finance the growth and development of our business. The payment of dividends is within the discretion of the Board and will depend on our earnings; capital requirements; financial condition; prospects; applicable Texas law, which provides that dividends are only payable out of surplus or current net profits; and other factors our Board might deem relevant. There are no restrictions that currently limit our ability to pay dividends on our common stock other than those generally imposed by applicable state law.

Transfer Agent

VStock Transfer, LLC., 18 Lafayette Place, Woodmere, New York 11598.

Recent Sales of Unregistered Securities

During the period from October 1, 2022 to September 30, 2023, we have granted or issued the following securities that were not registered under the Securities Act:

(a) Issuance of common stock.

- On December 3, 2022, the Company issued 142,857 shares of its common stock, on a pre-reverse stock split basis, to an accredited investor at \$3.5 per share for \$500,000 in cash.
- On March 13, 2023, the Company issued 27,028 shares of its common stock, on a pre-reverse stock split basis, to an accredited investor at \$3.7 per share for \$100,000 in cash.
- On April 25, 2023, The Company issued 78,947 shares of its common stock, on a pre-reverse stock split basis, to an accredited investor at \$3.80 per share for \$300,000 in cash.
- On June 20, 2023, the Company issued 13,158 shares of its common stock, on a pre-reverse stock split basis, for a total value of \$50,000 for services to be rendered during next twelve months by the immediate relative of the Company's Chief Financial Officer.
- On June 20, 2023, the Company issued 19,737 shares of its common stock, on a pre-reverse stock split basis, for a total value of \$75,000 for services to be rendered during next twelve months by one nonemployee contractor. These shares were valued at \$3.8 per share.

20

- On July 24, 2023, the Company issued 13,514 shares of its common stock to an accredited investor for no additional consideration following the Company's previously disclosed reverse stock split.
- On July 24, 2023, the Company issued 39,473.50 shares of its common stock to an accredited investor for no additional consideration following the Company's previously disclosed reverse stock split.
- On July 24, 2023, the Company issued 6,579 shares of its common stock to an accredited investor for no additional consideration following the Company's previously disclosed reverse stock split.
- On July 24, 2023, the Company issued 9,868.50 shares of its common stock to an accredited investor for no additional consideration following the Company's previously disclosed reverse stock split.
- On July 24, 2023, the Company issued 71,428.50 shares of its common stock to an accredited investor for no additional consideration following the Company's previously disclosed reverse stock split.

The issuance of the common stock in private placements was deemed exempt from registration under Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder in that the issuance of securities were made to an accredited investor and did not involve a public offering. The recipient of such securities represented its intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

(b) Warrants.

- On December 18, 2023, the Company issued warrants to AC Sunshine Securities LLC, the underwriter of its IPO (as defined below), to purchase up to 201,250 shares of common stock at an exercise price of \$4.80 per share.

Use of Proceeds from our Initial Public Offering of Common Stock

On December 18, 2023, we closed our initial public offering (the "IPO"), in which we sold and issued 2,500,000 shares of our common stock at a price to the public of \$4.00 per share. We received approximately \$7,859,533 in aggregate net proceeds from our IPO after deducting underwriting discounts and commissions and other offering expenses. AC Sunshine Securities LLC was the underwriter of our IPO.

The offer and sale of all of the shares of our common stock in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-273429), which was declared effective by the SEC on November 9, 2023.

As of January 11, 2023, we have used approximately \$0.9 million of the net proceeds from our IPO for working capital and general corporate purposes. There has been no material change in our planned use of the net proceeds from our IPO as described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on December 4, 2023.

Purchases of Equity Securities

Neither we nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Securities Authorized for Issuance Under Equity Compensation Plans.

The information required by this Item regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of this Annual Report on Form 10-K.

ITEM 6. [RESERVED]

ITEM 7. - 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 consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K.

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 the mills, so that we will gain a better payment cycle to secure the raw material, to maximize the usage of the funds. At the same time, to match the raw-material usage of the sales order each quarter, we will make the quarterly purchase plans ahead, so that the efficiency of capital turnover is higher.

22

The collection period of accounts receivable

Timely payments from customers are essential to a successful business. Based on our historical collectability experience, we will seek to gradually eliminate the types of small-size homebuilders and cooperate with large-size and professional companies to strengthen risk control of accounts receivable and shorten 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 in an effort to support larger orders and to meet the goal of increasing total operating income.

Results of Operation

For the years ended September 30, 2023, and 2022

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 Years Ended September 30,		
	2023	2022	Variance
Revenues	\$ 799,747	\$ 4,252,568	-81%
Revenues— related party	-	250,000	-100%
TOTAL REVENUES	799,747	4,502,568	-82%

Costs of materials and labor	1,255,315	3,031,588	-59%
Selling, general and administrative expenses (exclusive of depreciation and bad debt expenses shown separately below)	2,191,043	2,247,820	-3%
Depreciation	69,437	33,138	110%
Bad debt expense	1,267,960	-	100%
Operating loss	(3,984,008)	(809,978)	392%
Other income (expenses)	(39,196)	(310,114)	-87%
Loss before income taxes	(4,023,204)	(1,120,092)	259%
Income tax expense	-	9,915	-100%
Net loss	(4,023,204)	(1,130,007)	256%
Non-controlling interest	(127,426)	(121,345)	5%
Net loss attributable to INNO HOLDINGS INC.	\$ (3,895,778)	\$ (1,008,662)	286%
Operating loss % of revenues	(498)%	(18)%	
Net loss % of revenues	(503)%	(25)%	

23

Revenues

Revenue for the fiscal year ended September 30, 2023 declined 82% to \$799,747 in comparison to \$4,502,568 for the fiscal year ended September 30, 2022. The decline in revenue primarily resulted from a decrease in customer construction activity, a decline in the number of customers, to 24 in the fiscal year ended September 30, 2023 from 48 in fiscal year 2022, and a decline in the average size of projects, which resulted in a decline in average revenue per customer to \$33,323 in the fiscal year ended September 30, 2023 from \$93,804 in the fiscal year ended September 30, 2022. We had nine repeat customers in the year ended September 30, 2023 compared to the year ended September 30, 2022.

Our backlog as of September 30, 2023 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. We expect revenue from these contracts to be realized within next 24 months. These signed contracts included an agreement in the amount of \$15,875,800 with Vision Opportunity Fund LP, assigned to Vision 101 LLC ("Vision 101"), which is partially owned by one of our minority shareholders. None of the contract amount has been delivered to Vision 101 or recognized as revenue during the fiscal year ended September 30, 2023.

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. Fluctuations in raw materials pricing and production volume can have an impact on our costs as indicated in the table below, with raw steel contributing between approximately 40% of the cost of goods sold and 61% of the cost of goods sold, depending on price and volume.

Costs of materials and labor for the fiscal year ended September 30, 2023, declined 59% to \$1,255,315 in comparison to \$3,031,588 for the fiscal year ended September 30, 2022. The decrease was primarily due to the sharp year-over-year decline in revenue, as discussed above. The revenue decline exceeded the cost reduction, partly because some fixed costs are not declined along with the revenue and some expenses were incurred for long-term projects that are not eligible for revenue recognition in the current year.

While the Company seeks to minimize the impact of fluctuations of steel prices by advance purchases of steel tied to the price to be paid by customers in their contracts, available capital resources has limited our ability to make advance purchases to about three months of supply, which has left us with some exposure to supply price changes. Among the uses of proceeds from our IPO, the Company intends to extend the number of months of supply to match the expected need for raw materials of purchases under contract.

Steel Price Sensitivity Analysis		
Steel Price Variance	Steel as % of COGS	
	Low Volume	High Volume
(20)%	40%	51%
(10)%	43%	54%
0	45%	57%
10%	48%	59%
20%	50%	61%

Table Notes: "Low Volume" assumes three tons of steel material used per one eight-hour shift; "High Volume" assumes seven tons of steel material used per shift. Steel price variance assumes a baseline price of \$1,200 per U.S. ton.

24

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended September 30, 2023, decreased 3% to \$2,191,043 in comparison to \$2,247,820 for the fiscal year ended September 30, 2022. The decrease was primarily due to the decrease of nonemployee commission offset by the increase of overhead to support long-term growth.

Bad debt expense

Bad debt expense increased by \$1,267,960 for the fiscal year ended September 30, 2023 compared to the same period in 2022 due to the reserves for doubtful accounts. We estimated the credit losses based on each customer's financial situation, project status and the outstanding days of the accounts receivable balance. Following table illustrates the allowance for credit losses related to each age group of receivables.

Aging Category		
1 – 30 days	> 270 days	Total

Accounts receivable	\$ —	\$ 1,338,395	\$ 1,338,395
Less: allowance for credit losses	—	(1,267,960)	(1,267,960)
Accounts receivable, net	\$ —	\$ 70,435	\$ 70,435

At the beginning of our 2023 fiscal year, we started to 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 year's transactions, we have maintained a high collection rate. For aged outstanding balances, we assessed the provision for credit loss based on the aging groups, each customer's business and project status, contractual term, and financial situation. We reserved 95% of the balance that is aged over nine months. Below, we have summarized the nature of our current collection issues:

- A. We were notified that the ownership of one of our projects had been transferred in the middle of construction. We had collection issues from the former owner and reserved approximately \$0.5 million credit losses accordingly.
- B. As a subcontractor to provide the designing service and prefab products, we recognize the revenue upon completion of our performance obligations. However, there are two projects that had been significantly changed during the later stage of construction, our delivered services and prefab products had been replaced. We are experiencing difficulties in collecting payment for the services rendered and prefab products delivered. The related balance of approximately \$0.3 million has been reserved as credit losses.
- C. We were notified that several customers have cash flow issues and are facing challenges in securing loans. We are experiencing difficulties in collecting payment for the services rendered and prefab products delivered. We assessed the customers' financial situation and reserved approximately \$0.4 million as credit losses.

We continue to monitor our accounts receivable balances and limit small-size homebuilders and cooperate with large-size and professional companies to strengthen risk control of accounts receivable and shorten the days outstanding for accounts receivable.

Operating Loss

Operating loss was \$3,984,008 for the fiscal year ended September 30, 2023, in comparison to operating loss of \$809,978 for the fiscal year ended September 30, 2022. The increased loss was primarily attributed to lower revenue and increased expenses, as discussed above.

25

Other Income (Expense)

Other expenses for the fiscal year ended September 30, 2023, were \$39,196, in comparison to other expenses of \$310,114 for the fiscal year ended September 30, 2022. The decrease in expense was primarily related to stock compensation expense recorded for the fiscal year ended September 30, 2022.

Net Loss

Net loss for the fiscal year ended September 30, 2023 was \$4,023,204, in comparison to net loss of \$1,130,007 for the fiscal year ended September 30, 2022. The year-over-year increase in net loss was primarily due to changes in revenue, costs and expenses as outlined above, including lower year-over-year revenue, occurred bad debt expenses and higher expenses as a result of the increase of headcounts and our public filing process.

Key Factors That Affect Operating Results

The following are factors that affect our operating results.

- Acquisition of new (large size) builders, developers, and other types of customers and assisting them to complete the structural design and engineering more efficiently.
- Consistently providing value-added professional services for our customers, saving costs, and shortening construction periods to win more loyal customers.
- Maintaining technological leadership, competitive prices, and other advantages over competitors.
- Consistent investment in automation and other systems to improve efficiencies required to improve margins.
- Investment in employees in an effort to efficiently manage operations, finances, and other corporate efforts.
- Demand for residential and commercial buildings can be substantially impacted by the cost of borrowing money. Recent increases in interest rates and recessionary fears have slowed building activities. However, we believe demand for affordable housing remains stable. Builders in this segment are driven to seek breakthroughs and optimization in terms of cost and lead time, which we believe may benefit INNO.

Our Ability to Create Value for Our Users and Generate Revenue

Our ability to create value for our users and generate our revenues from merchants is driven by the factors described below:

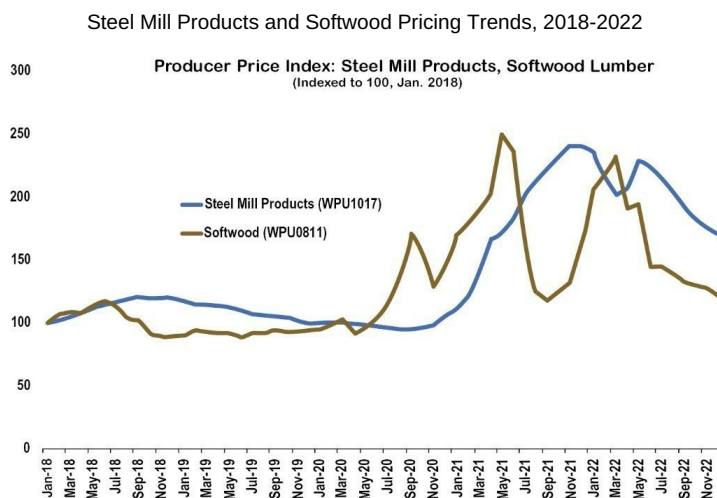
- Our competitors include traditional wood framing, competing steel framing solutions, and other building techniques, as well as prefab homes and prefabricated building components. With respect to framing solutions, we expect cost savings, quality, and construction efficiency over our competitors to be the main driver of outperformance for INNO. For prefab homes and components, we differentiate through modern design, high quality, technology innovation, and affordability, and we believe our product is differentiated in this large and growing market space.
- From applying AI design technology, innovation of new products, and exploration of new materials, to developing a whole new structural system, we provide customers with the most optimized solutions and LGS framing, which can lead to lower costs and construction times.
- Our steel framing products are formed by automated CNC production lines. We currently own five automatic production lines that can cover 3 1/2" to 12" studs/tracks of different thickness ranging from 25 gauge to 12 gauge. We believe our lead time is faster than other traditional suppliers.

26

Inflation, Supply Chain Disruption, and Price Fluctuations

Inflationary pressures of the past year, as evidenced by rising interest rates and cost of living indices, have had a direct impact on all aspects of our business from the cost of the raw materials we use to the demand for our finished goods. While we have no control over the decisions our customers make of whether to move forward with construction projects in the face of recessionary fears, we endeavor to limit our exposure by carefully managing our steel purchases to match expected demand and maintaining a flexible as-needed work force.

While steel material remains more expensive than wood on an absolute basis, we believe demand for our steel framing products will continue to grow due to significant advantages, including lower construction times (shorter time to building completion, lower labor costs), higher quality (limited waste, true and straight walls, durability), and insurance savings. We saw evidence of this in the fiscal year ended September 30, 2022, when steel prices increased sharply (price increases peaked at +143% year to year), yet demand remained strong, and our revenue grew approximately 50% year to year. We also note that steel and softwood price changes tend to track reasonably closely over time, which held even through the pandemic (see figure below). We believe this suggests that our steel framing products will likely remain competitive with wood framing, even in periods of high price volatility.



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Lumber and Wood Products: Softwood Lumber [WPS0811], retrieved from FRED, Federal Reserve Bank of St. Louis, and Metals and Metal Products: Steel Mill Products [WPU1017], retrieved from FRED, Federal Reserve Bank of St. Louis.

The supply chain covers material sourcing, logistics, and macroeconomic factors.

- INNO is a technology-based manufacturing company, with all manufacturing operations currently based in the U.S. We currently source our steel from U.S.-based steel mills, which greatly reduces our exposure to global supply chain concerns; however, we may in the future source steel from other countries. We may also source other materials internationally from time-to-time to ensure we maintain an efficient cost profile.
- Timely transportation of our inbound raw materials and outbound finished goods are critical to our operations and meeting our obligations to our customers. We are exposed to the overall shortage in capacity in the transportation industry including the well-publicized driver shortage and volatile fuel price. We have mitigated some of the transportation shortages and maintained high service levels by having one company-owned truck and may add more if demand warrants it.
- An additional innovation aiding in our logistics strategy, is our patent-pending Mobile Factory. Our Mobile Factory can be transported to the jobsite for production. Once launched, our Mobile Factory can greatly reduce the logistic costs of all or a portion of finished products produced at the factory.

Impact of Global Conflicts and Uncertainties

The conflict between Russia and Ukraine continues to affect economic and global financial markets. The effects of the conflict have contributed to other ongoing economic challenges such as global supply-chain disruptions, labor shortages, inflation, and cybersecurity attacks, creating a challenging business environment for all industries. While we have not been materially affected by the conflict or these other economic challenges, future unpredictable and uncertain events and the potential for future global conflicts could impact the Company. We continue monitor developments in the Russia-Ukraine conflict and evaluate our supply chain to mitigate any effects on our business, which includes currently sourcing all of our steel from the U.S.

We currently source all of our steel within the U.S. and ensure that the steel coils we source meet U.S. standards. We may source steel and other materials internationally to ensure a favorable cost profile. Our robust supply chain efforts help ensure consistent quality standards are met.

Impact of COVID-19 and Any Future Pandemic

At this time the COVID-19 pandemic and shutdowns related to additional outbreaks have not had a material effect on our business. However, the pandemic continues to affect energy prices, inflation, labor supply, the global supply chain and capital resources. Future impacts related the pandemic remain uncertain and could have an adverse effect on our business, including with regard to the Company's ability to acquire raw materials used in our finished goods at sufficiently low prices, find and hire qualified employees, and access capital.

We've taken our previous experiences operating during the pandemic and related shutdowns and used them to implement strategies to ensure our continued success. We have adapted to the ongoing COVID-19 pandemic in order to continue functioning. This has included implementing safety protocols and flexible remote work.

Our supply chain has not been significantly impacted by the recent COVID-19 pandemic since we source raw materials locally which helps reduce lead times and minimize risk of disruptions. We also attempt to keep a safety stock of raw material inventory which can help to ensure that we have enough

product on hand to meet urgent demand even if there are unexpected delays or disruptions in supply chain.

Liquidity and Capital Resources

Sources of Liquidity

During the years ended September 30, 2023, and 2022, we primarily funded our operations with cash generated from operations, sale of equity, as well as through borrowing under our revolving line of credit, a long term promissory note, and related parties. See Note 9, Note 10 and Note 12 to the consolidated financial statements for details. We had cash of \$4,898 as of September 30, 2023 compared to \$50,628 of cash as of September 30, 2022. The cash decrease was primarily the result of the increase in net cash used by operating activities and purchase of equipment in the fiscal year ended September 30, 2023.

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.

We do not believe the cash and cash equivalents on hand as of September 30, 2023 of \$4,898 will be sufficient to fund its operations and capital expenditure requirements for the next twelve months from the date the consolidated financial statements are issued. We will be required to raise additional capital to continue to fund operations and capital expenditures. As previously disclosed, on December 18, 2023, the Company successfully closed the IPO with gross proceeds of \$10 million. The management has concluded that substantial doubt is not alleviated regarding the Company's ability to continue as a going concern for 12 months from the date of issuance of these financial statements. We will be required to raise additional capital to continue to fund operations and capital expenditure. The uncertainties surrounding our ability to access capital when needed creates substantial doubt about our ability to continue as a going concern.

Based on our need to raise additional funds to implement our business plans for the next twelve months, we have included a discussion concerning the presentation of our financial statements on a going concern basis in the notes to our consolidated financial statements and our independent public accountants have included a similar discussion in their opinion on our financial statements through September 30, 2023. We will be required in the near future to issue debt or sell our Company's equity securities in order to raise additional cash, although there are no firm arrangements in place for any such financing at this time. We cannot provide any assurances as to whether we will be able to secure the necessary financing, or the terms of any such financing transaction if one were to occur. The failure to secure such financing could severely curtail our plans for future growth or in more severe scenarios, the continued operations of our Company.

Working Capital

As of September 30, 2023 and 2022, our working (deficit) capital was \$(2,913,827) and \$378,782, 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 years ended September 30, 2023, and 2022 was \$1,225,941 and \$1,717,819, respectively. The decrease was mainly due to the combination of an increase in loss of \$2.9 million offset by an increase of non-cash reconciling items of \$1.1 million and a decrease in working capital consumption of \$2.3 million.

For the year ended September 30, 2023, net cash used in operating activities was \$1.2 million, primarily driven by the net loss of \$4.0 million, partially offset by non-cash items, which mainly included bad debt expense of \$1.3 million. Working capital provided cash of \$1.4 million, which was primarily driven by a \$1.3 million increase in accounts payable, unearned revenue and other current liabilities, a \$0.6 million decrease in account receivable and account receivable -related party, a \$0.1 million decrease of prepayments and other current assets, and partially offset by a \$0.5 million increase in deferred offering costs and a \$0.1 million increase in inventories.

For the year ended September 30, 2022, net cash used in operating activities was \$1.7 million, primarily driven by the net loss of \$1.1 million, partially offset by non-cash items, which mainly included stock compensation expense of \$0.3 million. Working capital consumption of \$0.9 million, which was primarily driven by a \$1.4 million increase in account receivable and account receivable -related party, a \$0.2 million increase of prepayments and other current assets, and partially offset by a \$0.7 million increase in accounts payable, unearned revenue and other current liabilities.

Investing Activities

For the years ended September 30, 2023, and 2022, net cash used in investing activities was the result of additions to property and equipment of \$244,899 and \$684,815, respectively, which are mainly related to the purchase of machinery, tools, motor vehicles, and leasehold improvements.

Financing Activities

Net cash provided by financing activities was \$1,425,110 and \$2,356,401, respectively, for the years ended September 30, 2023, and 2022. The main reason for the decrease in net cash provided was primarily due to decrease in proceeds from shares sold for cash, short term loans and long-term note and offset by the increase in proceeds from related parties during the year ended September 30, 2023.

Critical Accounting Policies and Estimate

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP and pursuant to the rules and regulations of the Securities Exchange Commission ("SEC"). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition and results of operations will be affected. We base our estimates on experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting

estimates of this type as critical accounting policies, which we discuss further below. While our significant accounting policies are more fully described in note 2 to our audited consolidated financial statements, we believe that the following accounting policies are critical to the process of making significant judgments and estimates in the preparation of our audited consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Inno Metal Studs Corp, Castor Building Tech LLC, and Inno Research Institute LLC. All intercompany balances and transactions have been eliminated.

Going concern

The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, in which it has not been successful, and/or obtaining additional financing from its shareholders or other sources, as may be required.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. Such an assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Management is endeavoring to increase revenue-generating operations. While priority is on generating cash from operations through the sale of the Company's products and services, management is also seeking to raise additional working capital through various financing sources, including the sale of the Company's equity and/or debt securities, which may not be available on commercially reasonable terms to our Company, or which may not be available at all. If such financing is not available on satisfactory terms, we may be unable to continue our business as desired and our operating results will be adversely affected. In addition, any financing arrangement may have potentially adverse effects on us and/or our stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced, and the new equity securities may have rights, preferences or privileges senior to those of the current holders of our common stock.

Reverse acquisition under common control

Effective January 21, 2022, the Company acquired 100% of the common stock 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, Mr. Dekui Liu, who was also the sole owner and CEO of the Company, 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. As such, Under ASC 805-40 and ASC 805-50, the transaction is a reverse acquisition between entities under common control, in which INNO HOLDINGS INC. is the accounting acquiree and IMSC is the accounting acquirer. The assets, liabilities and operations of the two entities are combined at their historical carrying amounts, with all historical periods adjusted as if the entities had always been combined. The consolidated financial statements represent the continuation of the financial statements of IMSC except for its capital structure.

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 a provision for non-collectability for that particular customer. At the same time, the Company may cease further sales or services to such a 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 calculation of allowance for credit losses the potential impact of the COVID-19 pandemic on our 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, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit losses.

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 shipment, therefore, revenue from product sales is recognized when it is shipped to the customer. Return allowances, which reduce product revenue by the

Company's best estimate of expected product returns, are estimated using historical experience. 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 customer deposits.

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.

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 market value. The Company also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

Property and equipment

Property and equipment is stated at the 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 tools and equipment	7 years
Office furniture and 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, no impairment expenses for property and equipment were recorded during the years ended September 30, 2023 and 2022.

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.

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.

33

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.

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 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.

Recently issued and adopted accounting pronouncements

In January 2020, the FASB issued ASU 2020-01, "Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." This ASU among other things clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments — Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The Company adopted ASU 2020-01 on October 1, 2022. The adoption did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) — Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The Company adopted ASU 2019-12 on October 1, 2022. The adoption did not have a material impact on the Company's 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.

34

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements as of and for the Fiscal Years Ended September 30, 2023 and 2022	
Report of Independent Registered Public Accounting Firm PCAOB ID# (0 5854)	F-2
Consolidated Balance Sheets as of September 30, 2023 and 2022	F-3
Consolidated Statements of Operations for the years ended September 30, 2023 and 2022	F-5
Consolidated Statements of Changes in Stockholders' Equity for the years ended September 30, 2023 and 2022	F-6
Consolidated Statements of Cash Flows for the years ended September 30, 2023 and 2022	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of INNO HOLDINGS INC.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of INNO HOLDINGS INC. and its subsidiaries (the Company) as of September 30, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended September 30, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2 to the consolidated financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ TAAD LLP

We have served as the Company's auditor since 2022.

Diamond Bar, California

January 16, 2024

INNO HOLDINGS INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of September 30, 2023 and 2022

	September 30, 2023	September 30, 2022
ASSETS		
Current assets		
Cash and cash equivalent	\$ 4,898	\$ 50,628
Accounts receivable, net	70,435	1,807,290
Accounts receivable – related party	-	100,000
Inventories	394,293	329,904
Deferred offering costs	538,765	—
Prepayments and other current assets	180,467	176,591
Total current assets	<u>1,188,858</u>	<u>2,464,413</u>
Non-current assets		
ROU assets	437,770	453,883
Property and equipment, net	869,584	694,122
Other non-current assets	49,550	39,699
Total non-current assets	<u>1,356,904</u>	<u>1,187,704</u>
Total assets	<u>\$ 2,545,762</u>	<u>\$ 3,652,117</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	781,056	471,778
Accounts payable – related party	535,595	485,595
Credit cards payable	5,454	—
Unearned revenue	1,137,828	201,730

Other payables and accrued liabilities	86,710	46,043
Other payables – related party	504,372	12,233
Short-term loan payable	790,000	710,000
Lease liability – current	212,277	110,993
Long-term notes payable – current portion	49,393	47,259
Total current liabilities	<u>4,102,685</u>	<u>2,085,631</u>
Non-current liabilities		
Notes payable	110,846	160,009
Lease liability – non-current	275,817	349,402
Other non-current liabilities	—	2,457
Total non-current liabilities	<u>386,663</u>	<u>511,868</u>
Total liabilities	<u>4,489,348</u>	<u>2,597,499</u>
Commitments and contingency	—	—

F-3

INNO HOLDINGS INC. AND SUBSIDIARIES
Consolidated Balance Sheets — (Continued)
As of September 30, 2023 and 2022

	September 30, 2023	September 30, 2022
Stockholders' Equity (Deficit)		
Common stock, no par value; 100,000,000 shares authorized; 18,251,726 and 17,970,000 shares issued and outstanding at September 30, 2023 and 2022	—	—
Additional paid in capital	2,830,000	1,805,000
Accumulated deficit	(4,524,815)	(629,037)
Non-controlling interest	(248,771)	(121,345)
Total stockholders' equity (deficit)	(1,943,586)	1,054,618
Total liabilities and stockholders' equity (deficit)	<u>\$ 2,545,762</u>	<u>\$ 3,652,117</u>

* 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 Consolidated financial statements

F-4

INNO HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended September 30, 2023 and 2022

	For the Years Ended September 30,	
	2023	2022
REVENUES	\$ 799,747	\$ 4,252,568
REVENUES – related party	-	250,000
TOTAL REVENUES	<u>799,747</u>	<u>4,502,568</u>
COSTS AND EXPENSES:		
Costs of materials and labor	1,255,315	3,031,588
Selling, general and administrative expenses (exclusive of depreciation and bad debt expense shown separately below)	2,191,043	2,247,820
Depreciation	69,437	33,138
Bad debt expense	1,267,960	—
Total costs and expenses	<u>4,783,755</u>	<u>5,312,546</u>
LOSS FROM OPERATIONS	(3,984,008)	(809,978)
OTHER INCOME (EXPENSE)		
Interest expenses	(72,118)	(10,114)
Stock compensation expense	—	(300,000)
Other non-operating income (expense)	32,922	—
Total other income (expenses), net	<u>(39,196)</u>	<u>(310,114)</u>
LOSS BEFORE INCOME TAXES	(4,023,204)	(1,120,092)
PROVISION FOR INCOME TAXES	-	9,915
NET LOSS	<u>(4,023,204)</u>	<u>(1,130,007)</u>
Non-controlling interest	(127,426)	(121,345)
NET LOSS ATTRIBUTABLE TO INNO HOLDINGS INC.	<u>\$ (3,895,778)</u>	<u>\$ (1,008,662)</u>

WEIGHTED AVERAGE NUMBER OF COMMON STOCK		
Basic	18,155,104	17,230,822
Diluted	18,155,104	17,230,822
LOSSES PER SHARE		
Basic	\$ (0.21)	\$ (0.06)
Diluted	\$ (0.21)	\$ (0.06)

- * 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 Consolidated financial statements

F-5

INNO HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended September 30, 2023 and 2022

	Common Stock*		Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Non- controlling interest	Total
	Shares	Amount				
Balance, September 30, 2021	16,170,000	—	5,000	379,625	—	384,625
Net loss				(1,008,662)	(121,345)	1,130,007
Shares issued for cash	1,500,000	—	1,500,000			1,500,000
Shares issued for service	300,000	—	300,000			300,000
Balance, September 30, 2022	17,970,000	\$ —	\$1,805,000	\$ (629,037)	\$ (121,345)	\$1,054,618
Net loss				(3,895,778)	(127,426)	4,023,204
Shares issued for cash	248,832	—	900,000			900,000
Shares issued for service	32,894	—	125,000			125,000
Balance, September 30, 2023	18,251,726	\$ —	\$2,830,000	\$ (4,524,815)	\$ (248,771)	\$1,943,586

- * 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 Consolidated financial statements

F-6

INNO HOLDINGS INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	For the Years Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,023,204)	\$ (1,130,007)
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation expense	69,437	33,138
Stock-based compensation expense	41,667	300,000
Non-cash operating lease expense	43,812	1,084
Bad debt expense	1,267,960	—
Change in operating assets and liabilities		
Accounts receivable	468,895	(1,270,190)
Accounts receivable – related party	100,000	(100,000)
Inventories	(64,389)	(44,794)
Deferred offering costs	(538,765)	—
Prepayments and other current assets	79,457	(156,153)
Other non-current assets	(9,851)	(39,699)
Accounts payable	309,278	444,700

Accounts payable – related party	50,000	485,595
Credit cards payable	5,454	(6,263)
Unearned revenue	936,098	(210,886)
Income tax payable	—	(13,809)
Other payables and accrued liabilities	40,667	(12,992)
Other non-current liabilities	(2,457)	2,457
Net cash used in operating activities	(1,225,941)	(1,717,819)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(244,899)	(695,815)
Proceed from sale of truck	—	11,000
Net cash used in investing activities	(244,899)	(684,815)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related parties	627,000	146,233
Payments to related parties	(134,861)	(214,706)
Proceeds from short-term loans	230,000	710,000
Payments to short-term loans	(150,000)	—
Proceeds from long-term note	—	248,500
Payment to long-term note	(47,029)	(33,626)
Shares issued for cash	900,000	1,500,000
Net cash provided by financing activities	1,425,110	2,356,401
CHANGES IN CASH	(45,730)	(46,233)
CASH AND CASH EQUIVALENT, beginning of year	50,628	96,861
CASH AND CASH EQUIVALENT, end of year	<u>\$ 4,898</u>	<u>\$ 50,628</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	<u>\$ 3,500</u>	<u>\$ 23,724</u>
Cash paid for interest	<u>\$ 43,909</u>	<u>\$ 10,114</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Right of use assets acquired under new operating leases	<u>\$ 104,690</u>	<u>\$ 355,963</u>

The accompanying notes are an integral part of these Consolidated financial statements

F-7

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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 changed 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 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, Mr. Dekui Liu, who was also the sole owner and CEO of the Company, 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. See Note 3 below for details.

Inno Research Institute LLC, a Texas limited liability company incorporated on September 8, 2021, is a 65 % owned subsidiary of IMSC.

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.

Consolidated Principles of consolidation

The Consolidated financial statements include the accounts of the Company and its subsidiaries, Inno Metal Studs Corp., Castor Building Tech LLC, and Inno Research Institute LLC. All inter-company balances and transactions have been eliminated.

Reclassification

Reclassification could involve changes in accounting policies, adjustments to prior period amounts, or shifts in the classification of specific items. Certain items in the financial statements of comparative year have been reclassified to conform to the financial statements for the current year because of prior year adjustment as disclosed in Note 16.

Going concern

As of September 30, 2023, the Company had total cash of \$ 4,898 and accumulated deficit of \$ 4,524,815. For the year ended September 30, 2023, the Company had incurred a net loss of \$ 4,023,204 and used net cash in operations of \$ 1,225,941. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. As described in Note 17, Subsequent events, on December 18, 2023, the Company successfully closed the initial public offering with gross proceeds of \$ 10 million. Based on our current operating and investing plan, the management has concluded that substantial doubt is not alleviated regarding the Company’s ability to continue as a going concern for 12 months from the date of issuance of these financial statements.

The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, in which it has not been successful, and/or obtaining additional financing from its shareholders or other sources, as may be required.

F-8

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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

Management is endeavoring to increase revenue-generating operations. While priority is on generating cash from operations through the sale of the Company's products, management is also seeking to raise additional working capital through various financing sources, including the sale of the Company's equity and/or debt securities, which may not be available on commercially reasonable terms to the Company, or which may not be available at all. If such financing is not available on satisfactory terms, the Company may not be able to continue operations or may be required to delay, scale back or eliminate some or all of its ongoing research and development efforts and other operations. The Company's ability to access capital when needed is not assured and, if not achieved on a timely basis, will materially harm its business, financial condition and results of operations. In addition, any financing arrangement may have potentially adverse effects on us and/or our stockholders. Debt financing (if available and undertaken) will increase expenses, must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced, and the new equity securities may have rights, preferences or privileges senior to those of the current holders of our common stock. Given the uncertainties associated with the Company's ability to access capital and its business growth strategy, management has concluded that substantial doubt exists regarding the Company's ability to continue as a going concern for the next twelve months from the date the condensed consolidated financial statements are issued.

Our Consolidated financial statements have been prepared assuming that we will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These Consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

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.

Reverse acquisition under common control

Effective 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, Mr. Dekui Liu, who was also the sole owner and CEO of the Company, 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. As such, Under ASC 805-40 and ASC 805-50, the Transaction is a reverse acquisition between entities under common control, in which INNO HOLDINGS, INC. is the accounting acquiree and IMSC is the accounting acquirer. The assets, liabilities and operations of the two entities are combined at their historical carrying amounts, with all historical periods adjusted as if the entities had always been combined. The consolidated financial statements represent the continuation of the financial statements of IMSC except for its capital structure.

Cash and cash equivalents

Cash and cash equivalents consist of amounts held as cash on hand and bank deposits.

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.

F-9

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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 the potential impact of the COVID-19 pandemic on our 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, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, 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.

F-10

INNO HOLDINGS INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements As of September 30, 2023 and 2022 and for the years Ended September 30, 2023 and 2022

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 September 30, 2023 and 2022, 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 customer deposits.

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.

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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 also reviews inventory for slow moving inventory and obsolescence and records allowance for obsolescence.

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 the 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, no impairment expenses for property and equipment were recorded during the years ended September 30, 2023 and 2022.

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.

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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.

F-13

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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

Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing net income (loss) 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 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.

Recently issued and adopted accounting pronouncements

In January 2020, the FASB issued ASU 2020-01, "Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." This ASU among other things clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments — Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The Company adopted ASU 2020-01 on October 1, 2022. The adoption did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740) — Simplifying the Accounting for Income Taxes. The update is intended to simplify the current rules regarding the accounting for income taxes and addresses several technical topics including accounting for franchise taxes, allocating income taxes between a loss in continuing operations and in other categories such as discontinued operations, reporting income taxes for legal entities that are not subject to income taxes, and interim accounting for enacted changes in tax laws. The Company adopted ASU 2019-12 on October 1, 2022. The adoption did not have a material impact on the Company's 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.

F-14

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

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

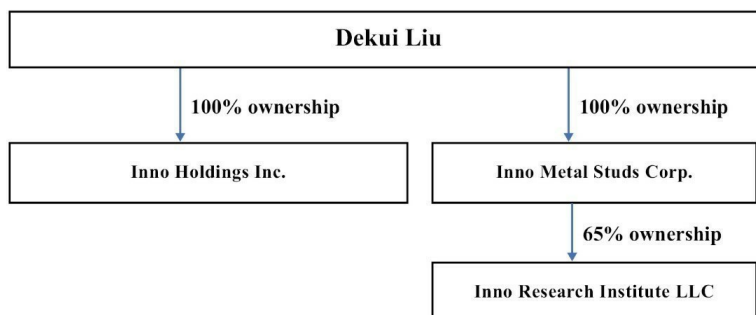
Subsequent events

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.

Note 3 — Reverse Acquisition under Common Control

On January 21, 2022, the sole owner of the Company and IMSC, Mr. Dekui Liu, entered into an agreement to sell 100 % of his ownership in IMSC in exchange for 15,170,000 shares of the Company's common stock (the "Transaction"). Below are the charts illustrating the structure before and after the Transaction:

Before the Transaction:



Upon Completion of the Transaction:



F-15

INNO HOLDINGS INC. AND SUBSIDIARIES Notes to Consolidated Financial Statements As of September 30, 2023 and 2022 and for the years Ended September 30, 2023 and 2022

Note 3 — Reverse Acquisition under Common Control (cont.)

Under ASC 805, Business Combination, A common-control transaction is typically a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. While a common-control transaction is similar to a business combination for the entity that receives the net assets or equity interests, such a transaction does not meet the definition of a business combination because there is no change in control over the net assets. Therefore, the accounting and reporting for a transaction between entities under common control is outside the scope of the business combinations guidance in ASC 805-10, ASC 805-20, and ASC 805-30 and is addressed in the "Transactions Between Entities Under Common Control" subsections of ASC 805-50.

Note 4 — Accounts Receivable, Net

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

	September 30, 2023	September 30, 2022
Accounts receivable	\$ 1,338,395	\$ 1,807,290
Less: allowance for credit losses	(1,267,960)	—
Accounts receivable, net	\$ 70,435	\$ 1,807,290
Accounts receivable – related party	\$ —	\$ 100,000

The Company recorded credit losses of \$ 1,267,960 and \$0 for the years ended September 30, 2023 and 2022, respectively.

Note 5 — Inventories

As of September 30, 2023 and 2022, inventories consisted of the following:

	September 30, 2023	September 30, 2022
Raw material	\$ 134,299	\$ 296,042
Production inventory	259,994	33,862
Total	<u>\$ 394,293</u>	<u>\$ 329,904</u>

As of September 30, 2023 and 2022, there was no allowance for obsolescence recorded.

Note 6 — 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 September 30, 2023 and 2022, deferred offering costs amounted to \$ 538,765 and \$0, respectively. Subsequently on December 18, 2023, the whole amount of deferred offering costs was charged to additional paid in capital upon the completion of the initial public offering as disclosed in Note 17, Subsequent events.

Note 7 — Prepayments and other current assets

As of September 30, 2023 and 2022, prepayments and other current assets consisted of the following:

	September 30, 2023	September 30, 2022
Advance to suppliers	\$ 87,217	\$ 102,027
Other prepayments and current assets	93,250	74,564
Total	<u>\$ 180,467</u>	<u>\$ 176,591</u>

F-16

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

Note 8 — Property and equipment, net

As of September 30, 2023 and 2022, property and equipment consisted of the following:

	September 30, 2023	September 30, 2022
Machinery and equipment	\$ 346,900	\$ 270,000
Office equipment	5,488	5,488
Motor vehicles	64,082	64,082
Leasehold improvements	551,049	383,050
Total	967,519	722,620
Less: accumulated depreciation	(97,935)	(28,498)
Property and equipment, net	<u>\$ 869,584</u>	<u>\$ 694,122</u>

For the years ended September 30, 2023 and 2022, depreciation expenses amounted to \$ 69,437 and \$ 33,138 , respectively.

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 accrued unpaid interest and the principal is due and payable in twelve (12) months from September 16, 2022. 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. On April 14, 2023, a modification agreement was entered to reset the maturity date of the outstanding balance of the Note to July 14, 2023. The agreement required monthly interest payments starting from April 16, 2023. The Note was defaulted on May 14, 2023 due to non-payment of interest. For the years ended September 30, 2023 and 2022, the Company recorded interest expense related to the Line of Credit of \$ 60,957 and \$ - , respectively. As of September 30, 2023 and 2022, the total outstanding balance of the Note was \$ 560,000 and \$ 710,000 , respectively. The balance was presented on the consolidated balance sheet as a short-term loan. The Company subsequently paid \$ 300,000 on December 29, 2023, and the remaining balance is scheduled to be paid off by the end of February 2024.

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. As of September 30, 2023, the outstanding balance due to these individuals was \$ 230,000 . 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 years ended September 30, 2023 and 2022, the Company recorded interest expense of \$ 8,903 and \$ 10,114 , respectively.

As of September 30, 2023 and 2022, the total outstanding balance of the Note was \$ 160,239 and \$ 207,268 , respectively, which was presented on the consolidated balance sheet as a current portion of \$ 49,393 and \$ 47,259 , and a non-current portion of \$ 110,846 and \$ 160,009 , 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 September 30, 2023, the amount due to Mr. Liu was \$ 327,372 . As of September 30, 2022, the outstanding balance due to Mr. Liu was \$ 12,233 .

F-17

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

Note 10 — Related party transactions (cont.)

During the year ended September 30, 2022, 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 years ended September 30, 2023 and 2022, the Company recorded \$ 4,375 and \$ 19,950 , respectively, of project-based consulting service fees, included in cost of materials and labor. During the years ended September 30, 2023 and 2022, the Company also recorded \$ 110,000 and \$ 80,000 consulting fee to Yunited for Mr. Yu's daily operating services included in the general and administrative expenses. As of September 30, 2023, the outstanding balance of accounts payable – related party due to Yunited was \$ 50,000 . As of September 30, 2022, there were no unpaid balances due to Yunited.

During the year ended September 30, 2022, the Company purchased prefab home and other material and supplies from Baicheng Trading LLC, in which the father of Mr. Dekui Liu, the Company's majority shareholder and CEO, is a director. As of September 30, 2023 and 2022, the outstanding balance of accounts payable-related party was both of \$ 485,595 .

In March 2022, the Company entered into an agreement with Wise Hill Inc. ("Wise Hill"), a Florida corporation wholly owned by a minority shareholder of the Company. Pursuant to the agreement, the Company sold prefab home products of \$ 250,000 to Wise Hill. For the year ended September 30, 2022, the Company recorded revenue-related party of \$ 250,000 . As of September 30, 2023 and 2022, the outstanding balance of accounts receivable — related party due from Wise Hill was \$ 0 and \$ 100,000 , 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. During the year ended September 30, 2023, Nil amount of revenue has been recognized.

During the year ended September 30, 2023, the Company advanced \$ 55,000 without interest from Zfounder Organization Inc., one of the Company's minority shareholders for operation and cashflow needs. In addition, the Company advanced \$ 222,000 without interest from Wise Hill Inc., a company owned by a minority shareholder of the Company who also serves as the CEO and Board member of Zfounder Organization Inc., for operation and cashflow needs. \$ 100,000 of the advanced amounts have been considered as the payment of accounts receivable due from Wise Hill Inc. As of September 30, 2023, the outstanding balance due to Zfounder Organization Inc. and Wise Hill Inc. was \$ 55,000 and \$ 122,000 , respectively.

Note 11 — Losses per share

The following table sets forth the computation of basic and diluted losses per share for the periods presented:

	For the years ended September 30,	
	2023	2022
Numerator:		
Net loss attributable to INNO HOLDINGS INC.	\$ (3,895,778)	\$ (1,008,662)
Denominator:		
Weighted-average shares used in computing basic and diluted losses per share*	18,155,104	17,230,822
Losses per share of ordinary shares: – basic and diluted	\$ (0.21)	\$ (0.06)

* 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 . The computation of basic and diluted EPS was retroactively adjusted for all periods presented.

F-18

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

Note 12 — 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.

At the inception date, September 8, 2021, the Company issued 1,000,000 shares of common stock to its founder, Mr. Dekui Liu.

On February 2, 2022, the Company issued 15,170,000 shares of its common stock to Mr. Dekui Liu in exchange for his 100 % ownership in IMSC. See Note 3 above for details.

On January 31, 2022, the Company issued 1,500,000 of its series A convertible preferred stock to three accredited investors for \$ 1,500,000 in cash. During 2022, the 1,500,000 shares of series A convertible preferred stock had been converted to 1,500,000 shares of common stock after giving effect to the stock splits.

On January 31 and September 30, 2022, the Company issued a total of 300,000 shares of common stock to an investor for services. These shares were valued at \$ 1.0 per share, which was the per share price for the most recent sale of the Company's capital stock to accredited investors. For the year ended September 30, 2022, the Company recorded \$ 300,000 as stock compensation expense.

In December 2022, The Company issued 142,857 shares of its common stock at a price of \$ 3.5 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 \$ 3.7 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 \$ 3.8 per share to an accredited investor for \$ 300,000 in cash.

In April and May 2023, Mr. Dekui Liu, the Company's chief executive officer, sold 118,421 shares of the Company's common stock he owned to three investors at \$ 3.80 per share for \$ 450,000 in cash. Mr. Liu then lent the \$ 450,000 to the Company as a short-term loan, which is due on demand without interest. See Note 10 — Related party transactions.

On June 20, 2023, the Company issued 13,158 shares of its common stock for a total value of \$ 50,000 for services to be rendered during next twelve months by the immediate relative of the Company's Chief Financial Officer. On June 20, 2023, the Company issued 19,737 shares of its common stock for a total value of \$ 75,000 for services to be rendered during next twelve months by one nonemployee contractor. These shares were valued at \$ 3.8 per share, which was the per share price for the most recent sale of the Company's capital stock to accredited investors. For the year ended September 30, 2023, the Company recorded \$ 41,667 as stock compensation expense. As of September 30, 2023, the remaining balance of \$ 83,333 was recorded as Prepayments and other current assets.

As of September 30, 2023 and 2022, after giving effect to the stock splits of the outstanding shares of Common Stock, there were 18,251,726 and 17,970,000 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.

F-19

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

Note 13 — Income taxes

On December 22, 2017, the President of the United States signed into law H.R.1, formerly known as the Tax Cuts and Jobs Act (the "Tax Legislation"). The Tax Legislation significantly revised the U.S. tax code by (i) lowering the U.S. federal statutory income tax rate from 35 % to 21 %, (ii) implementing a territorial tax system, (iii) imposing a one-time transition tax on deemed repatriated earnings of foreign subsidiaries, (iv) requiring a current inclusion of global intangible low taxed income of certain earnings of controlled foreign corporations in U.S. federal taxable income, (v) creating the base erosion anti-abuse tax regime, (vi) implementing bonus depreciation that will allow for full expensing of qualified property, and (vii) limiting deductibility of interest and executive compensation expense, among other changes. The Company has computed its tax expenses using the new statutory rate effective on January 1, 2018 of 21 %.

Other provisions of the new legislation include, but are not limited to, limiting deductibility of interest and executive compensation expense. These additional items have been considered in the income tax provision for the years ended September 30, 2023 and 2022.

Texas imposes a franchise tax that applies to most business entities that are formed or qualified to do business, or which are otherwise doing business, in Texas. Under the Texas franchise tax, a 0.75 % tax is imposed for the years ended September 30, 2023 and 2022 on the Company's taxable margin that is apportioned to Texas. Taxable margin is generally defined as revenues less certain costs.

The income tax provision for the years ended September 30, 2023 and 2022 consisted of the following:

	September 30,	
	2023	2022
Current:		
Federal	\$ —	\$ —
State	—	9,915
Total current income tax provision	—	9,915
Deferred:		
Federal	(633,247)	(235,219)
State	—	—
Increase/(decrease) in valuation allowance	633,247	235,219
Total deferred taxes	—	—

Total provision for income taxes	\$	—	\$	9,915
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The deferred tax asset as of September 30, 2023 and 2022 consisted of the following:

	September 30,	
	2023	2022
Stock-based compensation	\$ 8,750	\$ 63,000
Net operating loss	626,793	94,531
Depreciation	(53,588)	65,691
Unearned revenue	—	9,462
Investment in Passthrough Entities	18,856	—
Allowance for Doubtful Accounts	266,272	—
Others	1,383	2,535
Total deferred tax assets	868,466	235,219
Less: valuation allowance	(868,466)	(235,219)
	\$ —	\$ —

The company has net operating loss carry forwards of approximately \$ 2.5 million and \$ 0.5 million for the years ended September 30, 2023 and 2022, respectively. The losses do not expire.

F-20

INNO HOLDINGS INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022

Note 13 — Income taxes (cont.)

Valuation Allowance

We periodically assess whether it is more likely than not whether we will generate sufficient taxable income to realize our deferred tax assets and establish a valuation allowance if it's we deem that will not likely be able to realize the benefit associated with our deferred tax assets. We consider all available positive and negative evidence and make certain assumptions to make this determination. We review our deferred tax liabilities, historical earnings, history of cycles of earnings and losses within our industry, our business environment and the potential to generate current and future earnings. We cannot determine at this time when we will be able to generate sufficient taxable income to realize our deferred tax assets. We therefore have recorded a full valuation allowance against our net deferred tax assets.

The Company is subject to U.S. federal income tax as well as state income tax in certain jurisdictions. The tax years 2020 to 2023 remain open to examination by the major taxing jurisdictions to which the Company is subject. The following is a reconciliation of income tax expenses at the effective rate to income tax at the calculated statutory rates:

	September 30, 2023	September 30, 2022
Statutory tax rate		
Federal	21.00%	21.00%
State (net of federal benefit)	—%	(0.89)%
Net effect of state income tax deduction and other permanent differences	(21.00)%	(21.00)%
Effective tax rate	—%	(0.89)%

As of September 30, 2023 and 2022, the outstanding income tax payable was both \$ 0 .

Note 14 — 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 September 30, 2023 and 2022, \$ 4,898 and \$ 50,628 , 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 . The Company did not have deposit in excess of the FDIC insurance limit, as of September 30, 2023 and 2022.

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 years ended September 30, 2023 and 2022, three customers accounted for 53 % and one customer accounted for 15 % of the Company's total revenues, respectively. As of September 30, 2023 and 2022, accounts receivable from one customers accounted for 100 % and five customers accounted for 80 % of the Company's total accounts receivable, respectively.

For the years ended September 30, 2023 and 2022, three suppliers accounted for 57 % and three suppliers accounted for 75 % of the Company's total purchases, respectively. As of September 30, 2023 and 2022, accounts payable to two suppliers accounted for 55 % and three suppliers accounted for 94 % of the Company's total accounts payable, respectively.

F-21

**As of September 30, 2023 and 2022 and for the years Ended
September 30, 2023 and 2022**

Note 15 — 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 lease period from December 1, 2019 until December 31, 2024 at a rate of \$ 4,129 to \$ 5,089 per month.

The Company has also entered into a lease agreement for office and production space in Corona, California with a lease period 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 is obligated to pay the monthly rent for the office in Corona California until the landlord finds a new lessee to occupy the facility. The new lease in Diamond Bar, California has a term of 24 months from August 1, 2023 to July 31, 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.

Total present value of commitment for the full term of these leases is \$ 710,116 . \$ 437,770 and \$ 453,883 of operating lease right-of-use assets and \$ 488,094 and \$ 460,395 of operating lease liabilities were reflected on the September 30, 2023 and 2022 consolidated balance sheets, respectively.

The years ended September 30, 2023 and 2022:

Lease cost	2023	2022
Operating lease cost (included in G&A in the Company's statement of operations)	\$ 153,241	\$ 95,230
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 109,430	\$ 94,146
Remaining term in years	1.25 – 3.58	2.25 – 4.58
Average discount rate – operating leases	8.5%	8%

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

Operating leases	September 30, 2023	September 30, 2022
Right of use asset – non-current	\$ 437,770	\$ 453,883
Lease Liability – current	212,277	110,993
Lease Liability – non-current	275,817	349,402
Total operating lease liabilities	\$ 488,094	\$ 460,395

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

	Operating Lease
For periods subsequent to September 30, 2023:	
2024	\$ 241,385
2025	154,531
2026	90,800
2027	54,183
Less: Imputed interest/present value discount	(52,805)
Present value of lease liabilities	\$ 488,094

F-22

Contingencies

Except a garnishment order described in Note 17, 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.

Note 16 — Correction of Immaterial Misstatements in Prior Period Financial Statement

In accordance with Staff Accounting Bulletin ("SAB") No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, the Company evaluated the errors and determined that the impact was not material to any of our previously issued financial statements.

The Company's Consolidated Statements of Operations for the year ended September 30, 2022 contained reclassification of Cost of materials and labor to Selling general and administrative expense. The error had no impact on Net income.

	30-Sep-22		
In USD	As previously reported	Adjustment	As revised
Consolidated statements of operations			
Costs of materials and labor	3,405,506	(373,918)	3,031,588
Selling, general and administrative expenses (exclusive of depreciation shown separately below)	1,873,902	373,918	2,247,820

Note 17 — Subsequent events

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 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 .

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. Transaction costs related to the offering amounted to \$ 2,140,467 , consisting of \$ 700,000 of underwriting fees, \$ 345,876 of underwriting related expenses, \$ 595,000 of legal fees and \$ 499,591 of other costs. The Company intends to use the net proceeds from the Offering to increase our marketing capabilities, increase production capacity, expand research and development, evaluate strategic opportunities and other working capital and general corporate purposes.

On December 27, 2023, a garnishment order resulting from a legal action initiated by a creditor against the Company was issued by a court in the state of Ohio. The Creditor is seeking a total amount of \$ 67,978 (owed amount plus interest and other expenses). Because of the garnishment order, the Company's bank account was debited in the amount of \$ 17,330 .

As disclosed in Note 9, on December 29, 2023, the Company paid \$ 300,000 of the line of credit principal amount, and the remaining balance is scheduled to be paid off by the end of February 2024.

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 120,776 sq. ft. 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 with Escrow on January 10, 2024. The Company has forty-five (45) calendar days from the opening of Escrow ("Due Diligence Period") to diligently 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 one hundred twenty (120) days from the opening of escrow for a loan assumption contingency period. Following the expiration of the Due Diligence Period without any termination of the agreement by the Company, the deposit shall become fully non-refundable to the Company absent a termination of the agreement as a result of a default by the seller, or due to condemnation or casualty in accordance with the terms and provisions of the agreement.

F-23

ITEM 9A. CONTROLS AND PROCEDURES

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

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 Annual Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that, as of September 30, 2023, 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

We have made no change in our internal control over financial reporting during the last fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following are our executive officers and directors and their respective ages and positions as of the date of this annual report.

Name	Age	Position
Dekui Liu	42	Chief Executive Officer, Director and Chairman
Tianwei (Solomon) Li	35	Chief Financial Officer
Dr. Li (Alice) Gong	38	Chief Operation Officer
Ying Liu	68	Director
Xiaogang (John) Zhang	40	Independent Director
Chen Sung	73	Independent Director
Richard B. Haws, PE	67	Independent Director

Dekui ("DK") Liu — Chief Executive Officer, Director and Chairman

Mr. Liu has over 10 years of ground-up experience within the real estate development industry in the United States. Three generations of his family have been engaged in industrial industry. Having grown up in the entrepreneurial environment, he took his family's inherited interest in machinery. Practical experience in machinery made him proficient in mechanical principles, electronics principles, and hydraulic transmission principles. Prior to founding INNO, Mr. Liu was the founder and CEO of WBBC Company, engaging in industrial products manufacturing, international trades, and construction from October 2012 to October 2022. Mr. Liu was also the CEO of Hwami Builder LLC from August 2018 to August 2020 and president at the real estate holdings company, Cube Development & Supply LLC from May 2019 to September 2020. Concurrently in October 2019, he founded Inno Metal Studs Corp where he has served as CEO from its inception to the present day. He has also served as the CEO and a Director of INNO from September 2021 to the present day. He is the author of five mechanical-related pending patents in the United States. Mr. Liu obtained his A.S. Degree in 2003 in Dalian, China, with a major in Mechanical and Electrical Engineering.

Tianwei (Solomon) Li — Chief Financial Officer

Mr. Li is a highly accomplished finance professional with a diverse background spanning various prestigious institutions. From November 2021 to the present July 2023, he has served as a licensed banker at both J.P Morgan Securities LLC and JPMorgan Chase Bank, N.A., where he combined his matchless expertise in financial management, venture capital, and financial advisory to create real value for clients. Before joining INNO HOLDINGS INC, Mr. Li worked as an exclusive banker at J.P Morgan Securities LLC. From October 2021 to December 2021, he worked as a registered representative at Sutter Securities Inc, providing investment advice and navigating complex regulatory frameworks. Prior to that, from November 2020 to December 2021, he worked as a registered representative at Boustead Securities, LLC, where he offered investment, management, and consulting services to over 50 portfolio companies. Notably, Mr. Li held leadership positions as Vice President at both Multipoint Resources Management Corp, from April 2019 to December 2019, and CATHY LOGISTICS INC, from February 2019 to August 2019, where he demonstrated exceptional leadership skills and strategic decision-making abilities. With a master's Mr. Li also worked as an agent at Provident Real Estate from October 2019 to February 2022. With a master's degree in Business Administration and holding the US Financial Industry Regulatory Agency Series 7 and 63 Securities licenses, Mr. Li exemplifies professionalism and regulatory compliance in his work. Combining his extensive practical experience with his strong academic foundation, Mr. Li is committed to delivering exceptional financial solutions and building long-lasting client relationships.

36

Dr. Li (Alice) Gong — Chief Operation Officer

Dr. Gong has over 10 years of experience in the field of financial analysis, having collaborated with renowned research organizations including Morningstar China where she was a data analyst from August 2007 to August 2008. Prior to founding INNO, Dr. Gong was a Graduate Research and Teaching Assistant for the Ph.D. Program of Applied Economics, Auburn University, in Alabama from August 2010 until May 2015. She also taught economics as an adjunct instructor at each of Herzing University and North American University from May 2016 to August 2016 and August 2021 to December 2021, respectively. As the COO of INNO beginning in February 2023, and as General Manager of Inno Metal Studs Corp from October 2020 to present, Dr. Gong utilizes her deep understanding of economics to analyze current market trends, finding creative ways to increase INNO's profits and expand our consumer base. Dr. Gong is responsible for our overall operations, including generating revenue and controlling costs. Her duties at INNO include managing staff, overseeing the budget, employing marketing strategies, and many other facets of the business. Dr. Gong obtained a Ph.D. in Applied Economics from Auburn University in May 2015 and a Master of Science in Finance from Auburn University in May 2010.

Ying Liu — Director

Ms. Liu has more than 25 years of supply chain management experience, specifically in demand planning role. Prior to joining the Board of INNO in September of 2021, she worked at China National Petroleum Corporation, Dalian Branch from 1979-2010. She is skilled at using the analytical, marketing, and sales data of a company to effectively estimate future product demands. She advises to develop effective forecast models based on industry trends and demand patterns and support management with risk assessments and mitigation activities including advising on planning inventory flow, analyzing statistical data, and generating forecasting solutions. She received her A.S. Degree in Mathematics in 1976 in Dalian, China.

Xiaogang ("John") Zhang — Independent Director

Mr. Zhang has served as a member of the Board since December 18, 2023, the day on which the Company closed its IPO. Mr. Zhang has extensive experience providing professional services for large entities throughout his twelve plus years of public accounting careers. From October 2018 to June 2021, Mr. Zhang served as audit manager and audit senior manager in KPMG's Atlanta office leading the audit engagements of a number of multi-billion companies in Metro Atlanta. From October 2009 to September 2018, Mr. Zhang served as senior auditor in Pershing Yoakley & Associates, a healthcare accounting and consulting firm. His experience included audit services for large manufacturing companies, SEC filings, multi-hospital health systems, IFRS audits and local statutory audits. Mr. Zhang also currently serves as Director of Corporate Accounting of an industry leading packaging company, Altium Packaging LLC, overseeing the entire Corporate Accounting Team in Atlanta, Georgia, starting from June 2021. He received an MBA from East Tennessee State University in 2009 and a Master of Accountancy from East Tennessee State University in 2008.

Chen Sung — Independent Director

Mr. Sung has served as a member of the Board since December 18, 2023, the day on which the Company closed its IPO. Mr. Sung has over 30 years extensive experience in international trading and the construction industry. In 2018, he founded his own kitchen cabinet company, Bravo Home Products, Inc., and led the entire product development process, including design, manufacturing, and installation. As an engineer, he invented a hand-free classified dustbin device and still owns a patent in China for the device. He is also a community leader actively involved in the Chinese American Construction Professionals ("CACP") organization where he serves as a communication coordinator. CACP is a non-profit trade organization in Southern

California dedicated to enhancing members' competitive-ness in global and local markets and providing networking opportunities for building and construction professionals. CACP's corporate members include SOUTHERN CALIFORNIA EDISON, SoCalGas, Cathay Bank and Gensler. He also has served as a Fellow for Chinese American Construction Professionals, in California since 2015. He received an A.A. degree from Cypress College.

Richard B. Haws, PE — Independent Director

Mr. Haws has served as a member of the Board since December 18, 2023, the day on which the Company closed its IPO. Mr. Haws has experience in commercial solutions and construction and building expertise. Starting in August 2004, Mr. Haws held various positions, including most recently senior research engineer and director of commercial solutions, at Nucor Buildings Corp, in Denton, Texas before retiring in August 2021. Mr. Haws is currently the chair of the American Iron and Steel Institute ("AISI") Committee on Specifications and the AISI Standards Council. He has held both positions since January 2017. In his capacity as chair of the AISI Committee on Specifications and the AISI Standards Council, he leads the effort to integrate building information modeling into the design and detailing process, expands modeling to start at the estimate stage, and develops energy efficient systems to comply with increasingly more stringent energy code requirements. He was also chair of the Metal Building Manufacturers Association ("MBMA") Energy Committee from April 2017 to May 2021. He received a master's degree in Civil Engineering from Youngstown State University in 1983.

Family Relationships

The Board of Directors includes the mother of Dekui Liu, our Chief Executive Officer, Director and Chairman, Ying Liu.

Code of Ethics

Our Board has adopted a written code of business conduct and ethics ("Code of Ethics") that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions. We intend to post on our website a current copy of the Code of Ethics and all disclosures that are required by law regarding any amendments to, or waivers from, any provision of the Code of Ethics. Any person may obtain a copy of our Code of Ethics, without charge, by mailing a request to the Company at the address appearing on the front page of this annual Report on Form 10-K or by viewing it on our website found at <https://www.innoholdings.com/code-of-business-conduct-and-ethics>.

Board Leadership Structure and Risk Oversight

Our Board has responsibility for the oversight of our risk management processes and, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our business and the steps we take to manage them. The risk oversight process includes receiving regular reports from board committees and members of senior management to enable our Board to understand our risk identification, risk management, and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, cybersecurity, strategic, and reputational risk. While the Company has not yet experienced a significant impact related to the situation in Ukraine caused by the Russian invasion, the Board will also closely monitor the risks in relation to such developments, including but not limited to risks related to cybersecurity, sanctions, supply chain, suppliers and service providers. Similarly, our board is monitoring US-China relations to monitor risks such as political disruption, supply chain, and foreign exchange.

Board of Directors

Our business and affairs are managed under the direction of our Board. Our Board consists of 5 directors, 3 of whom qualify as "independent" under the listing standards of Nasdaq.

Directors serve until the next annual meeting and until their successors are elected and qualified. Officers are appointed to serve until their successors have been elected and qualified.

Director Independence

Our Board is composed of a majority of "independent directors" as defined under the rules of Nasdaq. Nasdaq Listing Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the Company's Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under such definition, our Board has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our Board has determined that Xiaogang Zhang, Chen Sung and Richard B. Haws are all independent directors of the Company.

Committees of the Board of Directors

Committees of the Board were established and took effect upon the closing of our IPO on December 18, 2023. Our committees include an audit committee and a compensation committee. Each such committee has the composition and responsibilities described below:

Audit Committee

Our audit committee consists of Xiaogang Zhang, Chen Sung and Richard B. Haws. Chen Sung is the chairman of the audit committee. In addition, our Board has determined that Xiaogang Zhang is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. The audit committee's duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- (a) reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the Board whether the audited financial statements should be included in our annual disclosure report;
- (b) discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- (c) discussing with management major risk assessment and risk management policies;
- (d) monitoring the independence of the independent auditor;

- (e) verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- (f) reviewing and approving all related-party transactions;
- (g) inquiring and discussing with management our compliance with applicable laws and regulations;
- (h) preapproving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- (i) appointing or replacing the independent auditor;
- (j) determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- (k) establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies; and
- (l) approving reimbursement of expenses incurred by our management team in identifying potential target businesses.

The audit committee is composed exclusively of "independent directors" who are "financially literate" as defined under the Nasdaq listing standards. The Nasdaq listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, the Company has certified to Nasdaq that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication.

Compensation Committee

Our compensation committee consists of Xiaogang Zhang, Chen Sung and Richard B. Haws, each of whom is an independent director. Each member of our compensation committee is also a non-employee director, as defined under Rule 16b-3 promulgated under the Exchange Act. Chen Sung is the chairman of the compensation committee. The compensation committee's duties, which are specified in our Compensation Committee Charter, include, but are not limited to:

- (a) reviews, approves and determines, or makes recommendations to our Board regarding, the compensation of our executive officers;
- (b) administers our equity compensation plans;
- (c) reviews and approves, or makes recommendations to our Board, regarding incentive compensation and equity compensation plans; and
- (d) establishes and reviews general policies relating to compensation and benefits of our employees.

Involvement in Certain Legal Proceedings

To our knowledge, none of our current directors or executive officers has, during the past ten (10) years:

- (a) been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (b) had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two (2) years prior to that time;
- (c) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his or her involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- (d) been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- (e) been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (f) been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in section 3(a)(26) of the Exchange Act), any registered entity (as defined in section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Director Qualifications

In accordance with its charter, our nominating and corporate governance committee develops and recommends to our board of directors appropriate criteria, including desired qualifications, expertise, skills and characteristics, for selection of new directors and periodically reviews the criteria adopted by our board of directors and, if appropriate, recommends changes to such criteria.

Board Diversity

Our board of directors desires to seek members from diverse professional backgrounds who combine a strong professional reputation and knowledge of our business and industry with a reputation for integrity. Our board of directors does not have a formal policy with respect to diversity and inclusion but is in process of establishing a policy on diversity. Diversity of experience, expertise and viewpoints is one of many factors the nominating and corporate governance committee considers when recommending director nominees to our board of directors. Further, our board of directors seeks highly qualified women and individuals from minority groups to include in the pool from which new candidates are selected. Our board of directors also seeks members that have experience in positions with a high degree of responsibility or are, or have been, leaders in the companies or institutions with which they are, or were, affiliated, but may seek other members with different backgrounds, based upon the contributions they can make to our company. We believe that our current board composition reflects our commitment to diversity in the areas of professional background.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10% of our outstanding shares of common stock ("Ten Percent Holders") to file with the SEC reports of their share ownership and changes in their share ownership of our common stock. Directors, executive officers and Ten Percent Holders are also required to furnish us with copies of all ownership reports they file with the SEC. To our knowledge, based solely on a review of the copies of such reports furnished to us, the following directors, executive officers and Ten Percent Holders did not comply with all Section 16(a) filing requirements as of January 16, 2024 as follows: Messrs. Liu, Li, Sung, Zhang and Haws, and Ms. Gong and Liu, filed their Form 3s late in 2023.

ITEM 11. EXECUTIVE COMPENSATION

Compensation for our Named Executive Officers

As an emerging growth company, we have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act. This section discusses the material components of the executive compensation program for our named executive officers ("NEOs") for the fiscal year ending September 30, 2023 ("Fiscal Year 2023") and the fiscal year ending September 30, 2022 ("Fiscal Year 2022").

For Fiscal Year 2023, the Company's NEOs were:

- Dekui Liu, Chief Executive Officer;
- Tianwei (Solomon) Li, Chief Financial Officer; and
- Dr. Li (Alice) Gong, Chief Operation Officer and General Manager of Inno Metal Studs Corp (a subsidiary of the Company); and
- Weston Twigg, former Chief Financial Officer.

Compensation Program

The objective of the compensation program of the Company and its subsidiaries (the "Company Group") is to provide a total compensation package to each NEO that will enable the Company Group to attract, motivate and retain outstanding individuals, align the interests of our executive team with those of our shareholders, encourage individual and collective contributions to the successful execution of our short- and long-term business strategies and reward NEOs for performance.

- **Base Salary.** Each of the NEOs is paid a base salary commensurate with the executive's skill set, experience, performance, role and responsibilities. For Fiscal Year 2023, the annual base salaries for Mr. Li, Dr. Gong and Mr. Twigg were \$180,000, \$100,347 and \$250,000, respectively. For Fiscal Year 2022, the annual salaries for Mr. Liu and Dr. Gong were \$80,000 and \$100,347, respectively. Starting at the beginning of Fiscal Year 2023, Mr. Liu agreed to a temporary delay in the payment of his base salary. In June 2023, the Board approved of a temporary reduction in Mr. Liu's base salary for Fiscal Year 2023, from \$80,000 to \$11,000. Starting Fiscal Year 2024, Mr. Liu's base salary returned to \$80,000.
- **Short-Term Cash Incentives.** During Fiscal Years 2023 and 2022, the Company Group did not grant any short-term cash bonuses to any of the NEOs.
- **Long-Term Equity Incentives.** During Fiscal Years 2023 and 2022, the Company Group did not grant any incentive equity awards to any of the NEOs.

Summary Compensation Table

The following table presents information regarding the total compensation awarded to, earned by and paid to the Company's NEOs for services rendered to the Company Group in all capacities in its Fiscal Years 2023 and 2022.

Name and Principal Position	Year	Salary (\$)	Total (\$)
Dekui Liu Chief Executive Officer	2023	11,000 ⁽¹⁾	11,000
	2022	80,000	80,000
Tianwei (Solomon) Li ⁽²⁾ Chief Financial Officer	2023	45,000	45,000
Dr. Li (Alice) Gong Chief Operation Officer and General Manager of Inno Metal Studs Corp	2023	100,347	100,347
	2022	100,347	100,347
Weston Twigg ⁽²⁾ Chief Financial Officer (former)	2023	104,527	104,527

(1) See above description of Mr. Liu's base salary reduction for Fiscal Year 2023 above under "Compensation Program – Base Salary."

(2) Mr. Li was appointed Chief Financial Officer, effective July 17, 2023. Mr. Twigg resigned from the Company, effective July 3, 2023. Since neither individual was a named executive officer before Fiscal Year 2023, only their Fiscal Year 2023 compensation is reported in the table.

Narrative Disclosure to the Summary Compensation Table

Employee Benefits

The executive officers, including the NEOs, are eligible to receive the same employee benefits that are generally available to all full-time employees, subject to the satisfaction of certain eligibility requirements. In structuring these benefit plans, the Company Group seeks to provide an aggregate level of benefits that are comparable to those provided by similar companies.

Agreements with our NEOs

Other than Mr. Li, our NEOs not currently subject to an employment agreement with the Company Group.

Effective July 17, 2023, Mr. Li was appointed by the Board to serve as the Company Group's Chief Financial Officer. Pursuant to the terms of his Offer Letter with the Company, dated July 14, 2023 (the "Li Offer Letter"). Mr. Li's initial employment term will run from July 17, 2023 to July 17, 2024. Starting July 17, 2024, his employment will be at-will. Pursuant to the Offer Letter Mr. Li will receive an annual base salary of \$180,000 and be eligible for an annual performance-based bonus of Company options worth \$200,000 disbursed proportionally on a monthly basis, subject to the Omnibus Plan. Subject to the consummation of the IPO and pursuant to the Offer Letter, Mr. Li is eligible for a one-time award of \$50,000 within one week after consummation of the IPO for pre-IPO consulting services provided. The option awards and the IPO bonus of \$50,000 have not been awarded as of the date of this filing. Mr. Li is also will be eligible to participate in all benefit plans generally offered to other senior executives of the Company in similar positions and with similar responsibilities.

2023 Omnibus Incentive Plan

Our Board adopted, and our shareholders approved, the Inno Holdings, Inc. 2023 Omnibus Incentive Plan (the "Omnibus Plan"), effective July 18, 2023. No incentive equity awards have been granted under the Omnibus Plan as of the date hereof.

The purpose of the Omnibus Plan is to: (i) encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company's objectives; (ii) give participants an incentive for excellence in individual performance; (iii) promote teamwork among its participants; and (iv) give the Company a significant advantage in attracting and retaining key employees, non-employee directors, and consultants. To accomplish these purposes, the Omnibus Plan provides for the grant of awards in the form of incentive stock options within the meaning of Section 422 of the Code, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based awards (including performance shares, performance units and performance bonus awards), and other stock-based or cash-based awards. A total of 2,013,552 shares of common stock was initially reserved and available for issuance under the Omnibus Plan.

Outstanding Equity Awards at 2023 Fiscal Year-End

None of our NEOs had any outstanding equity awards in the Company as of September 30, 2023.

Potential Payments Upon Termination or Change in Control

Except for Mr. Li, none of our NEOs were eligible for any potential payments upon any form of termination or resignation of employment or a change in control of the Company if such event took place on September 30, 2023 or at any other point during Fiscal Year 2023. Since Li Offer Letter provides for a one-year term, if Mr. Li had been terminated by the Company on September 30, 2023, he would receive the balance of his base salary through the one-year anniversary of his start date. Mr. Twigg did not receive any payments or benefits in connection with his resignation from the Company, effective July 3, 2023.

Director Compensation Table

Shaoren Liu and Ying Liu served as the Company's non-employee directors during Fiscal Year 2023. Neither of the Company's non-employee directors received any compensation related to the director's Board service in Fiscal Year 2023 or had any outstanding equity awards as of September 30, 2023. Mr. Shaoren Liu resigned as a member of the Board, effective December 18, 2023.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the Jobs Act. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but we cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from specified disclosure requirements that are applicable to other public companies that are not emerging growth companies.

These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosures;
- not being required to comply with the requirement of an auditor needing to attest to our internal controls over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or providing a supplement to the auditor's report regarding additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- not being required to hold a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Common Stock Shares as of the date of this annual report, with respect to the holdings of (1) each person who is the beneficial owner of more than 5% of Company voting stock, (2) each of our directors, (3) each executive officer, and (4) all of our current directors and executive officers as a group.

Beneficial ownership of the voting stock is determined in accordance with the rules of the SEC and includes any shares of company voting stock over which a person exercises sole or shared voting or investment power, or of which a person has a right to acquire ownership at any time within 60 days of January 16, 2024. Except as otherwise indicated, we believe that the persons named in this table have sole voting and investment power with respect to all shares of voting stock held by them. Applicable percentage ownership in the following table is based on 22,765,278 shares of common stock issued and outstanding and including 2,013,552 shares of common stock reserved for future issuance under the Plan, plus, for each individual, any securities that individual has the right to acquire within 60 days of January 16, 2024.

To the best of our knowledge, except as otherwise indicated, each of the persons named in the table has sole voting and investment power with respect to the shares of our common stock beneficially owned by such person, except to the extent such power may be shared with a spouse. To our knowledge, none of the shares listed below are held under a voting trust or similar agreement, except as noted. To our knowledge, there is no arrangement, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

Name and Address of Beneficial Owner ⁽¹⁾	Title	Beneficially owned ⁽²⁾	Percent
Officers and Directors			
Dekui Liu	Chief Executive Officer, Director and Chairman	13,837,893	60.8%
Tianwei Li	Chief Financial Officer	—	—
Dr. Li (Alice) Gong	Chief Operation Officer	—	—
Ying Liu	Director	—	—
Xiaogang (John) Zhang	Independent Director	—	—
Chen Sung	Independent Director	—	—
Richard B. Haws, PE	Independent Director	—	—
Officers and Directors as a Group (total of 7 persons)		13,837,893	60.8%
5% Stockholders			
Dekui Liu	Chief Executive Officer, Director and Chairman	13,837,893	60.8%
Zfounder Organization Inc. ⁽³⁾⁽⁴⁾	Investor	3,013,685	13.2%

* Less than 1%

(1) Unless otherwise indicated the business address for each of the individuals is 2465 Farm Market 359 South, Brookshire, TX 77423.

(2) Approximate percentage of outstanding common stock includes 2,013,552 shares of common stock reserved for issuance under the Omnibus Plan.

(3) The business address for Zfounder Organization Inc. is 12905 SW 42nd St. Unit 222 Miami, FL 33175.

(4) Beneficially owned by Wen Hua.

Equity Compensation Plan Information

As of September 30, 2023, there was no awards were issued by the Company under its equity compensation plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Unless described below, during the last two fiscal years, there are no transactions or series of similar transactions to which we were a party or will be a party, in which:

- the amounts involved exceed or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of any of the foregoing had, or will have, a direct or indirect material interest.

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 September 30, 2023, the amount due to Mr. Liu was \$327,372. As of September 30, 2022, the outstanding balance due to Mr. Liu was \$12,233.

During the year ended September 30, 2022, 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 years ended September 30, 2023 and 2022, the Company recorded \$4,375 and \$19,950, respectively, of project-based consulting service fees, included in cost of materials and labor. During the years ended September 30, 2023 and 2022, the Company also recorded \$110,000 and \$80,000 consulting fee to Yunited for Mr. Yu's daily operating services included in the general and administrative expenses. As of September 30, 2023, the outstanding balance of accounts payable – related party due to Yunited was \$50,000. As of September 30, 2022, there were no unpaid balances due to Yunited.

During the year ended September 30, 2022, the Company purchased prefab home and other material and supplies from Baicheng Trading LLC, in which the father of Mr. Dekui Liu, the Company's majority shareholder and CEO, is a director. As of both September 30, 2023 and 2022, the outstanding balance of accounts payable-related party was \$485,595.

In March 2022, the Company entered into an agreement with Wise Hill Inc. ("Wise Hill"), a Florida corporation wholly owned by a minority shareholder of the Company. Pursuant to the agreement, the Company sold prefab home products of \$250,000 to Wise Hill. For the year ended September 30, 2022, the Company recorded revenue-related party of \$250,000. As of September 30, 2023 and 2022, the outstanding balance of accounts receivable — related party due from Wise Hill was \$0 and \$100,000, 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. During the year ended September 30, 2023, no amount of revenue has been recognized.

During the year ended September 30, 2023, the Company loaned \$55,000 without interest from Zfounder Organization Inc., one of the Company's minority shareholders for operation and cashflow needs. In addition, the Company loaned \$222,000 without interest from Wise Hill Inc., a company owned by a minority shareholder of the Company who also serves as the CEO and Board member of Zfounder Organization Inc., for operation and cashflow needs. \$100,000 of the advanced amounts have been considered as the payment of accounts receivable due from Wise Hill Inc. As of September 30, 2023, the outstanding balance due to Zfounder Organization Inc. and Wise Hill Inc. was \$55,000 and \$122,000, respectively.

Policies and Procedures for Related Person Transactions

We have adopted a written related person transaction policy that set forth the following policies and procedures for the review and approval or ratification of related person transactions. A "related person transaction" is a transaction, arrangement or relationship in which INNO or any of its subsidiaries was, is or will be a participant, the amount of which involved exceeds \$120,000, and in which any related person had, has or will have a direct or indirect material interest. A "related person" means:

- any person who is, or at any time during the applicable period was, one of INNO's executive officers or directors;
- any person who is known by INNO to be the beneficial owner of more than 5% of INNO's voting securities;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, executive officer or a beneficial owner of more than 5% of INNO's voting securities, and any person (other than a tenant or employee) sharing the household of such director, executive officer or beneficial owner of more than 5% of INNO's voting securities; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal, or in a similar position, or in which such person has a 10% or greater beneficial ownership interest.

We intend to establish policies and procedures designed to minimize potential conflicts of interest arising from any dealings we may have with our affiliates and to provide appropriate procedures for the disclosure of any real or potential conflicts of interest that may exist from time to time. Specifically, pursuant to its audit committee charter, the audit committee have the responsibility to review related party transactions.

Director Independence

A majority of our Board are independent directors, see the discussion above under the section "Item 10. Directors, Executive Officers and Corporate governance."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Independent Auditor

For the years ended September 30, 2023 and 2022, the Company's independent public accounting firm was TAAD LLP.

Fees Paid to Principal Independent Registered Public Accounting Firm

The aggregate fees billed by our Independent Registered Public Accounting Firm, for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022
Audit Fees ⁽¹⁾	\$ 178,383	\$ 125,842
Audit Related Fees ⁽²⁾		
Tax Fees ⁽³⁾	-	-
All other fees ⁽⁴⁾	-	-
Total Fees	\$ 178,383	\$ 125,842

⁽¹⁾ Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and the review of our quarterly financial statements and those services normally provided in connection with statutory or regulatory filings or engagements including comfort letters, consents and other services related to SEC matters. This information is presented as of the latest practicable date for this annual report.

⁽²⁾ Audit-related fees represent fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not reported above under "Audit Fees."

⁽³⁾ TAAD did not provide us with tax compliance, tax advice or tax planning services

⁽⁴⁾ All other fees include fees billed by our independent auditors for products or services other than as described in the immediately preceding three categories. No such fees were incurred during the fiscal years ended September 30, 2023 and 2022.

Audit Committee Pre-Approval Policies

The charter of our audit committee provides that the duties and responsibilities of our audit committee include the pre-approval of all audit and non-audit services permitted by law or applicable SEC regulations (including fee and terms of engagement) to be performed by our external auditor.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(1) Financial Statements

All financial statements of the Company as set forth under Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

All schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not required.

(3) Exhibits.

The following exhibits are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

EXHIBIT INDEX⁷

Exhibit	Description	Incorporated by Reference			
		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
4.3*	Description of Inno Holding Inc.'s Capital Stock				
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				
10.5	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
14.1*	Code of Business Conduct and Ethics				
21.1	List of Subsidiaries of the Registrant	S-1	333-273429	21.1	October 20, 2023
24.1*	Power of Attorney (included in the signature page hereof).				
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				
97.1*	Inno Holdings Inc. Incentive Based Compensation Recoupment Policy				
99.1*	Audit Committee Charter				
99.2*	Compensation Committee Charter				

* 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.

⁷ NTD: Subject to ongoing review.

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.

By: /s/ Dekui Liu

Dekui Liu

Chief Executive Officer (Principal Executive Officer)

Date: January 16, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Position	Date
<u>/s/ Dekui Liu</u> Dekui Liu	Chief Executive Officer, Director and Chairman (Principal Executive Officer)	January 16, 2024
<u>/s/ Tianwei Li</u> Tianwei Li	Chief Financial Officer (Principal Financial and Accounting Officer)	January 16, 2024
<u>/s/ Ying Liu</u> Ying Liu	Director	January 16, 2024
<u>/s/ Xiaogang Zhang</u> Xiaogang Zhang	Director	January 16, 2024
<u>/s/ Chen Sung</u> Chen Sung	Director	January 16, 2024
<u>/s/ Richard B. Haws</u> Richard B. Haws	Director	January 16, 2024

DESCRIPTION OF CAPITAL STOCK

The following summary describes the capital stock of Inno Holdings Inc. (the "Company"). This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of formation and amended and restated bylaws, as amended, copies of which have been filed with the Securities and Exchange Commission, and applicable law. For a complete description of the matters set forth in this "Description of Securities," you should refer to our amended and restated certificate of formation, amended and restated bylaws, and to the applicable provisions of Texas law.

General

The Company is authorized to issue one class of stock. The total number of shares of stock which the Company is authorized to issue is 100,000,000 shares of capital stock, all of which are common stock, which 20,751,726 shares of which are issued and outstanding. As of January 11, 2024, there were 4 holders of record of our common stock.

Common Stock

The holders of our common stock are entitled to the following rights:

Voting Rights. Each share of the Company's common stock entitles its holder to one vote per share on all matters to be voted or consented upon by the stockholders.

Dividend Rights. Subject to limitations under Texas law, holders of the Company's common stock may receive dividends or other distributions, if any, as may be declared by the Company's board of directors out of funds legally available therefor.

Liquidation Rights. In the event of the liquidation, dissolution or winding up of our business, the holders of the Company's common stock are entitled to share ratably in the assets available for distribution after the payment of all of our debts and other liabilities.

Other Matters. All of the outstanding shares of the Company's common stock are fully paid and non-assessable.

Registration Rights Agreement

Pursuant to an Investors' Rights Agreement by and between us and certain investors, we are obligated to register for resale the total registrable shares of common stock of such investors. We must register such shares within one hundred eighty (180) days after the effective date of the registration statement for the Company's initial public offering and if the Company receives a request from 50% of the registrable common stock. We must also file a Form S-3 registration statement after eligibility if the Company receives a request from 50% of the registrable common stock.

Anti-takeover Effects of Certain Provisions of Our Shareholders Agreement, Bylaws and Texas Law

Our shareholders agreement, amended and restated bylaws and the Texas Business Organizations Code ("TBOC") contain provisions, which are summarized in the following paragraphs, that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of our Company by means of a tender offer, a proxy contest or other takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by shareholders.

Exclusive Forum

Our amended and restated bylaws provide that the state or federal courts located in Harris County, Texas will be the exclusive forum for: (i) any actual or purported derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of fiduciary duty by any of our current or former directors or officers; (iii) any action asserting a claim against us or our current or former directors or officers arising pursuant to the Texas Business Organizations Code, or the TBOC, our amended and restated certificate of formation, or our amended and restated bylaws; or (iv) any action asserting a claim against us or our current or former officers or directors that is governed by the internal affairs doctrine, in each case subject to said courts having personal jurisdiction over the indispensable parties named as defendants therein. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock will be deemed to have notice of and to have consented to this provision of our amended and restated bylaws. This provision does not apply to claims brought under the Securities Act or the Exchange Act. The exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find the exclusive forum provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Capital stock

Texas law does not require shareholder approval for any issuance of authorized shares. However, the listing requirements of the Nasdaq, which apply so long as our securities are listed on the Nasdaq, require shareholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock. Additional shares that may be issued in the future may be used for a variety of corporate purposes.

Our board of directors may generally issue shares of common stock on terms calculated to discourage, delay or prevent a change of control of the Company or the removal of our management. Moreover, our authorized but unissued shares of common stock are available for future issuances without shareholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, to facilitate acquisitions and employee benefit plans.

One of the effects of the existence of unissued and unreserved shares of common stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our shareholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Vacancies

Our amended and restated certificate of formation provides that directors may be removed only for cause. In addition, our amended and restated certificate of formation also provides that any vacancy occurring in our board of directors may be filled by election at an annual or special meeting of the shareholders called for that purpose or by the affirmative vote of a majority of the directors then in office (even if the remaining directors constitute less than a quorum of the board of directors), and any director so chosen shall hold office for the remainder of the term to which the director has been selected and until such director's successor shall have been elected and qualified.

No cumulative voting

Under Texas law, the right to vote cumulatively does not exist unless the certificate of formation specifically authorizes cumulative voting. Our certificate of formation does not authorize cumulative voting. Therefore, shareholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

Special shareholder meetings

Our amended and restated certificate of formation provides that special meetings of our shareholders may be called at any time by the board of directors, the chairman of the board of directors or the chief executive officer of the Company. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for advance notification of director nominations and shareholder proposals

Our amended and restated bylaws establish advance notice procedures with respect to shareholder proposals and the nomination of individuals for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be "properly brought" before a meeting, a shareholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 75 days nor more than 100 days prior to the first anniversary date of the immediately preceding annual meeting of shareholders. However, if the date of the annual meeting is advanced more than 30 days prior to the anniversary date or delayed more than 60 days after the anniversary date, then to be timely the notice must be received by the Company no later than 70 days prior to the date of the annual meeting or the close of business on the 7th day following the earlier of the date on which notice of the annual meeting was first mailed or the date on which the meeting date is announced publicly. Our Bylaws also specify requirements as to the form and content of a shareholder's notice. Our Bylaws allow the chairman of the meeting at a meeting of the shareholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to influence or obtain control of the Company.

Shareholder action by written consent

Our shareholders agreement provides that any action required or permitted to be taken at a meeting of shareholders may be taken by written consent in lieu of a meeting of shareholders.

Amendment and restatement of bylaws

Our amended and restated bylaws provide that the Board of Directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our bylaws without a shareholder vote in any matter not inconsistent with the laws of the State of Texas and our amended and restated certificate of formation.

The combination of the classification of our board of directors and the lack of cumulative voting will make it more difficult for shareholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing shareholders or another party to effect a change in management.

These provisions may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management or the Company, such as a merger, reorganization or tender offer. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of the Company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in management.

Dissenters' rights of appraisal and payment

Under the TBOC, with certain exceptions, our shareholders will have appraisal rights in connection with a merger, a sale of all or substantially all of our assets, an interest exchange or a conversion. Pursuant to the TBOC, shareholders who properly request and perfect appraisal rights in connection with such merger, sale of all or substantially all of our assets, interest exchange or conversion will have the right to receive payment of the fair value of their shares as agreed to between the shareholder and the Company or, if they are unable to reach agreement, as determined by the State District Court in Brookshire, Texas.

Shareholders' derivative actions

Under the TBOC, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action (i) is a holder of our shares at the time of the transaction to which the action relates or such shareholder became a shareholder by operation of law from a person that was a shareholder at the time of the transaction to which the action relates and (ii) fairly and adequately represents the interests of the Company in enforcing the right of the Company.

Right of first refusal

Under the shareholders agreement, our shareholders grant us a right of first refusal to purchase all or any portion of transfer stock that any shareholder

may propose to transfer. These provisions are designed to reduce our vulnerability to having unfamiliar individuals hold shares of our Company's stock, which safeguards our financial and ownership interests.

Limitations on liability and indemnification of officers and directors

The TBOC authorizes corporations to limit or eliminate the personal liability of directors to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties (other than breaches of the directors' duty of loyalty to corporations or their shareholders), subject to certain exceptions. Our amended and restated bylaws include a provision that limits the personal liability of directors for monetary damages for an act or omission in the director's capacity as a director to the fullest extent permitted by Texas law. However, exculpation will not apply to any director if the director has acted in bad faith, engaged in intentional misconduct, knowingly violated the law, authorized illegal dividends or redemptions, derived an improper benefit from his or her actions as a director or engaged in an act or omission for which the liability of the director is expressly provided by an applicable statute.

The limitation of liability and indemnification provisions in our amended and restated bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

As of January 16, 2024, there is no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Business combinations

Under Title 2, Chapter 21, Subchapter M of the TBOC, we may not engage in certain "business combinations" with any "affiliated shareholder," or any affiliate or associate of the affiliated shareholder for a three-year period following the time that the shareholder became an affiliated shareholder, unless:

- prior to such time, our board of directors approved either the business combination of the transaction which resulted in the shareholder becoming an affiliated shareholder; or
- not less than six months after the affiliated shareholders' share acquisition date, the business combination is approved by the affirmative vote at a meeting, and not by written consent, of holders of at least 2/3 of our outstanding voting shares that are not owned by the affiliated shareholder or an affiliate or associate of the affiliated shareholder.

Generally, a "business combination" includes a merger, asset or stock sale or other similar transaction. Subject to certain exceptions, an "affiliated shareholder" is a person who beneficially owns (as determined pursuant to Title 2, Chapter 21, Subchapter M of the TBOC), or within the previous three years beneficially owned, 20% or more of our outstanding voting shares. For purposes of this section only, "voting share" has the meaning given to it in Title 2, Chapter 21, Subchapter M of the TBOC.

Under certain circumstances, this provision will make it more difficult for a person who would be an "affiliated shareholder" to effect various business combinations with our Company for a three-year period. This provision may encourage companies interested in acquiring our Company to negotiate in advance with our board of directors because the shareholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction that results in such shareholder becoming an affiliated shareholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is VStock Transfer, LLC., 18 Lafayette Place, Woodmere, New York 11598. Their phone number is (212) 828-8436.

Listing

Our common stock has been approved for listing on the Nasdaq Capital Market under the symbol "INHD."

**INNO HOLDINGS INC.
2023 OMNIBUS INCENTIVE PLAN**

Section 1. General.

The purposes of the Inno Holdings Inc. 2023 Omnibus Incentive Plan (the “Plan”) are to: (a) encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company’s objectives; (b) give Participants an incentive for excellence in individual performance; (c) promote teamwork among Participants; and (d) give the Company a significant advantage in attracting and retaining key Employees, Directors and Consultants. To accomplish such purposes, the Plan provides that the Company may grant (i) Options, (ii) Stock Appreciation Rights, (iii) Restricted Shares, (iv) Restricted Stock Units, (v) Performance-Based Awards (including performance-based Restricted Shares and Restricted Stock Units), (vi) Other Share-Based Awards, (vii) Other Cash-Based Awards or (viii) any combination of the foregoing.

Section 2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) “Administrator” means the Board, or, if and to the extent the Board does not administer the Plan, the Committee in accordance with Section 3 of the Plan.

(b) “Affiliate” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. An entity shall be deemed an Affiliate for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. For purposes of this definition, “control” (including with correlative meanings, the terms “controlling,” “controlled by,” or “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

(c) “Automatic Exercise Date” means, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable term of the Option pursuant to Section 7(k) or the Stock Appreciation Right pursuant to Section 8(h).

(d) “Award” means any Option, Stock Appreciation Right, Restricted Share, Restricted Stock Unit, Performance-Based Award, Other Share-Based Award or Other Cash-Based Award granted under the Plan.

(e) “Award Agreement” means a written agreement, contract or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan. Evidence of an Award may be in written or electronic form, may be limited to notation on the books and records of the Company and, with the approval of the Administrator, need not be signed by a representative of the Company or a Participant. Any Shares that become deliverable to the Participant pursuant to the Plan may be issued in certificate form in the name of the Participant or in book-entry form in the name of the Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

(f) “Beneficial Owner” (or any variant thereof) has the meaning defined in Rule 13d-3 under the Exchange Act.

(g) “Board” means the Board of Directors of the Company.

(h) “Bylaws” means the bylaws of the Company, as may be amended and/or restated from time to time.

(i) “Cause” shall have the meaning assigned to such term in any Company, Subsidiary or Affiliate unexpired employment, severance, or similar agreement or Award Agreement with a Participant, or if no such agreement exists or if such agreement does not define “Cause” (or a word of like import), Cause means (i) the Participant’s breach of fiduciary duty or duty of loyalty to the Company, (ii) the Participant’s conviction of or plea of nolo contendere to a felony or a crime involving moral turpitude, (iii) the Participant’s failure, refusal or neglect to perform and discharge his or her duties and responsibilities on behalf of the Company or a Subsidiary of the Company (other than by reason of Disability) or to comply with any lawful directive of the Board or its designee, (iv) the Participant’s breach of any written policy of the Company or a Subsidiary or Affiliate thereof (including, without limitation, those relating to sexual harassment or the disclosure or misuse of confidential information), (v) the Participant’s breach of any agreement with the Company or a Subsidiary or Affiliate thereof (including, without limitation, any confidentiality, non-competition, non-solicitation or assignment of inventions agreement), (vi) the Participant’s commission of fraud, dishonesty, theft, embezzlement, self-dealing, misappropriation or other malfeasance against the business of the Company or a Subsidiary or Affiliate thereof, or (vii) the Participant’s commission of acts or omissions constituting gross negligence or gross misconduct in the performance of any aspect of his or her lawful duties or responsibilities, which have or may be expected to have an adverse effect on the Company, its Subsidiaries or Affiliates. A Participant’s employment shall be deemed to have terminated for “Cause” if, on the date his or her employment terminates, facts and circumstances exist that would have justified a termination for Cause, to the extent that such facts and circumstances are discovered within three (3) months following such termination. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

(j) “Change in Capitalization” means any (i) merger, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, (ii) extraordinary dividend (whether in the form of cash, Shares or other property), stock split or reverse stock split, (iii) combination or exchange of shares, (iv) other change in corporate structure or (v) payment of any other distribution, which, in any such case, the Administrator determines, in its sole discretion, affects the Common Stock such that an adjustment pursuant to Section 5 of the Plan is appropriate.

(k) “Change in Control” means the occurrence of any of the following:

- (i) any Person, other than the Company or a Subsidiary thereof, becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then outstanding voting securities (the “Outstanding Company Voting Securities”), excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below or any acquisition directly from the Company; or

- (ii) the following individuals cease for any reason to constitute a majority of the number of Directors then serving on the Board: individuals who, during any period of two (2) consecutive years, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of Directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds ($\frac{2}{3}$) of the Directors then still in office who either were Directors at the beginning of the two (2) year period or whose appointment, election or nomination for election was previously so approved or recommended; or

2

- (iii) the consummation of a merger or consolidation of the Company or any Subsidiary thereof with any other corporation, other than a merger or consolidation (A) that results in the Outstanding Company Voting Securities immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the Outstanding Company Voting Securities (or such surviving entity or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof) outstanding immediately after such merger or consolidation, and (B) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or
- (iv) the consummation of a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than (A) a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned directly or indirectly by stockholders of the Company following the completion of such transaction in substantially the same proportions as their ownership of the Company immediately prior to such sale or (B) a sale or disposition of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or, if such entity is a subsidiary, the ultimate parent thereof.

For each Award that constitutes deferred compensation under Code Section 409A, a Change in Control (where applicable) shall be deemed to have occurred under the Plan with respect to such Award only if a change in the ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company also constitutes a "change in control event" under Code Section 409A.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of Class A Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(v) "Change in Control Price" shall have the meaning set forth in Section 12 of the Plan.

(vi) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

(vii) "Committee" means any committee or subcommittee the Board may appoint to administer the Plan. Subject to the discretion of the Board, if required by Rule 16b-3 under the Exchange Act or the applicable stock exchange on which the Shares are traded following an IPO, the Committee shall be composed entirely of individuals who meet the qualifications of a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and any other qualifications required by the applicable stock exchange on which the Shares are traded. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Administrator specified in the Plan shall be exercised by the Committee. Except as otherwise provided in the Company's Articles of Incorporation or Bylaws, any action of the Committee with respect to the administration of the Plan shall be taken by a majority vote at a meeting at which a quorum is duly constituted or unanimous written consent of the Committee's members.

3

(viii) "Common Stock" means the common stock of the Company (and any stock or other securities into which such shares of common stock may be converted or into which they may be exchanged).

(ix) "Company" means Inno Holdings Inc., a Texas corporation (or any successor corporation, except as the term "Company" is used in the definition of "Change in Control" above).

(x) "Consultant" means any current or prospective consultant or independent contractor of the Company or an Affiliate thereof, in each case, who is not an Employee, Executive Officer or Non-Employee Director.

(xi) "Director" means any individual who is a member of the Board on or after the Effective Date.

(xii) "Disability" means, with respect to any Participant who is an Employee, a permanent and total disability as defined in Code Section 22(e)(3).

(xiii) "Effective Date" shall have the meaning set forth in Section 22 of the Plan.

(xiv) "Eligible Recipient" means, with respect to an Award denominated in Common Stock issued under the Plan: (i) an Employee; (ii) a Non-Employee Director; or (iii) a Consultant, in each case, who has been selected as an eligible recipient under the Plan by the Administrator; provided, that any Awards granted prior to the date an Eligible Recipient first performs services for the Company or an Affiliate thereof will not become vested or exercisable, and no Shares shall be issued or other payment made to such Eligible Recipient with respect to such Awards, prior to the date on which such Eligible Recipient first performs services for the Company or an Affiliate thereof. Notwithstanding the foregoing, to the extent required to avoid the imposition of additional taxes under Code Section 409A, "Eligible Recipient" means: an (1) Employee; (2) a Non-Employee Director; or (3) a Consultant, in each case, of the Company or a Subsidiary thereof, who has been selected as an eligible recipient under the Plan by the Administrator.

(xv) "Employee" shall mean any current or prospective employee of the Company or an Affiliate thereof, as described in Treasury Regulation Section 1.421-1(h), including an Executive Officer or Director who is also treated as an employee.

(xvi) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(xvii) "Executive Officer" means each Participant who is an executive officer (within the meaning of Rule 3b-7 under the Exchange Act) of the Company.

(xviii) "Exercise Price" means, with respect to any Award under which the holder may purchase Shares, the price per share at which a holder of such Award granted hereunder may purchase Shares issuable upon exercise of such Award, as determined by the Administrator in accordance with Code Section 409A, as applicable.

(xix) "Fair Market Value" as of a particular date shall mean: (i) if the Shares are listed on any established stock exchange or a national market system, including, without limitation, the New York Stock Exchange or the Nasdaq Stock Market, the Fair Market Value shall be the closing price of a Share (or if no sales were reported, the closing price on the date immediately preceding such date) as quoted on such exchange or system on the day of determination; (ii) if the Shares are not then listed on a national securities exchange, the average of the highest reported bid and lowest reported asked prices for a Share as reported by the National Association of Securities Dealers, Inc. Automated Quotations System for the last preceding date on which there was a sale of such stock in such market; or (iii) whether or not the Shares are then listed on a national securities exchange or traded in an over-the-counter market or the value of such Shares is not otherwise determinable, such value as determined by the Administrator in good faith and in a manner not inconsistent with the regulations under Code Section 409A.

(xx) "Free Standing Rights" shall have the meaning set forth in Section 8 (a) of the Plan.

4

(xxi) "Incentive Stock Option" means an Option that is designated by the Committee as an incentive stock option within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

(xxii) "IPO" means an initial public offering of, or direct or indirect public listing of, the securities of the Company, its successors and assigns, or any of its related corporate entities.

(xxiii) "Non-Employee Director" means a Director who is not an Employee.

(xxiv) "Nonqualified Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(xxv) "Outstanding Shares" means the then-outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of Options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock.

(xxvi) "Option" means an option to purchase Shares granted pursuant to Section 7 of the Plan.

(xxvii) "Other Cash-Based Award" means a cash Award granted to a Participant under Section 11 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

(xxviii) "Other Share-Based Award" means a right or other interest granted to a Participant under the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares, including, but not limited to, unrestricted Shares or dividend equivalents, each of which may be subject to the attainment of Performance Goals or a period of continued employment or other terms or conditions as permitted under the Plan.

(xxix) "Participant" means any Eligible Recipient selected by the Administrator, pursuant to the Administrator's authority provided for in Section 3 of the Plan, to receive an Award under the Plan, and, upon his or her death, his or her successors, heirs, executors and administrators, as the case may be, solely with respect to any Awards outstanding at the date of the Eligible Recipient's death.

(xxx) "Performance-Based Award" means any Award granted under the Plan that is subject to one or more Performance Goals. Any dividends or dividend equivalents payable or credited to a Participant with respect to any unvested Performance-Based Award shall be subject to the same Performance Goals as the Shares or units underlying the Performance-Based Award.

5

(xxxi) "Performance Goals" means performance goals based on performance criteria selected by the Administrator, which may include, but are not limited to, any of the following: (i) earnings before interest and taxes; (ii) earnings before interest, taxes, depreciation and amortization; (iii) net operating profit after tax; (iv) cash flow; (v) revenue; (vi) net revenues; (vii) sales; (viii) days sales outstanding; (ix) income; (x) net income; (xi) operating income; (xii) net operating income; (xiii) operating margin; (xiv) earnings; (xv) earnings per share; (xvi) return on equity; (xvii) return on investment; (xviii) return on capital; (xix) return on assets; (xx) return on net assets; (xxi) total shareholder return; (xxii) economic profit; (xxiii) market share; (xxiv) appreciation in the fair market value, book value or other measure of value of the Shares; (xxv) expense or cost control; (xxvi) working capital; (xxvii) customer satisfaction; (xxviii) employee retention or employee turnover; (xxix) employee satisfaction or engagement; (xxx) environmental, health or other safety goals; (xxxi) individual performance; (xxxii) strategic objective milestones; (xxxiii) any other criteria specified by the Administrator in its sole discretion; and (xxxiv) any combination of, or a specified increase or decrease in, as applicable, any of the foregoing. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or an Affiliate thereof, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Administrator. The Performance Goals may include a threshold level of performance below which no payment shall be made (or no vesting shall occur), levels of performance at which specified payments shall be made (or specified vesting shall occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting shall occur). At the time such an Award is granted, the Administrator may specify any reasonable definition of the Performance Goals it uses. Such definitions may provide for equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or an Affiliate thereof or the financial statements of the Company or an Affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature, infrequent in occurrence or unusual in nature and infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Administrator may modify such Performance Goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Administrator may determine that the Performance Goals or performance period are no longer appropriate and may (x) adjust, change or eliminate the Performance Goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (y) make a cash payment to the Participant in an amount determined by the Administrator.

(xxxii) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof,

however, a Person shall not include (i) the Company or any of its Subsidiaries; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries; (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

(xxxiii) "Plan" means this Inno Holdings Inc. 2023 Omnibus Incentive Plan, as amended and/or amended and restated from time to time.

(xxxiv) "Related Rights" shall have the meaning set forth in Section 8 (a) of the Plan.

(xxxv) "Restricted Shares" means an Award of Shares granted pursuant to Section 9 of the Plan subject to certain restrictions that lapse at the end of a specified period or periods.

(xxxvi) "Restricted Stock Unit" means a notional account established pursuant to an Award granted to a Participant, as described in Section 10 of the Plan, that is (i) valued solely by reference to Shares, (ii) subject to restrictions specified in the Award Agreement, and (iii) payable in cash or in Shares (as specified in the Award Agreement). The Restricted Stock Units awarded to the Participant will vest according to the time-based criteria or Performance Goals, and vested Restricted Stock Units will be settled at the time(s), specified in the Award Agreement.

(xxxvii) "Restricted Period" means the period of time determined by the Administrator during which an Award or a portion thereof is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(xxxviii) "Rule 16b-3" shall have the meaning set forth in Section 3 (a) of the Plan.

(xxxix) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(xl) "Share" means a share of Common Stock.

(xli) "Stock Appreciation Right" means the right pursuant to an Award granted under Section 8 of the Plan to receive an amount equal to the excess, if any, of (i) the aggregate Fair Market Value, as of the date such Award or portion thereof is surrendered, of the Shares covered by such Award or such portion thereof, over (ii) the aggregate Exercise Price of such Award or such portion thereof.

(xlii) "Subsidiary" means, with respect to any Person, as of any date of determination, any other Person as to which such first Person owns or otherwise controls, directly or indirectly, more than fifty percent (50%) of the voting shares or other similar interests or a sole general partner interest or managing member or similar interest of such other Person. An entity shall be deemed a Subsidiary of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. Notwithstanding the foregoing, in the case of an Incentive Stock Option or any determination relating to an Incentive Stock Option, "Subsidiary" means a corporation that is a subsidiary of the Company within the meaning of Code Section 424(f).

(xliii) "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation, or acquisition of property or stock; *provided, however*, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

Section 3. Administration.

(a) The Plan shall be administered by the Administrator in accordance with the requirements of Rule 16b-3 under the Exchange Act (" Rule 16b-3"), to the extent applicable.

(b) Pursuant to the terms of the Plan, the Administrator, subject, in the case of any Committee, to any restrictions on the authority delegated to it by the Board, shall have the power and authority, without limitation:

(i) to select those Eligible Recipients who shall be Participants;

(ii) to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Share-Based Awards, Other Cash-Based Awards or a combination of any of the foregoing, are to be granted hereunder to Participants;

(iii) to determine the number of Shares to be made subject to each Award;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted hereunder, including, but not limited to, (A) the restrictions applicable to Awards and the conditions under which restrictions applicable to such Awards shall lapse, (B) the Performance Goals and performance periods applicable to Awards, if any, (C) the Exercise Price of each Award, (D) the vesting schedule applicable to each Award, (E) any confidentiality or restrictive covenant provisions applicable to the Award, and (F) subject to the requirements of Code Section 409A (to the extent applicable), any amendments to the terms and conditions of outstanding Awards, including, but not limited to, extending the exercise period of such Awards and accelerating the vesting schedule of such Awards;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all Award Agreements evidencing Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units or Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing granted hereunder;

(vi) to determine Fair Market Value;

(vii) to determine the duration and purpose of leaves of absence which may be granted to a Participant without constituting termination of the Participant's employment for purposes of Awards granted under the Plan;

(viii) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(ix) to reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan, any Award Agreement or other instrument or agreement relating to the Plan or an Award granted under the Plan; and

(x) to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto), and to otherwise supervise the administration of the Plan and to exercise all powers and authorities either specifically granted under the Plan or necessary and advisable in the administration of the Plan.

(c) Except to the extent prohibited by applicable law or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which the securities of the Company may be listed or traded, the Administrator may allocate all or any portion of its responsibilities and powers to any one (1) or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time. Without limiting the generality of the foregoing, the Committee may delegate to one (1) or more officers of the Company, the authority to act on behalf of the Committee with respect to any matter, right, obligation, or election which is the responsibility of, or which is allocated to, the Committee herein, and which may be so delegated as a matter of law, except for grants of Awards to Directors.

(d) All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants. No member of the Board or the Committee, or any officer or employee of the Company or any Subsidiary thereof acting on behalf of the Board or the Committee, shall be personally liable for any action, omission, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company and of any Subsidiary thereof acting on their behalf shall, to the maximum extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, omission, determination or interpretation.

Section 4. Shares Reserved for Issuance Under the Plan and Limitations on Awards.

(a) Subject to this Section 4 and to adjustment in accordance with Section 5 of the Plan, the Administrator is authorized to deliver with respect to Awards granted under the Plan an aggregate of **2,013,552** shares of Common Stock.

(b) Notwithstanding anything herein to the contrary, the maximum number of Shares subject to Awards granted during any fiscal year to any Non-Employee Director, taken together with any cash fees paid to such Non-Employee Director during the fiscal year with respect to such Director's service as a Non-Employee Director, shall not exceed **\$250,000** (calculating the value of any such Awards based on the grant date Fair Market Value of such Awards for financial reporting purposes).

(c) Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. Any shares of Common Stock subject to an Award under the Plan that, after the Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards with respect to shares of Common Stock. For the avoidance of doubt, (A) Shares underlying Awards that are subject to the achievement of performance goals shall be counted against the Share reserve based on the target value of such Awards unless and until such time as such Awards become vested and settled in Shares, and (B) Awards that, pursuant to their terms, may be settled only in cash shall not count against the Share reserve set forth in Section 4(a).

(d) Substitute Awards shall not reduce the Shares authorized for grant under the Plan. In the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; *provided*, that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

(e) In the event that the Company or an Affiliate thereof consummates a transaction described in Code Section 424(a) (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees or Directors in account of such transaction may be granted Substitute Awards in substitution for awards granted by their former employer, and any such substitute Options or Stock Appreciation Rights may be granted with an Exercise Price less than the Fair Market Value of a Share on the grant date thereof; *provided*, however, the grant of such substitute Option or Stock Appreciation Right shall not constitute a "modification" as defined in Code Section 424(h)(3) and the applicable Treasury regulations.

Section 5. Equitable Adjustments.

In the event of any Change in Capitalization, including, without limitation, a Change in Control, an equitable substitution or proportionate adjustment shall be made, in each case, as may be determined by the Administrator, in its sole discretion, in (a) the aggregate number of Shares reserved for issuance under the Plan, (b) the kind, number and Exercise Price subject to outstanding Options and Stock Appreciation Rights granted under the Plan; *provided, however*, that any such substitution or adjustment with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A, and (c) the kind, number and purchase price of Shares subject to outstanding Restricted Shares or Other Share-Based Awards granted under the Plan, in each case as may be determined by the Administrator, in its sole discretion; *provided, however*, that any fractional Shares resulting from the adjustment shall be eliminated. Such other equitable substitutions or adjustments shall be made as may be determined by the Administrator, in its sole discretion. Without limiting the generality of the foregoing, in connection with a Change in Capitalization, the Administrator may provide, in its sole discretion, for the cancellation of any outstanding Award granted hereunder (i) in exchange for payment in cash or other property having an aggregate Fair Market Value of the Shares covered by such Award, reduced by the aggregate Exercise Price or purchase price thereof, if any, and (ii) with respect to any Awards for which the Exercise Price or purchase price per share of Common Stock is greater than or equal to the then current Fair Market Value per share of Common Stock, for no consideration. Notwithstanding anything contained in the Plan to the contrary, any adjustment with respect to an Incentive Stock Option due to an adjustment or substitution described in this Section 5 shall comply with the rules of Code Section 424(a), and in no event shall any adjustment be made which would render any Incentive Stock Option granted hereunder to be disqualified as an incentive stock option for purposes of Code Section 422. The Administrator's determinations pursuant to this Section 5 shall be final, binding and conclusive.

Section 6. Eligibility.

The Participants under the Plan shall be selected from time to time by the Administrator, in its sole discretion, from among Eligible Recipients.

Section 7. Options.

(a) *General.* The Administrator may, in its sole discretion, grant Options to Participants. Solely with respect to Participants who are Employees, the Administrator may grant Incentive Stock Options, Nonqualified Stock Options or a combination of both. With respect to all other Participants, the

Administrator may grant only Nonqualified Stock Options. Each Participant who is granted an Option shall enter into an Award Agreement with the Company, containing such terms and conditions as the Administrator shall determine, in its sole discretion, which Award Agreement shall specify whether the Option is an Incentive Stock Option or a Nonqualified Stock Option and shall set forth, among other things, the Exercise Price of the Option, the term of the Option and provisions regarding exercisability of the Option granted thereunder. The provisions of each Option need not be the same with respect to each Participant. More than one Option may be granted to the same Participant and be outstanding concurrently hereunder. Options granted under the Plan shall be subject to the terms and conditions set forth in this Section 7 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable and set forth in the applicable Award Agreement. The prospective recipient of an Option shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(b) *Limits on Incentive Stock Options.* If the Administrator grants Incentive Stock Options, then to the extent that the aggregate fair market value of Shares with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company) exceeds \$100,000, such Options will be treated as Nonqualified Stock Options to the extent required by Code Section 422. Subject to Section 5, the maximum number of shares that may be issued pursuant to Options intended to be Incentive Stock Options is **2,013,552** Shares and, for the avoidance of doubt, such share limit shall not be subject to the annual adjustment provided in Section 4(a).

(c) *Exercise Price.* The Exercise Price of Shares purchasable under an Option shall be determined by the Administrator in its sole discretion at the time of grant; *provided, however,* that (i) in no event shall the Exercise Price of an Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant, and (ii) no Incentive Stock Option granted to a ten percent (10%) stockholder of the Company (within the meaning of Code Section 422(b)(6)) shall have an Exercise Price per Share less than one-hundred ten percent (110%) of the Fair Market Value of a Share on such date.

(d) *Option Term.* The maximum term of each Option shall be fixed by the Administrator, but in no event shall (i) an Option be exercisable more than ten (10) years after the date such Option is granted, and (ii) an Incentive Stock Option granted to a ten percent (10%) stockholder of the Company (within the meaning of Code Section 422(b)(6)) be exercisable more than five (5) years after the date such Option is granted. Each Option's term is subject to earlier expiration pursuant to the applicable provisions in the Plan and the Award Agreement. Notwithstanding the foregoing, the Administrator shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as the Administrator, in its sole discretion, deems appropriate. Notwithstanding any contrary provision in this Plan (including, without limitation, Section 7(h)), if, on the date an outstanding Option would expire, the exercise of the Option, including by a "net exercise" or "cashless" exercise, would violate applicable securities laws or any insider trading policy maintained by the Company from time to time, the expiration date applicable to the Option will be extended, except to the extent such extension would violate Code Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the Option would no longer violate applicable securities laws or any such insider trading policy.

(e) *Exercisability.* Each Option shall be exercisable at such time or times and subject to such terms and conditions, including the attainment of pre-established Performance Goals, as shall be determined by the Administrator in the applicable Award Agreement. The Administrator may also provide that any Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine in its sole discretion. Notwithstanding anything to the contrary contained herein, an Option may not be exercised for a fraction of a share.

10

(f) *Method of Exercise.* Options may be exercised in whole or in part by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate Exercise Price of the Shares so purchased in cash or its equivalent, as determined by the Administrator. As determined by the Administrator, in its sole discretion, with respect to any Option or category of Options, payment in whole or in part may also be made (i) by means of consideration received under any cashless exercise procedure approved by the Administrator (including the withholding of Shares otherwise issuable upon exercise), (ii) in the form of unrestricted Shares already owned by the Participant which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which such Option shall be exercised, (iii) any other form of consideration approved by the Administrator and permitted by applicable law, or (iv) any combination of the foregoing. In determining which methods a Participant may utilize to pay the Exercise Price, the Administrator may consider such factors as it determines are appropriate; *provided, however,* that with respect to Incentive Stock Options, all such discretionary determinations shall be made by the Administrator at the time of grant and specified in the Award Agreement.

(g) *Rights as Stockholder.* A Participant shall have no rights to dividends or any other rights of a stockholder with respect to the Shares subject to an Option until the Participant has given written notice of the exercise thereof, has paid in full for such Shares and has satisfied the requirements of Section 16 of the Plan.

(h) *Termination of Employment or Service.* Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate, the following terms and conditions shall apply:

(i) In the event of the termination of a Participant's employment or service by the Company without Cause or due to a resignation by the Participant for any reason, (A) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is ninety (90) days after such termination (with such period being extended to one (1) year after the date of such termination in the event of the Participant's death during such ninety (90) day period), on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(ii) In the event of the termination of a Participant's employment or service as a result of the Participant's Disability or death, (A) Options granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the date that is one (1) year after such termination, on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(iii) In the event of the termination of a Participant's employment or service for Cause, all outstanding Options granted to such Participant shall expire at the commencement of business on the date of such termination.

(iv) For purposes of determining which Options are exercisable upon termination of employment or service for purposes of this Section 7 (h), Options that are not exercisable solely due to a blackout period shall be considered exercisable.

(v) Notwithstanding anything herein to the contrary, an Incentive Stock Option may not be exercised more than three (3) months following the date as of which a Participant ceases to be an Employee for any reason other than death or Disability. In the event that an Option is exercisable following the date that is three (3) months following the date as of which a Participant ceases to be an Employee for any reason other than death or Disability, such Option shall be deemed to be a Nonqualified Stock Option.

(i) *Other Change in Employment Status.* An Option may be affected, both with regard to vesting schedule and termination, by leaves of absence, changes from full-time to part-time employment, partial disability or other changes in the employment status or service of a Participant, as evidenced in a Participant's Award Agreement.

(j) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Options shall be subject to Section 12 of the Plan.

(k) *Automatic Exercise.* Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Option outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Administrator, payment of the exercise price of any such Option shall be made pursuant to Section 7(f)(i) or (ii), and the Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16. Unless otherwise determined by the Administrator, this Section 7(k) shall not apply to an Option if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Option with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 7(k).

Section 8. Stock Appreciation Rights.

(a) *General.* Stock Appreciation Rights may be granted either alone ("Free Standing Rights") or in conjunction with all or part of any Option granted under the Plan ("Related Rights"). Any Related Right that relates to a Nonqualified Stock Option may be granted at the same time the Option is granted or at any time thereafter, but before the exercise or expiration of the Option. Any Related Right that relates to an Incentive Stock Option must be granted at the same time the Incentive Stock Option is granted. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Stock Appreciation Rights shall be made, the number of Shares to be awarded, the price per Share, and all other conditions of Stock Appreciation Rights. Notwithstanding the foregoing, no Related Right may be granted for more Shares than are subject to the Option to which it relates and any Stock Appreciation Right must be granted with an Exercise Price not less than the Fair Market Value of a Share on the date of grant. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant. Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions set forth in this Section 8 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable, as set forth in the applicable Award Agreement.

(b) *Awards; Rights as Stockholder.* The prospective recipient of a Stock Appreciation Right shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Participants who are granted Stock Appreciation Rights shall have no rights as stockholders of the Company with respect to the grant or exercise of such rights.

(c) *Exercisability.*

(i) Stock Appreciation Rights that are Free Standing Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) Stock Appreciation Rights that are Related Rights shall be exercisable only at such time or times and to the extent that the Options to which they relate shall be exercisable in accordance with the provisions of Section 7 above and this Section 8 of the Plan.

12

(d) *Payment Upon Exercise.*

(i) Upon the exercise of a Free Standing Right, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the price per share specified in the Free Standing Right multiplied by the number of Shares in respect of which the Free Standing Right is being exercised.

(ii) A Related Right may be exercised by a Participant by surrendering the applicable portion of the related Option. Upon such exercise and surrender, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the Exercise Price specified in the related Option multiplied by the number of Shares in respect of which the Related Right is being exercised. Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the Related Rights have been so exercised.

(iii) Notwithstanding the foregoing, the Administrator may determine to settle the exercise of a Stock Appreciation Right in cash (or in any combination of Shares and cash).

(e) *Termination of Employment or Service.*

(i) Subject to Section 8(f), in the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Free Standing Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) Subject to Section 8(f), in the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Related Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as set forth in the related Options.

(f) *Term.*

(i) The term of each Free Standing Right shall be fixed by the Administrator, but no Free Standing Right shall be exercisable more than ten (10) years after the date such right is granted.

(ii) The term of each Related Right shall be the term of the Option to which it relates, but no Related Right shall be exercisable more than ten (10) years after the date such right is granted.

(g) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Stock Appreciation Rights shall be subject to Section 12 of the Plan.

(h) *Automatic Exercise.* Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the

Participant in writing to the Company, each vested and exercisable Stock Appreciation Right outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. The Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16. Unless otherwise determined by the Administrator, this Section 8(h) shall not apply to a Stock Appreciation Right if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Stock Appreciation Right with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 8(h).

Section 9. Restricted Shares.

(a) *General.* Each Award of Restricted Shares granted under the Plan shall be evidenced by an Award Agreement. Restricted Shares may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Shares shall be made; the number of Shares to be awarded; the price, if any, to be paid by the Participant for the acquisition of Restricted Shares; the Restricted Period, if any, applicable to Restricted Shares; the Performance Goals (if any) applicable to Restricted Shares; and all other conditions of the Restricted Shares. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Shares in accordance with the terms of the grant. The terms and conditions applicable to the Restricted Shares need not be the same with respect to each Participant.

(b) *Awards and Certificates.* The prospective recipient of Restricted Shares shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Except as otherwise provided in herein, (i) each Participant who is granted an Award of Restricted Shares may, in the Company's sole discretion, be issued a stock certificate in respect of such Restricted Shares; and (ii) any such certificate so issued shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award. The Company may require that the stock certificates, if any, evidencing Restricted Shares granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Shares, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award. Notwithstanding anything in the Plan to the contrary, any Restricted Shares (whether before or after any vesting conditions have been satisfied) may, in the Company's sole discretion, be issued in uncertificated form pursuant to the customary arrangements for issuing shares in such form.

(c) *Restrictions and Conditions.* The Restricted Shares granted pursuant to this Section 9 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or thereafter:

(i) The Restricted Shares shall be subject to the restrictions on transferability set forth in the Award Agreement and in the Plan.

(ii) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as Non-Employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(iii) Subject to this Section 9(c)(iii), the Participant shall generally have the rights of a stockholder of the Company with respect to Restricted Shares during the Restricted Period. In the Administrator's discretion and as provided in the applicable Award Agreement, a Participant may be entitled to dividends or dividend equivalents on an Award of Restricted Shares, which will be payable in accordance with the terms of such grant as determined by the Administrator in accordance with Section 18 of the Plan. Certificates for unrestricted Shares may, in the Company's sole discretion, be delivered to the Participant only after the Restricted Period has expired without forfeiture in respect of such Restricted Shares, except as the Administrator, in its sole discretion, shall otherwise determine.

(iv) The rights of Participants granted Restricted Shares upon termination of employment or service as a Non-Employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Shares shall be subject to Section 12 of the Plan.

Section 10. Restricted Stock Units.

(a) *General.* Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Stock Units shall be made; the number of Restricted Stock Units to be awarded; the Restricted Period, if any, applicable to Restricted Stock Units; the Performance Goals (if any) applicable to Restricted Stock Units; and all other conditions of the Restricted Stock Units. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Stock Units in accordance with the terms of the grant. The provisions of Restricted Stock Units need not be the same with respect to each Participant.

(b) *Award Agreement.* The prospective recipient of Restricted Stock Units shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) *Restrictions and Conditions.* The Restricted Stock Units granted pursuant to this Section 10 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or, subject to Code Section 409A, thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a Non-Employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(ii) Participants holding Restricted Stock Units shall have no voting rights. A Restricted Stock Unit may, at the Administrator's discretion, carry with it a right to dividend equivalents, subject to Section 18 of the Plan. Such right would entitle the holder to be credited with an amount equal to all cash dividends paid on one Share while the Restricted Stock Unit is outstanding. The Administrator, in its discretion, may grant

dividend equivalents from the date of grant or only after a Restricted Stock Unit is vested.

(iii) The rights of Participants granted Restricted Stock Units upon termination of employment or service as a Non-Employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Settlement of Restricted Stock Units*. Settlement of vested Restricted Stock Units shall be made to Participants in the form of Shares, unless the Administrator, in its sole discretion, provides for the payment of the Restricted Stock Units in cash (or partly in cash and partly in Shares) equal to the value of the Shares that would otherwise be distributed to the Participant.

(e) *Change in Control*. Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Stock Units shall be subject to Section 12 of the Plan.

Section 11. Other Share-Based or Cash-Based Awards.

(a) The Administrator is authorized to grant Awards to Participants in the form of Other Share-Based Awards or Other Cash-Based Awards, as deemed by the Administrator to be consistent with the purposes of the Plan and as evidenced by an Award Agreement. The Administrator shall determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including any Performance Goals and performance periods. Shares or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Awards, notes or other property, as the Administrator shall determine, subject to any required corporate action.

(b) The prospective recipient of an Other Share-Based Award or Other Cash-Based Award shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Other Share-Based Awards and Other Cash-Based Awards shall be subject to Section 12 of the Plan.

Section 12. Change in Control.

The Administrator may provide in the applicable Award Agreement that an Award will vest on an accelerated basis upon the Participant's termination of employment or service in connection with a Change in Control or upon the occurrence of any other event that the Administrator may set forth in the Award Agreement. If the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for: (i) the continuation of any Award by the Company, if the Company is the surviving corporation; (ii) the assumption of any Award by the surviving corporation or its parent or subsidiary; (iii) the substitution by the surviving corporation or its parent or subsidiary of equivalent awards for any Award, *provided, however*, that any such substitution with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A; or (iv) settlement of any Award for the Change in Control Price (less, to the extent applicable, the per share exercise or grant price), or, if the per share exercise or grant price equals or exceeds the Change in Control Price or if the Administrator determines that Award cannot reasonably become vested pursuant to its terms, such Award shall terminate and be canceled without consideration. To the extent that Restricted Shares, Restricted Stock Units or other Awards settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by stockholders of the Company as a result of the Change in Control transaction. For purposes of this Section 12, "Change in Control Price" shall mean (A) the price per Share paid to stockholders of the Company in the Change in Control transaction, or (B) the Fair Market Value of a Share upon a Change in Control, as determined by the Administrator. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Administrator.

Section 13. Amendment and Termination.

(a) The Board or the Committee may amend, alter or terminate the Plan, but no amendment, alteration, or termination shall be made that would adversely alter or impair the rights of a Participant under any Award theretofore granted without such Participant's prior written consent.

(b) Notwithstanding the foregoing, (i) approval of the Company's stockholders shall be obtained for any amendment that would require such approval in order to satisfy the requirements of Code Section 422, if applicable, any rules of the stock exchange on which the Shares are traded or other applicable law, and (ii) without stockholder approval to the extent required by the rules of any applicable national securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, except as otherwise permitted under Section 5 of the Plan, (A) no amendment or modification may reduce the Exercise Price of any Option or Stock Appreciation Right, (B) the Administrator may not cancel any outstanding Option or Stock Appreciation Right and replace it with a new Option or Stock Appreciation Right, another Award or cash and (C) the Administrator may not take any other action that is considered a "repricing" for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system.

(c) Subject to the terms and conditions of the Plan and Code Section 409A, the Administrator may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised).

(d) Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

Section 14. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan. With respect to any payments not yet made or Shares not yet transferred to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

Section 15. Deferrals of Payment.

To the extent permitted by applicable law, the Administrator, in its sole discretion, may determine that the delivery of Shares or the payment of

cash, upon the exercise, vesting or settlement of all or a portion of any Award, shall be deferred. The Administrator may also, in its sole discretion, establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of any such consideration, including any applicable election procedures, the timing of such elections, the mechanisms for payments of amounts, shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program. Deferrals by Participants (or deferred settlement or payment required by the Administrator) shall be made in accordance with Code Section 409A, if applicable, and any other applicable law.

Section 16. Withholding Taxes.

Each Participant shall, no later than the date as of which the value of an Award first becomes includible in the gross income of such Participant for federal, state and/or local income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any federal, state, or local taxes of any kind, domestic or foreign, required by law or regulation to be withheld with respect to the Award. The obligations of the Company under the Plan shall be conditional on the making of such payments or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant. Whenever cash is to be paid pursuant to an Award granted hereunder, the Company shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. Whenever Shares are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any related federal, state and local taxes, domestic or foreign, to be withheld and applied to the tax obligations. With the approval of the Administrator, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery of Shares or by delivering already owned unrestricted Shares, in each case, having a value equal to the amount required to be withheld or other greater amount not exceeding the maximum statutory rate required to be collected on the transaction under applicable law, as applicable to the Participant, if such other greater amount would not, as determined by the Administrator, result in adverse financial accounting treatment (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09). Such Shares shall be valued at their Fair Market Value on the date of which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such an election may be made with respect to all or any portion of the Shares to be delivered pursuant to an Award. The Company may also use any other method of obtaining the necessary payment or proceeds, as permitted by law, to satisfy its withholding obligation with respect to any Option or other Award.

17

Section 17. Certain Forfeitures.

The Administrator may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to the applicable vesting conditions of an Award. Such events may include, without limitation, breach of any non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in an Award Agreement or that are otherwise applicable to the Participant, a termination of the Participant's employment for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and its Subsidiaries and/or its Affiliates.

Section 18. Dividends; Dividend Equivalents.

Notwithstanding anything in this Plan to the contrary, to the extent that an Award contains a right to receive dividends or dividend equivalents while such Award remains unvested, such dividends or dividend equivalents will be accumulated and paid once and to the extent that the underlying Award vests.

Section 19. Non-United States Employees.

Without amending the Plan, the Administrator may grant Awards to eligible persons residing in non-United States jurisdictions on such terms and conditions different from those specified in the Plan, including the terms of any award agreement or plan, adopted by the Company or any Subsidiary thereof to comply with, or take advantage of favorable tax or other treatment available under, the laws of any non-United States jurisdiction, as may in the judgment of the Administrator be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Administrator may make such modifications, amendments, procedures, sub-plans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

Section 20. Transfer of Awards.

No purported sale, assignment, mortgage, hypothecation, transfer, charge, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any Award or any agreement or commitment to do any of the foregoing (each, a "Transfer") by any holder thereof in violation of the provisions of the Plan or an Award Agreement will be valid, except with the prior written consent of the Administrator, which consent may be granted or withheld in the sole discretion of the Administrator, and other than by will or by the laws of descent and distribution. Any purported Transfer of an Award or any economic benefit or interest therein in violation of the Plan or an Award Agreement shall be null and void *ab initio*, and shall not create any obligation or liability of the Company, and any person purportedly acquiring any Award or any economic benefit or interest therein transferred in violation of the Plan or an Award Agreement shall not be entitled to be recognized as a holder of such Shares. Unless otherwise determined by the Administrator in accordance with the provisions of the immediately preceding sentence, an Option may be exercised, during the lifetime of the Participant, only by the Participant or, during any period during which the Participant is under a legal disability, by the Participant's guardian or legal representative. Under no circumstances will a Participant be permitted to transfer an Option or Stock Appreciation Right to a third-party financial institution without prior stockholder approval.

Section 21. Continued Employment.

The adoption of the Plan shall not confer upon any Eligible Recipient any right to continued employment or service with the Company or an Affiliate thereof, as the case may be, nor shall it interfere in any way with the right of the Company or an Affiliate thereof to terminate the employment or service of any of its Eligible Recipients at any time.

18

Section 22. Effective Date.

The Plan will be effective July 18, 2023 (the "Effective Date"), the date of Plan approval by the Company's Board and stockholders. The Plan will be unlimited in duration and, in the event of Plan termination, will remain in effect as long as any Shares awarded under it are outstanding and not fully vested; *provided, however*, that no Awards will be made under the Plan on or after the tenth anniversary of the Effective Date.

Section 23. Code Section 409A.

The intent of the parties is that payments and benefits under the Plan be either exempt from Code Section 409A or comply with Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and be administered consistent with

such intent. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Code Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided upon a "separation from service" to a Participant who is a "specified employee" shall be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or upon the Participant's death, if earlier). In addition, for purposes of the Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A. Nothing contained in the Plan or an Award Agreement shall be construed as a guarantee of any particular tax effect with respect to an Award. The Company does not guarantee that any Awards provided under the Plan will be exempt from or in compliance with the provisions of Code Section 409A, and in no event will the Company be liable for any or all portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of any Award being subject to, but not in compliance with, Code Section 409A.

Section 24. Compliance with Laws.

(a) The obligation of the Company to settle Awards in Shares or other consideration shall be subject to (i) all applicable laws, rules, and regulations, (ii) such approvals as may be required by governmental agencies or the applicable national securities exchange on which the Shares may be admitted, and (iii) policies maintained by the Company from time to time in order to comply with applicable laws, rules, regulations and corporate governance requirements, including, without limitation, with respect to insider trading restrictions. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Shares pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel (if the Company has requested such an opinion), satisfactory to the Company, that such Shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the Shares to be offered or sold under the Plan. The Administrator shall have the authority to provide that all Shares or other securities of the Company issued under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or quoted and any other applicable federal, state, local or non-U.S. laws, rules, regulations and other requirements, and the Administrator may cause a legend or legends to be put on certificates representing Shares or other securities of the Company issued under the Plan to make appropriate reference to such restrictions or may cause such Shares or other securities of the Company issued under the Plan in book-entry form to be held subject to the Company's instructions or subject to appropriate stop-transfer orders. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it, in its sole discretion, deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

19

(b) The Administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of Shares to the Participant, the Participant's acquisition of Shares from the Company and/or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable. If the Administrator determines to cancel all or any portion of an Award in accordance with the foregoing, the Company shall, subject to any limitations or reductions as may be necessary to comply with Code Section 409A, (i) pay to the Participant an amount equal to the excess of (A) the aggregate Fair Market Value of the Shares subject to such Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the Shares would have been vested or issued, as applicable), over (B) the aggregate Exercise Price (in the case of an Option or Stock Appreciation Right) or any amount payable as a condition of issuance of Shares (in the case of any other Award), and such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof, or (ii) in the case of Restricted Shares, Restricted Stock Units or Other Share-Based Awards, provide the Participant with a cash payment or equity subject to deferred vesting and delivery consistent with the vesting restrictions applicable to such Restricted Shares, Restricted Stock Units or Other Share-Based Awards, or the underlying Shares in respect thereof.

Section 25. Erroneously Awarded Compensation.

The Plan and all Awards issued hereunder shall be subject to any compensation recovery and/or recoupment policy adopted by the Company to comply with applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices, as such policies may be amended from time to time.

Section 26. Governing Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of law of such state.

Section 27. Plan Document Controls.

The Plan and each Award Agreement together constitute the entire agreement with respect to the subject matter hereof and thereof; *provided*, that in the event of any inconsistency between the Plan and such Award Agreement, the terms and conditions of the Plan shall control.

20

**INNO HOLDINGS INC.
CODE OF BUSINESS CONDUCT AND ETHICS**

1. Introduction.

1.1. The Board of Directors of Inno Holdings Inc. (the “**Company**”) has adopted this Code of Business Conduct and Ethics (this “**Code**”) in order to:

- (a) promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- (b) promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the “**SEC**”) and in other public communications made by the Company;
- (c) promote compliance with applicable governmental laws, rules and regulations;
- (d) deter wrongdoing; and
- (e) ensure accountability for adherence to this Code.

1.2. All directors, officers and employees, including principal executive officer, principal financial officer and principal accounting officer are required to be familiar with this Code, comply with its provisions and report any suspected violations as described below in Section 6.

2. Honest and Ethical Conduct.

2.1. The Company's policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

2.2. Each director, officer and employee must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job.

3. Conflicts of Interest.

3.1. A conflict of interest occurs when an individual's private interest (or the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director (or a member of his or her family) takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of his or her family) receives improper personal benefits as a result of his or her position in the Company.

3.2. Loans by the Company to, or guarantees by the Company of obligations of, employees or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any director or executive officer are expressly prohibited.

3.3. Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized as described in Section 3.4.

3.4. Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with, and seek a determination and prior authorization or approval from, their supervisor or the Chief Compliance Officer. If the Company does not have a Chief Compliance Officer, then references in this Code to Chief Compliance Officer shall be deemed to be references to the Company's Chief Financial Officer. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Chief Compliance Officer with a written description of the activity and seeking the Chief Compliance Officer's written approval. If the supervisor is himself involved in the potential or actual conflict, the matter should instead be discussed directly with the Chief Compliance Officer.

3.5. Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee, or the Board of Directors if no Audit Committee exists.

4. Compliance.

4.1. Employees, officers and directors should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which the Company operates.

4.2. Although not all employees, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel. Questions about compliance should be addressed to the Chief Compliance Officer.

4.3. No director, officer or employee may purchase or sell any Company securities while in possession of material non-public information regarding the Company, nor may any director, officer or employee purchase or sell another company's securities while in possession of material non-public information regarding that company. It is against Company policies and illegal for any director, officer or employee to use material non-public information regarding the Company or any other company to (a) obtain profit for himself or herself; or (b) directly or indirectly “tip” others who might make an investment decision on the basis of that information.

5. Disclosure.

5.1. The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information,

must comply with applicable federal securities laws and SEC rules.

5.2. Each director, officer and employee who contributes in any way to the preparation or verification of the Company's financial statements and other financial information must ensure that the Company's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel.

5.3. Each director, officer and employee who is involved in the Company's disclosure process must: (a) be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and (b) take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure.

6. Reporting.

6.1. Actions prohibited by this Code involving directors or executive officers must be reported to the Audit Committee, or the Board of Directors if no Audit Committee exists.

6.2. Actions prohibited by this Code involving any other person must be reported to the reporting person's supervisor or the Chief Compliance Officer.

6.3. After receiving a report of an alleged prohibited action, the Audit Committee, or the Board of Directors if no Audit Committee exists, the relevant supervisor, or the Chief Compliance Officer must promptly take all appropriate actions necessary to investigate.

6.4. All directors, officers and employees are expected to cooperate in any internal investigation of misconduct.

7. Enforcement.

7.1. The Company must ensure prompt and consistent action against violations of this Code.

7.2. If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the full Board of Directors.

7.3. If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or the Chief Compliance Officer determines that a violation of this Code has occurred, the supervisor or the Chief Compliance Officer will report such determination to the Chief Executive Officer or the General Counsel, if the Company has a General Counsel.

7.4. Upon receipt of a determination that there has been a violation of this Code, the Board of Directors or the Chief Executive Officer or General Counsel will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

8. Waivers and Amendments.

8.1. Each of the Audit Committee or the Board of Directors if no Audit Committee exists (in the case of a violation by a director or executive officer) and the Chief Executive Officer or General Counsel (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code or make any amendment of this Code.

8.2. Any waiver for a director or an executive officer or any amendment of this Code shall be disclosed as required by SEC rules and the applicable rules of any trading market on which the Company's securities are listed or quoted, or on the Company's website within four (4) business days following the date of such amendment or waiver.

9. Prohibition on Retaliation.

The Company does not tolerate acts of retaliation against any director, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.

Adopted by the Board of Directors on December 18, 2023.

**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 annual report on Form 10-K 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: January 16, 2024

By: /s/ Dekui Liu

Dekui Liu

Chief Executive Officer

(Principal Executive Officer)

**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 annual report on Form 10-K 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: January 16, 2024

By: /s/ Tianwei Li

Tianwei Li

Chief Financial Officer

(Principal Financial Officer and Accounting Officer)

**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 Annual Report on Form 10-K for the year ended September 30, 2023 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: January 16, 2024

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

**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 Annual Report on Form 10-K for the year ended September 30, 2023 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: January 16, 2023

By: /s/ Tianwei Li

Tianwei Li

Chief Financial Officer

(Principal Financial Officer and Accounting Officer)

INNO HOLDINGS INC.

INCENTIVE BASED COMPENSATION RECOUPMENT POLICY

1. **Purpose.** The purpose of the Inno Holdings Inc. Incentive Based Compensation Recoupment Policy (the "**Policy**") is to set forth the circumstances in Inno Holdings Inc. (the "**Company**") will recover the amount of Erroneously Awarded Compensation (as defined below) received by a current or former Executive Officer (as defined below) in the event that the Company is required to prepare an Accounting Restatement (as defined below).
2. **Definitions.** For purposes of this Policy, the following terms have the definitions set forth below:
 - A. "**Accounting Restatement**" shall mean the required revision of a previously issued financial statement for correction of an error in such financial statement that is (i) due to the material noncompliance of the Company with any applicable financial reporting requirement under the U.S. federal securities laws, including any required accounting restatement to correct an error in a previously issued financial statement that is material to such previously issued financial statement, or (ii) not material to a previously issued financial statement, but would result in a material misstatement if the error were corrected in the current period (i.e., as of the time of the Accounting Restatement) financial statements or left uncorrected in the current period financial statements.
 - B. "**Board**" shall mean the Board of Directors of the Company.
 - C. "**Committee**" shall mean the Compensation Committee of the Board, or in the absence of such committee, a group constituting the majority of the Board's independent directors.
 - D. "**Effective Date**" shall mean October 2, 2023.
 - E. "**Erroneously Awarded Compensation**" shall mean, with respect to each Executive Officer and in connection with any Accounting Restatement, the amount of Incentive Based Compensation received by such Executive Officer that exceeds the amount of Incentive Based Compensation that would have been received by such Executive Officer had it been determined based on the restated amounts set forth in the Accounting Restatement.
 - F. "**Executive Officer**" shall mean each individual designated as an "officer" of the Company in accordance with 17 C.F.R. 240.16a-1(f). Identification of an executive officer for purposes of this Policy would include, at a minimum, executive officers identified pursuant to 17 C.F.R. 229.401(b).
 - G. "**Financial Reporting Measures**" means financial measures that are used for evaluating the attainment of Incentive Based Compensation and that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, as well as any financial measures that are derived wholly or in part from such measures. For purposes of this Policy, the Company's stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the SEC.

 - H. "**Incentive Based Compensation**" means compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure, including any earnings, proceeds or other economic benefit received at any time related thereto. Incentive Based Compensation is deemed received by an Executive Officer in the Company's fiscal year during which the Financial Reporting Measure specified in the Incentive Based Compensation award is attained, even if the payment or grant of the Incentive Based Compensation occurs after the end of that period.
 - I. "**Nasdaq**" shall mean the Nasdaq Stock Market.
 - J. "**Required Restatement Date**" shall mean the earlier to occur of (i) the date upon which the Board, the Committee or the officers of the Company authorized to take such action, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date upon which a court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement in a final, non-appealable order or judgment.
 - K. "**SEC**" shall mean the U.S. Securities and Exchange Commission.
3. **Application.**
 - A. This Policy applies to all Incentive Based Compensation received by a current and former Executive Officer: (i) on or after the Effective Date; (ii) after beginning service as an Executive Officer; (iii) who served as an Executive Officer at any time during the performance period for which Incentive Based Compensation was received; (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (v) during the three completed fiscal years immediately preceding the Required Restatement Date.
 - B. Notwithstanding Paragraph A of this Section 3, this Policy applies during any transition period that results from a change in the Company's fiscal year within or immediately following the three completed fiscal year period. For the avoidance of doubt any transition period between the last day of the Company's previous fiscal-year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.
 - C. For the avoidance of doubt, references to Executive Officer throughout this Policy shall be read to refer to current or former Executive Officers in accordance with this Section 3, unless otherwise noted.

4. **Recovery of Erroneously Awarded Incentive Based Compensation.**

- A. In the event of an Accounting Restatement, the Company shall promptly determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall provide written notice to each Executive Officer of (i) the Required Restatement Date, (ii) the amount of Erroneously Awarded Compensation received, and (iii) the method, manner, and time for repayment or return or such Erroneously Awarded Compensation, as applicable. The amount of Incentive Based Compensation that is subject to recovery will be computed without regard to any taxes paid.
- B. The Committee shall have the discretion to reasonably determine the appropriate means of recovery of such Erroneously Awarded Compensation based on applicable facts and circumstances. If an Executive Officer fails to repay Erroneously Awarded Compensation to the Company by the time and in the manner set forth in writing by the Committee, the Company shall take all actions reasonable and appropriate to recover the Erroneously Awarded Compensation from the Executive Officer. The Executive Officer shall be required to reimburse the Company for all expenses and attorney's fees reasonably incurred by the Company in recovering Erroneously Awarded Compensation to the extent permitted under applicable law.
- C. For Incentive Based Compensation based on the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement:
- i. the amount will be based on a reasonable estimate of the effect of the accounting restatement on the Company's stock price or total shareholder return upon which the Incentive Based Compensation was received; and
 - ii. the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.
5. **Recovery Exceptions.** The Company will recover Erroneously Awarded Compensation in accordance with this Policy, except to the extent that any of the following conditions are met and applicable, and the Committee has determined that recovery would be impracticable:
- A. the direct expense reasonably expected to be paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; *provided* that before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on the expense of enforcement, the Company will make a reasonable attempt to recover such Erroneously Awarded Compensation without incurring any third party expense, document such reasonable attempt(s) to recover and provide such documentation to Nasdaq;

3

- B. recovery would violate home country law, applicable where the Company is incorporated outside of the United States, and that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company will obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and provide such opinion to Nasdaq; or
- C. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
6. **Reporting and Disclosure Requirements.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable SEC filings.
7. **Indemnification Prohibition.** The Company will not indemnify any current or former Executive Officer against any losses stemming from the application of this Policy to Erroneously Awarded Compensation.
8. **Other Recoupment Rights.** This Policy is not intended to limit the Company's ability to pursue equitable relief or other means to recover monetary damages resulting from an Executive Officer's wrongdoing. The Company retains all rights it may have under applicable law.
9. **Administration.** The Committee shall have sole discretion in making all determinations under this Policy. Any determinations of the Committee shall be binding on the Executive Officer.
10. **Amendment.** This Policy may be amended from time to time in the Committee's sole discretion.
11. **Compliance with the Exchange Act.** Notwithstanding the foregoing, this Policy shall be interpreted and administered consistent with the applicable securities laws, including the requirements of (i) Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (ii) Rule 10D-1 under the Exchange Act, and (iii) the listing standards adopted by Nasdaq pursuant to Rule 10D-1, and, to the extent this Policy is in any manner deemed inconsistent with such requirements, this Policy shall be treated as retroactively amended to be compliant with such requirements.
12. **Acknowledgement.** Each Executive Officer shall sign and return to the Company, within 15 calendar days following the later of (i) the Effective Date or (ii) the date the individual becomes an Executive Officer, the Acknowledgement Form attached as **Exhibit A**.
13. **Savings Clause.** To the extent that any of the provisions of this Policy are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, such provision shall be deleted, and the balance of this Policy shall not be affected.

Approved and Adopted: October 30, 2023

4

Exhibit A

INNO HOLDINGS INC.

INCENTIVE-BASED COMPENSATION RECOVERY POLICY

ACKNOWLEDGEMENT AND ACCEPTANCE FORM

By signing this Acknowledgement and Acceptance Form below, the undersigned (the "**Executive Officer**") acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Incentive-Based Compensation Recovery Policy (the "**Policy**") of Inno Holdings Inc. (the "**Company**").

In consideration of the Executive Officer's eligibility to receive future Incentive-Based Compensation (as defined in the Policy) and to participate in

Incentive-Based Compensation plans, as well as other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Executive Officer signing this Acknowledgement and Acceptance Form below, the Executive Officer acknowledges and agrees that:

1. the Executive Officer is and will continue to be fully bound by, and subject to, the Policy;
2. in the event of any inconsistency between the Policy and the terms of any employment or separation agreement to which the Executive Officer is a party, or the terms of any compensation plan, program or arrangement under which any Incentive-Based Compensation is granted, awarded, earned or paid, **the terms of the Policy shall govern**;
3. the Policy will apply **both during and after the Executive Officer's employment with the Company** ;
4. the Policy will apply **to past and future Incentive-Based Compensation as provided in the Policy** ; and
5. the Executive Officer is required to comply with the terms and conditions of the Policy, including, without limitation, the requirement to return any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy.

ACKNOWLEDGED AND ACCEPTED:

EXECUTIVE OFFICER

Signature

Print Name: _____

Date: _____

**INNO HOLDINGS INC.
AUDIT COMMITTEE CHARTER**

I. Purpose.

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of Inno Holdings Inc. (the “**Company**”). The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to (i) the integrity of the Company’s and its subsidiaries’ financial statements and financial reporting process and the Company’s and its subsidiaries’ systems of internal accounting and financial controls, (ii) the performance of the internal and external audit services function, (iii) the annual independent audit of the Company’s and subsidiaries’ financial statements, the engagement of the independent auditors and the evaluation of the independent auditors’ qualifications, independence and performance, (iv) the compliance by the Company with legal and regulatory requirements, including the Company’s disclosure of controls and procedures, (v) the evaluation of enterprise risk issues, and (vi) the fulfillment of the other responsibilities set out herein.

The Audit Committee shall prepare the report required by the U.S. Securities and Exchange Commission (the “**SEC**”) to be included in the Company’s public filing.

II. Membership, Structure and Qualifications.

Membership and Structure. The Committee shall not consist of fewer than three (3) or more than seven (7) directors. The Committee members shall be elected annually by the Board for terms of one (1) year, or until their successors shall be duly elected and qualified.

Qualifications. All Committee members shall meet all applicable independence requirements of the Nasdaq Stock Market and any successor thereto (“**Nasdaq**”) and of Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act, and other applicable rules and regulations of the SEC. Additionally, no member of the Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the preceding three (3) years and all members of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement.

Chairman. Unless the Chairman of the Committee (the “**Chairman**”) is elected by the full Board, the Committee members may designate a Chairman.

Resignation, Removal and Replacement. Any director may resign from the Committee at any time upon notice of such resignation to the Company. An independent director who ceases to be independent under Nasdaq requirements shall promptly resign to the extent required for the Company to comply with applicable laws, rules and regulations. The Board shall have the power at any time to remove a member of the Committee with or without cause, to fill all vacancies, and to designate alternate members, upon the recommendation of the Committee, to replace any absent or disqualified members, so long as the Committee shall at all times have at least three (3) members and be composed solely of independent board members.

Financial Expert. As a matter of best practices, the Committee will endeavor to have at least one of its members with the requisite qualifications to be designated by the Board as an “audit committee financial expert,” as such term is defined by Item 407(d)(5) of Regulation S-K. The Committee shall report to the Board for further action as appropriate, including, but not limited to, a determination by the Board that the Committee membership includes or does not include one or more “audit committee financial experts” and any related disclosure to be made concerning this matter. The designation of a member of the Committee as an “audit committee financial expert” will not increase the duties, obligations or liability of the designee as compared to the duties, obligations and liability imposed on the designee as a member of the Committee and of the Board. If the Committee does not have an “audit committee financial expert,” then, in accordance with Nasdaq requirements, at least one member of the Committee must be financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities.

III. Meetings and Other Actions.

All meetings of and other actions by the Committee shall be held and taken pursuant to the bylaws of the Company (as may be amended from time to time, the “**Bylaws**”), including provisions governing notice of meetings and waiver thereof, the number of Committee members required to take action at meetings and by written consent, and other related matters. The Committee may invite any director who is not a member of the Committee, management, counsel, representatives of service providers or other persons to attend meetings and provide information as the Committee, in its sole discretion, considers appropriate.

Unless otherwise authorized by the Board, the Committee shall not delegate any of its authority to any subcommittee.

IV. Goals, Responsibilities and Authority.

The function of the Committee is to oversee the Company’s management and independent accountants in the production of the Company’s financial statements, as well as all controls and procedures relating thereto. The Company’s management is primarily responsible for the preparation and presentation of the Company’s financial statements and for maintaining appropriate systems for accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The Company’s independent accountants are primarily responsible for planning and carrying out a proper audit of the Company’s annual financial statements, reviewing the Company’s unaudited interim financial statements and auditing management’s assessment of effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (the “**PCAOB**”) and other procedures. The independent accountants are accountable to the Board and the Committee, as representatives of the Company’s stockholders. The Board and the Committee have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the Company’s independent accountants. For purposes of this Charter, the term “**management**” means the appropriate officers of each of the Company and its subsidiaries and the phrase “**internal accounting staff**” means the appropriate officers and employees of each of the Company and its subsidiaries.

members of management and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty or the responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures to determine if the financial statements are complete and accurate and whether they have been prepared in accordance with generally accepted accounting principles in effect in the United States ("GAAP") or to set auditor independence standards.

Each member of the Committee shall be entitled to rely on (i) the integrity of those persons within and outside the Company and management from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board), and (iii) statements made by the officers and employees of the Company and its subsidiaries or other third parties as to any information technology, internal and external audit and other non-audit services provided by the independent accountants to the Company. In carrying out its responsibilities, the Committee's policies and procedures shall be adapted, as appropriate, to best react to changing markets and regulatory environments.

Nothing in this Charter shall be interpreted as diminishing or derogating the duties, responsibilities or obligations of the Board. Subject to the requirements of the Bylaws, the Committee shall:

Retention of Independent Accountants and Approval of Services

1. Select or retain each year a firm or firms of independent accountants to audit the accounts and records of the Company and its subsidiaries, to approve the terms of compensation of such independent accountants (including negotiating and executing on behalf of the Company engagement letters) and to terminate such independent accountants as it deems appropriate.

2. Pre-approve any independent accountants' engagement to render audit and/or permissible non-audit services (including the fees charged and proposed to be charged by the independent accountants), subject to the *de minimus* exceptions under Section 10A(i)(1)(B) of the Exchange Act, and as otherwise required by law.

3. The Committee may delegate its pre-approval responsibilities to one (1) or more of its members. The member(s) to whom such responsibility is delegated must report, for informational purposes only, any pre-approval decisions to the Committee at its next scheduled meeting.

Oversight of the Independent Accountants

4. Obtain and review a report from the independent accountants at least annually regarding:

- (a) the independent accountants' internal quality-control procedures;
- (b) any material issues raised by the most recent internal quality-control review, peer review, or review by the PCAOB, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) years respecting one (1) or more independent audits carried out by the firm;
- (c) any steps taken with regard to the issues identified in (a) or (b) above; and
- (d) all relationships between the independent accountants and the Company and its subsidiaries.

5. Obtain from the independent accountants annually a formal written statement of the fees billed in each of the last two (2) fiscal years for each of the following categories of services rendered by the independent accountants:

- (a) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's quarterly reports or services that are normally provided by the independent accountants in connection with statutory or regulatory filings or engagements;
- (b) that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service;
- (c) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and
- (d) all other products and services rendered by the independent accountants, in the aggregate and by each service.

6. Evaluate the qualifications, performance and independence of the independent accountants, including the following:

- (a) evaluating the performance of the lead (or coordinating) audit partner, and the quality and depth of the professional staff assigned to the Company and its subsidiaries;
- (b) considering whether the accountant's quality controls are appropriate and adequate in light of the standards and requirements established by the PCAOB and under applicable law at such time; and
- (c) considering whether the provision of permitted non-audit services is compatible with maintaining the accountant's independence.

7. Consider the opinions of management and the internal accounting staff in connection with the foregoing responsibilities. The Committee shall present its conclusions with respect to the independent accountants to the Board.

8. Monitor the rotation required by Section 10A(j) of the Exchange Act of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit.

9. Oversee compliance with the following guidelines relating to the Company's hiring of employees or former employees of the independent accountants:

- (a) no member of the audit team that is auditing the Company can be hired by the Company in a financial reporting oversight role (as defined in the SEC's Regulation S-X) for a period of one (1) year following association with that audit; and

- (b) the Company's Chief Financial Officer shall report annually to the Committee the profile of the preceding year's hires from the independent accountants.

10. Consider the effect on the Company of:

- (a) any changes in accounting principles or practices proposed by management or the independent accountants;
- (b) any changes in service providers, such accountants, that could impact the Company's internal control over financial reporting; and
- (c) any changes in schedules (such as fiscal or tax year-end changes) or structures or transactions that require special accounting activities, services or resources.

11. Review any presentations or reports prepared by the independent accountants with respect to any applicable Federal tax matters.

12. Annually review a formal written statement from the independent accountants delineating all relationships between the independent accountants and the Company, consistent with applicable requirements and standards of the SEC and the PCAOB, and discuss with the independent accountants their methods and procedures for ensuring independence.

13. Evaluate the efficiency and appropriateness of the services provided by the independent accountants, including any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information.

5

14. Interact with the independent accountants, including reviewing and, where necessary, resolving any problems or difficulties the independent accountants may have encountered in connection with the annual audit or otherwise, any management letters provided to the Committee and the Company's responses. Such review shall address any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, any disagreements that have arisen between management and the independent accountants regarding financial reporting.

15. Review with the independent accountants the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

Financial Statements and Disclosure Matters

16. Review and discuss with management and the independent accountants the annual audited financial statements, including disclosures made in management's discussion and analysis of financial condition and results of operations, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.

17. Review and discuss with management and the independent accountants the Company's quarterly financial statements, including disclosures made in management's discussion and analysis of financial condition and results of operations, prior to the filing of its Quarterly Reports on Form 10-Q, including the results of the independent accountants' reviews of the quarterly financial statements.

18. Review with the Company's Chief Executive Officer, Chief Financial Officer and independent accountants, the adequacy and effectiveness of the Company's and its subsidiaries' internal control over financial reporting and review periodically, but in no event less frequently than quarterly, management's conclusions about the effectiveness of such internal control over financial reporting, including any significant deficiencies and material weaknesses in, or material non-compliance with, such internal control.

19. Review with the Company's Chief Executive Officer, Chief Financial Officer and independent accountants, the adequacy and effectiveness of the Company's and its subsidiaries' disclosure controls and procedures and review periodically, but in no event less frequently than quarterly, management's conclusions about the effectiveness of such disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures.

20. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer, or persons performing similar roles, during their certification process for the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q concerning any significant deficiencies in the design or operation of disclosure controls and procedures and, when applicable, internal control over financial reporting, or material weaknesses in such control, and any fraud involving management or other employees who have a significant role in the Company's disclosure controls and procedures and internal control over financial reporting.

6

21. Review and discuss the types of information to be disclosed and the types of presentation to be made in connection with earnings releases by the Company and its subsidiaries.

22. Review and discuss the types of financial and non-financial information and earning guidance to be provided to analysts and ratings agencies.

23. Meet with the Company's independent accountants at least four times during each fiscal year, including private meetings, and review written materials prepared by the independent accountants, as appropriate. At these meetings, the Committee shall:

- (a) review the arrangements for and the scope of the annual audit and any special audits or other special permissible services;
- (b) review the Company's financial statements and to discuss any matters of concern arising in connection with audits of such financial statements, including any adjustments to such statements recommended by the independent accountants or any other results of the audits;
- (c) consider and review, as appropriate and in consultation with the independent accountants, the appropriateness and adequacy of the Company's financial and accounting policies, internal control over financial reporting and, as appropriate, the internal controls of key service providers, and to review management's responses to the independent accountants' comments relating to those policies, procedures and controls, and to take any necessary action in light of material control deficiencies;
- (d) review with the independent accountants their opinions as to the fairness of the financial statements; and

- (e) review and discuss quarterly reports from the independent accountants relating to: (1) all critical accounting policies and practices to be used; (2) all alternative treatment of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants; and (3) other material written communications between the independent accountant and management, such as any management letter or schedule of unadjusted differences.

24. Prepare the report required by the SEC to be included in the Company's public filing.

Compliance Oversight

25. Administer the following procedures relating to the receipt, retention and treatment of complaints received by the Company regarding questionable accounting, internal accounting controls over financial reporting or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters:

- (a) the Company shall forward to the Committee any complaints or concerns that it has received regarding questionable financial statement disclosures, accounting, internal accounting controls or auditing matters;

7

- (b) the Company shall establish and publish on its website an e-mail address for receiving anonymous complaints or concerns related to questionable financial statement disclosures, accounting, internal accounting controls or auditing matters, provided that the Company may engage the services of a third-party service provider to receive such complaints on behalf of the Company via telephone, email or other appropriate method;
- (c) any employee of the Company may submit, on a confidential, anonymous basis if the employee so desires, any concerns regarding questionable financial statement disclosures, accounting, internal accounting controls or auditing matters by setting forth such concerns in writing and forwarding them in a sealed envelope to the Chairman of the Committee, such envelope to be labeled with a legend such as "To be opened by the Committee only" (employees may deposit such envelope in the Company's internal mail system or deliver it by hand to a member of the Committee and if an employee would like to discuss any matter with the Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Committee deems it appropriate);
- (d) the Committee shall review and consider any such complaints and concerns that it has received and take any action that it deems appropriate in order to respond thereto;
- (e) the Committee may request special treatment for any complaint or concern, including the retention of outside counsel or other advisors; and
- (f) the Committee shall retain any such complaints or concerns for a period of no less than five (5) years.

The Committee shall annually reassess the effectiveness of the procedures described immediately above and modify them as necessary

26. The Committee will be designated as and serve as the Qualified Legal Compliance Committee for the Company in accordance with the provisions of Section 307 of Sarbanes-Oxley Act of 2002. Upon receipt of a report of evidence of a material legal violation, the Committee will notify the Board of such report, investigate and recommend appropriate measure to the Board. If the Company does not appropriately respond, the Committee may take further appropriate action, including notification to the SEC.

27. Review with management or any external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the Company and any material reports or inquiries from regulatory or governmental agencies.

8

28. Review with management the adequacy and effectiveness of the Company's procedures to ensure compliance with its legal and regulatory responsibilities.

29. Discuss with management, the independent accountants, outside counsel, as appropriate, and, in the judgment of the Committee, such special counsel, separate accounting firm and other consultants and advisors as the Committee deems appropriate, any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements, accounting policies or internal control over financial reporting.

30. Obtain reports from management, the internal or external auditor or internal or external audit service provider, as the case may be, and the independent auditor regarding compliance with applicable legal and regulatory requirements.

Oversight of Company's Internal And External Audit Function

31. The internal and external auditor or internal and external audit service provider, as the case may be, shall report periodically to the Committee regarding any significant deficiencies in the design or operation of the Company's and its subsidiaries' internal control over financial reporting, material weaknesses in the internal control over financial reporting and any fraud (regardless of materiality) involving persons having a significant role in the internal control over financial reporting, as well as any significant changes in internal control over financial reporting implemented by management during the most recent reporting period of the Company.

32. Discuss with management, the internal and external auditor or internal and external audit service provider, as the case may be, and the independent accountant the Company's major risk exposures (whether financial, operations or both) and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

33. With respect to any internal and external audit services that may be outsourced, engage, evaluate and terminate internal and external audit service providers and approve fees to be paid to such internal and external audit service providers.

Financial Oversight

34. Review and approve decisions by the Company and its subsidiaries to enter into derivative transactions (including, but limited to, swaps, put and call options or combinations thereof, caps, floors, collars, and forward or spot exchanges) and related matters, as appropriate, as well as non-cleared swaps that are exempt from the clearing and trade execution requirements established under applicable federal law, rules and regulations, including

swaps that are entered into in reliance upon the “end-user exceptions” to the mandatory execution and clearing requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulations. The Committee may review and approve swap transactions submitted to it by management on (a) an individual transaction basis or (b) a blanket basis, with respect to all non-cleared swaps that are exempt from the federal clearing and trade execution requirements, which approval must be reviewed at least annually.

35. Periodically review, at least on an annual basis, or more often (particularly in the event of a material change in hedging strategy) and approve the Company's policies for the use of swaps that are entered into in reliance upon the end-user exceptions.

Other

36. Prepare the disclosure required by Item 407(d)(3)(i) of Regulation S-K.

37. Report its activities to the Board on a regular basis and to make such recommendations with respect to the matters described above and other matters as the Committee may deem necessary or appropriate.

38. Perform an annual self-evaluation of the Committee's performance and annually review and reassess the adequacy of and, if appropriate, propose to the Board, any desired changes in, this Charter.

39. The Committee shall have such further responsibilities as are given to it from time to time by the Board. The Committee shall consult, on an ongoing basis, with management, the independent accountants and counsel as to legal or regulatory developments affecting its responsibilities, as well as relevant tax, accounting and industry developments.

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its duties.

V. Additional Resources.

The Committee shall have the right to use reasonable amounts of time of the Company's independent accountants, outside lawyers and other internal staff and also shall have the right to hire independent experts, lawyers and other consultants to assist and advise the Committee in connection with its responsibilities. The Committee shall also be given the resources, as determined by the Committee, for payment of (i) compensation to any registered independent public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation to any independent experts, lawyers and other consultants hired to assist and advise the Committee in connection with its responsibilities, and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall keep the Company's Chief Financial Officer advised as to the general range of anticipated expenses for outside consultants, and shall obtain the concurrence of the Board in advance for any expenditures.

VI. Amendments.

Any amendments to this Charter must be approved or ratified by a majority vote of the Company's Board, including a majority of independent directors.

VII. Disclosure of Charter.

This Charter will be made available on the Company's website.

Adopted by the Board of Directors on December 18, 2023.

**INNO HOLDINGS INC.
COMPENSATION COMMITTEE CHARTER**

I. Purpose.

The Compensation Committee (the “**Committee**”) is established by the Board of Directors (the “**Board**”) of Inno Holdings Inc. (the “**Company**”). The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities related to the Company’s compensation structure and compensation, including equity compensation, and other remunerations paid by the Company.

The Committee has overall responsibility for (i) reviewing and approving the remuneration of the Company’s Chief Executive Officer, Chief Financial Officer and any other executive officers that serve in executive officer capacities for the Company, (ii) evaluating and making recommendations to the Board regarding the compensation of the directors of the Company; (iii) evaluating and making recommendations to the Board regarding equity-based and incentive-compensation plans, policies and programs that are subject to Board approval; and (iv) the fulfillment of the other responsibilities set out herein.

II. Membership, Structure and Qualifications.

Membership and Structure. The Committee shall consist of three (3) or more independent directors. The Committee members shall be elected annually by the Board, for terms of one (1) year, or until their successors shall be duly elected and qualified.

Qualifications. All Committee members shall meet all applicable independence requirements of the Nasdaq Stock Market and any successor thereto (“**Nasdaq**”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the “**SEC**”). In addition, each member of the Committee also shall satisfy all requirements necessary from time to time to be “non-employee directors” under Rule 16b-3 of the Exchange Act of 1934, as amended.

Chairman. Unless the Chairman of the Committee (the “**Chairman**”) is elected by the full Board, the Committee members may designate a Chairman.

Resignation, Removal and Replacement. Any director may resign from the Committee at any time upon notice of such resignation to the Company. An independent director who ceases to be independent under Nasdaq requirements shall promptly resign to the extent required for the Company to comply with applicable laws, rules and regulations. The Board shall have the power at any time to remove a member of the Committee with or without cause, to fill all vacancies, and to designate alternate members, upon the recommendation of the Committee, to replace any absent or disqualified members, so long as the Committee shall at all times have at least three (3) members and be composed solely of independent board members.

III. Meetings and Other Actions.

All meetings of and other actions by the Committee shall be held and taken pursuant to the bylaws of the Company (as may be amended from time to time, the “**Bylaws**”), including provisions governing notice of meetings and waiver thereof, the number of Committee members required to take action at meetings and by written consent, and other related matters. The Committee may invite any director who is not a member of the Committee, management, counsel, representatives of service providers or other persons to attend meetings and provide information as the Committee, in its sole discretion, considers appropriate.

Unless otherwise authorized by the Board, the Committee shall not delegate any of its authority to any subcommittee.

IV. Goals, Responsibilities and Authority.

The following are the general goals, responsibilities and authority of the Committee and are set forth only for its guidance. The Committee, however, may diverge from these responsibilities and/or may assume such other responsibilities as the Board may delegate from time to time and/or as the Committee may deem necessary or appropriate from time to time in performing its functions in accordance with the Bylaws and other governance documents of the Company and with applicable law (it being understood that the Committee may condition its approval of any compensation on Board ratification to the extent so required to comply with applicable tax law).

Nothing in this Charter shall be interpreted as diminishing or derogating the duties, responsibilities or obligations of the Board. Subject to the requirements of the Bylaws, the Committee shall:

Executive Compensation

1. Review from time to time, modify if necessary, and approve the Company’s corporate goals and objectives relevant to compensation and the Company’s executive compensation structure and compensation range to ensure that it is designed to achieve the objectives of rewarding the Company’s executive officers appropriately for their contributions to corporate growth and profitability.

2. Evaluate the Chief Executive Officer’s performance in light of such goals and objectives and, either as a Committee or together with the other independent directors (as directed by the Board), determine and approve the Chief Executive Officer’s compensation based on this evaluation. The Chief Executive Officer may not be present during voting or deliberations on his or her compensation.

3. Upon the engagement of and annually thereafter, determine and approve the compensation paid to the Company’s Chief Financial Officer and any other executive officers that serve in executive officer capacities for the Company.

Director Compensation

4. Select peer groups of companies that shall be used for purposes of determining competitive director compensation packages.

5. Periodically evaluate and make recommendations to the Board concerning the reimbursement of directors’ expenses, if any, for attendance of

each meeting of the Board.

6. Periodically evaluate and make recommendations to the Board concerning the total compensation package for directors including, without limitation, the annual retainer fee, the meeting fee, incentives, equity-based compensation and other benefits paid to directors, taking into account the compensation of directors at selected peer groups of companies. The Committee shall recommend to the Board any adjustments in director compensation that the Committee considers appropriate.

7. Recommend to the Board the terms and awards of any stock compensation for members of the Board.

Long-Term Incentive Plans

8. Approve all long-term incentive awards for the executive officers of the Company and its subsidiaries.

9. Periodically evaluate (and approve any proposed amendments to) the terms and administration of the Company's and its subsidiaries' annual and long-term incentive plans to assure that they are structured and administered in a manner consistent with the Company's and its subsidiaries' goals and objectives as to participation in such plans, target annual incentive awards, corporate financial goals, actual awards paid to the executive officers of the Company's subsidiaries, and total funds reserved for payment under the compensation plans.

10. Determine when it is necessary (based on advice of counsel) or otherwise desirable: (a) to modify, discontinue or supplement any such plans; or (b) to submit such amendment or adoption to a vote of the full Board and/or the Company's stockholders to the extent required by law.

11. Evaluate and make recommendations to the Board concerning the adoption of any new equity-based and incentive-compensation plan.

12. Oversee the administration of any equity incentive plans of the Company in accordance with their terms, construe all terms, provisions, conditions and limitations of such plan and make factual determinations required for the administration of such plans. The Committee may amend or terminate such plans at any time, subject to the terms of the plans.

Compensation Advisers

13. In its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.

3

14. Have the direct responsibility for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the Committee. The Company must provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, independent or legal counsel that is not independent or any other adviser retained by the Committee.

15. Prior to retaining or obtaining any compensation consultant, independent legal counsel or other adviser (other than in-house legal counsel), the Committee must conduct an independence assessment of such compensation consultant, legal counsel or other adviser, including the consideration of all relevant factors to that person's independence from management. Such factors include, but are not limited to, the following: (a) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser; (b) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser; (c) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest; (d) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a Committee member; (e) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and (f) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company. Only after the Committee has considered the preceding independence factors, the Committee may select or receive advice from any compensation advisor they prefer, including those who are not independent. The Committee is not required to conduct any independence assessment if, pursuant to Regulation S-K Item 407, disclosure of the engagement of such compensation consultant, legal counsel or other adviser is not required.

Other

16. Fulfill any disclosure, reporting or other requirements imposed on or required of the Committee by the SEC, Nasdaq or other applicable laws, rules and regulations, as the forgoing may be amended from time to time.

17. Review organizational and staffing matters with respect to the Company.

18. Prepare the disclosure required by Item 407(e)(5) of Regulation S-K.

19. Grant the right to receive indemnification and right to be paid by the Company the expenses incurred in defending any proceeding in advance to its disposition, to any employees in their capacity as officer, director employee or agent of the Company, any of directors the Company and any of the Company's and its subsidiaries' executive officers to the fullest extent of the provisions of the Bylaws.

20. Perform an annual self-evaluation of the Committee's performance and annually review and reassess the adequacy of and, if appropriate, propose to the Board, any desired changes in, the Committee's Charter.

4

21. Perform such other duties and responsibilities as may be assigned to the Committee, from time to time, by the Board of the Company and/or the Chairman of the Board, or as designated in plan documents.

22. Make regular reports to the Board and propose any necessary action to the Board. Such reports shall provide information with respect to any delegation of authority by the Committee to the Company and its subsidiaries' executive officers or to a third party.

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its duties.

V. Additional Resources.

Subject to the approval of the Board, the Committee shall have the right to use reasonable amounts of time of the Company's independent accountants, outside lawyers and other internal staff to assist and advise the Committee in connection with its responsibilities. The Committee shall keep

the Company's Chief Financial Officer informed as to the general range of anticipated expenses for outside consultants.

VI. Amendments.

Any amendments to this Charter must be approved or ratified by a majority vote of the Company's Board, including a majority of independent directors.

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