UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

OR

[X] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-4298

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

DELAWARE	95-1934119
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5755 KEARNY VILLA ROAD, SAN DIEGO, CALIFORNIA	92123
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code 619-277-6700

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

Yes X No

As of June 30, 1997, the Registrant had 9,439,287 shares of its $1.00 par value common stock outstanding.

COHU, INC.
INDEX
FORM 10-Q
JUNE 30, 1997

PART I FINANCIAL INFORMATION

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	JUNE 30, 1997 (Unaudited)	DECEMBER 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$17,509	$24,660
Short-term investments	36,550	28,326
Accounts receivable, less allowance for doubtful accounts	27,240	19,170
Inventories, at lower of average cost or market:		
Finished goods	3,229	2,395
Work in process	11,803	6,012
Raw materials	10,028	7,175
	25,060	15,582
Deferred income taxes	9,681	9,681
Prepaid expenses	1,107	1,166
Total current assets	117,147	98,585
Property, plant and equipment, at cost:		
Land and land improvements	2,114	2,114
Buildings and building improvements	12,106	11,932
Machinery and equipment	15,521	14,069
	29,741	28,115
Less accumulated depreciation and amortization	11,999	11,304
Net property, plant and equipment	17,742	16,811
Goodwill, net	2,391	2,469
Other assets	105	61
	$137,385	$117,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$10,999	$4,464
Income taxes payable	3,584	1,552
Other accrued liabilities	14,172	14,566
Total current liabilities	28,755	20,582
Accrued retiree medical benefits	960	916
Deferred income taxes	156	156
Stockholders' equity:		
Preferred stock	--	--
Common stock	9,439	9,341
Paid in excess of par	6,496	5,863
Retained earnings	91,579	81,068
Total stockholders' equity	107,514	96,272
	$137,385	$117,926

See accompanying notes

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Net sales	$44,642	$45,864	$79,404	$96,096
Cost and expenses:				
Cost of sales	25,100	24,798	45,008	52,146
Research and development	4,264	3,823	7,525	7,351
Selling, general and administrative	5,169	5,430	9,986	12,303
Income from operations	10,109	11,813	16,885	24,296
Interest income	717	369	1,455	780
Income before income taxes	10,826	12,182	18,340	25,076
Provision for income taxes	3,900	4,600	6,700	9,600
Net income	$6,926	$7,582	$11,640	$15,476
Net income per share	$.70	$.78	$1.18	$1.59
Average common shares and equivalents	9,888	9,703	9,845	9,704

See accompanying notes.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	SIX MONTHS ENDED JUNE 30, 1997	1996
Cash flows from operating activities:		
Net income	$11,640	$15,476
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	800	812
Purchase consideration to be paid in stock	262	662
Increase in accrued retiree medical benefits	44	44
Changes in assets and liabilities:		
Accounts receivable	(8,070)	848
Inventories	(9,478)	(444)
Prepaid expenses	59	(85)
Accounts payable	6,535	(2,027)
Income taxes payable	2,032	(5,424)
Other accrued liabilities	(656)	(1,148)
Net cash provided from operating activities	3,168	8,714
Cash flows from investing activities:		
Purchases of short-term investments	(18,834)	--
Maturities of short-term investments	10,610	--
Purchases of property, plant, equipment and other assets	(1,697)	(4,285)
Net cash used for investing activities	(9,921)	(4,285)
Cash flows from financing activities:		
Issuance of stock, net	731	662
Cash dividends	(1,129)	(925)
Net cash used for financing activities	(398)	(263)
Net increase (decrease) in cash and cash equivalents	(7,151)	4,166
Cash and cash equivalents at beginning of period	24,660	28,874
Cash and cash equivalents at end of period	$17,509	$33,040

Supplemental disclosure of cash flow information: Cash paid during the period for:		
Income taxes	$4,682	$15,004

See accompanying notes.

COHU, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1997

1 - The accompanying interim financial statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for a fair statement of the results for the period. The operating results for the three and six months ended June 30, 1997 are not necessarily indicative of the operating results for the entire year or any future period. These financial statements should be read in conjunction with the consolidated financial statements incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

2 - Net income per share as presented on the statements of income represent primary earnings per share. Dual presentation of primary and fully diluted earnings per share has not been made because the differences are insignificant.

Effective December 31, 1997, the Company will adopt Statement of Financial Accounting Standards No. 128, "Earnings per Share." At that time, the Company will be required to change the method currently used to calculate earnings per share and to restate all prior periods. The new requirements will include a calculation of basic earnings per share, from which the dilutive effect of stock options will be excluded. The basic earnings per share are expected to reflect an increase of $.04 and $.06 per share for the three and six month periods ended June 30, 1997, respectively, over the primary earnings per share reported for these periods. A calculation of diluted earnings per share will also be required; however, this is not expected to differ materially from the primary earnings per share reported for the three and six-month periods ended June 30, 1997 and 1996.

3 - On May 6, 1997 the stockholders of the Company approved the adoption of (i) the Cohu, Inc. 1997 Employee Stock Purchase Plan providing for the issuance of a maximum of 300,000 shares of the Company's Common Stock to employees and (ii) the Cohu, Inc. 1996 Outside Directors Stock Option Plan providing for the issuance of a maximum of 100,000 shares of the Company's Common Stock to Outside Directors.

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
JUNE 30, 1997

RESULTS OF OPERATIONS

SECOND QUARTER 1997 COMPARED TO SECOND QUARTER 1996

Net sales decreased 3% to $44.6 million in the second quarter of 1997 compared to net sales of $45.9 million in 1996. Sales of semiconductor test handling equipment by the Company's Delta Design and Daymarc subsidiaries decreased 3% in the second quarter of 1997 as compared to the second quarter of 1996 and accounted for 80% of consolidated net sales versus 81% in the second quarter of 1996. Sales of television cameras and other equipment were virtually unchanged from 1996 and accounted for 20% of consolidated net sales in the second quarter of 1997 versus 19% in 1996. Gross margin as a percentage of net sales in the second quarter of 1997 was 43.8% versus 45.9% in 1996. The decrease in margin was primarily due to the decline in margins within the semiconductor equipment segment largely attributable to reduced business volume, changes in product mix and certain cost increases. Research and development expense as a percentage of net sales was 9.6% in the second quarter of 1997 compared to 8.3% in 1996 and reflected the Company's continued investment in new product development in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales was approximately 12% in both the 1997 and 1996 periods. Interest income in the second quarter increased 94% to $.7 million due to the significant increase in cash equivalents and short-term investments. The provision for income taxes expressed as a percentage of pre-tax income was 36% in the second quarter of 1997 versus 37.6% for the year ended December 31, 1996. For the second fiscal quarter, as a result of the factors set forth above, net income decreased 9% to $6.9 million in 1997 from $7.6 million in 1996.

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO SIX MONTHS ENDED JUNE 30, 1996

Net sales decreased 17% to $79.4 million in the first six months of 1997 compared to net sales of $96.1 million in 1996. Sales of semiconductor test handling equipment by the Company's Delta Design and Daymarc subsidiaries decreased 21% in the first six months of 1997 and accounted for 78% of consolidated net sales versus 82% in the first six months of 1996. Sales of television cameras and other equipment decreased 1% from 1996 and accounted for 22% of consolidated net sales in the first six months of 1997 versus 18% in 1996. Gross margin as a percentage of net sales in the first six months of 1997 was 43.3% versus 45.7% in 1996. The decrease in margin was primarily due to the decline in margins within the semiconductor equipment segment largely attributable to reduced business volume, changes in product mix and certain cost increases. Research and development expense as a percentage of net sales was 9.5% in the first six months of 1997 compared to 7.6% in 1996 and reflected the Company's continued investment in new product development in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales was approximately 13% in both the 1997 and 1996 periods. Interest income in the 1997 period increased 87% to $1.5 million due to the significant increase in cash equivalents and short-term investments. The provision for income taxes expressed as a percentage of pre-tax income was 36.5% in the first six months of 1997 versus 37.6% for the year ended December 31, 1996. As a result of the factors set forth above, net income decreased 25% to $11.6 million in the first six months of 1997 from $15.5 million in the 1996 period.

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
JUNE 30, 1997

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash flows generated from operating activities in the first six months of 1997 totaled $3.2 million. The major components of cash flows from operating activities were net income of $11.6 million and increases in accounts payable of $6.5 million and income taxes payable of $2 million offset by increases in accounts receivable of $8.1 million and inventories of $9.5 million. Net cash used for investing activities was $9.9 million and was used for the purchase of short-term investments, less maturities ($8.2 million) and property, plant and equipment. Net cash used for financing activities was $.4 million. Cash used for financing activities included $1.1 million for the payment of dividends offset by $.7 million received from the issuance of stock upon the exercise of stock options. The Company had $5 million available under its bank line of credit and working capital of $88.4 million at June 30, 1997. It is anticipated that present working capital and available borrowings under the line of credit will be sufficient to meet the Company's 1997 operating requirements and the remaining anticipated capital expenditures for 1997 of approximately $3 million.

BUSINESS RISKS AND UNCERTAINTIES

The Company's operating results are substantially dependent on the semiconductor test handling equipment business conducted through its Delta Design and Daymarc subsidiaries. This capital equipment business is in turn highly dependent on the overall strength of the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of oversupply, which often have had a significant effect on the semiconductor industry's demand for capital equipment, including equipment of the type manufactured and marketed by the Company. The Company believes that the markets for newer generations of semiconductors may also be subject to similar cycles and downturns such as that experienced in 1996. Reductions in capital equipment investment by semiconductor manufacturers will adversely affect the Company's results of operations.

As is common in the semiconductor equipment industry, the Company relies on a limited number of customers for a substantial percentage of its net sales. The loss of or a significant reduction in orders by these customers would adversely impact the Company's results of operations. Furthermore, the concentration of the Company's revenues in a limited number of large customers may cause significant fluctuations in the Company's future annual and quarterly operating results.

The semiconductor equipment industry is intensely competitive and the Company faces substantial competition from numerous companies throughout the world. Some of these competitors have substantially greater financial, engineering, manufacturing and customer support capabilities than the Company. In addition, there are smaller, emerging semiconductor equipment companies that provide or may provide innovative technology incorporated in products that may compete favorably against those of the Company. The Company expects its competitors to continue to improve the design and performance of their current products and to introduce new products with improved performance capabilities. Failure to introduce new products in a timely manner, the introduction by competitors of products with perceived or actual advantages or disputes over rights of the Company or its competitors to use certain intellectual property or

COHU, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
JUNE 30, 1997

BUSINESS RISKS AND UNCERTAINTIES (cont.)

technology could result in a loss of the Company's competitive position and reduced sales of and margins on existing products.

Semiconductor equipment and processes are subject to rapid technological change. The Company believes that its future success will depend in part on its ability to enhance existing products and develop new products with improved performance capabilities. The Company expects to continue to invest heavily in research and development and must manage product transitions successfully as introductions of new products could adversely impact sales of existing products. There can be no assurance that future technologies, processes and product developments will not render the Company's current product offerings obsolete or that the Company will be able to develop and introduce new products or enhancements to its existing products in a timely manner to satisfy customer needs or achieve market acceptance.

Due to these and other factors, historical results may not be indicative of results of operations for any future period. In addition, certain matters discussed above are forward-looking statements that are subject to the risks and uncertainties noted herein and the other risks and uncertainties listed from time to time in the Company's filings with the Securities and Exchange Commission, including but not limited to the 1996 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted. The Company undertakes no obligation to update the information, including the forward-looking statements, in this Form 10-Q.

PART II OTHER INFORMATION

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

The Annual Meeting of Stockholders was held on May 6, 1997. At the meeting, the following directors were elected:

	Number of Common Shares Voted	
DIRECTOR	For	Withhold Authority
Frank W. Davis	8,885,797	41,840
Harry L. Casari	8,887,483	40,154

The directors continuing in office until 1998 or 1999 are James W. Barnes, William S. Ivans, Gene E. Leary and Charles A. Schwan.

In addition, the stockholders approved the following proposals:

	Number of Common Shares Voted		
PROPOSAL	For	Against	Abstain
To approve the Cohu, Inc. 1997 Employee Stock Purchase Plan	8,273,070	608,108	67,935
To approve the Cohu, Inc. 1996 Outside Directors Stock Option Plan	7,641,876	1,235,095	103,840

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:
10.8(a) - Amendment to Cohu, Inc. 1996 Stock Option Plan
27.1 - Financial Data Schedule

(b) Reports on Form 8-K: The Company did not file any reports on Form 8-K during the quarter ended June 30, 1997.

SIGNATURES

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

COHU, INC.

(Registrant)

Date: July 30, 1997 /s/ Charles A. Schwan

Charles A. Schwan
President & Chief Executive Officer

Date: July 30, 1997 /s/ John H. Allen

John H. Allen
Vice President, Finance & Chief Financial Officer

Exhibit 10.8(a)

AMENDMENT TO COHU, INC. 1996 STOCK OPTION PLAN

Pursuant to the authority granted to the Board of Directors of Cohu, Inc., a Delaware corporation (the "Corporation"), on February 6, 1997 the Board of Directors of the Corporation amended the Cohu, Inc. 1996 Stock Option Plan (the "Plan") by replacing Section 2.1 of the Plan in its entirety with the following:

2.1 "Committee" shall mean the Cohu, Inc. Compensation Committee, appointed by the Board of Directors of the Corporation. If no such Committee is appointed, the entire Board of Directors of the Corporation shall be deemed to constitute the Committee. The Board of Directors of the Corporation may also appoint an Employee Option Committee, consisting of one or more directors, which is authorized to grant options to employees (other than executive officers of the Corporation) subject to such limitations as may be established by the Board of Directors from time to time. If an Employee Option Committee is established, references in the Plan to the term "Committee" shall also include the Employee Option Committee, as the case may be.

/s/ Charles A. Schwan

Charles A. Schwan, Director

/s/ John H. Allen

John H. Allen, Secretary

5

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 1996 AND
1997 FINANCIAL STATEMENTS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1996
JAN-01-1997
JUN-30-1997
17,509
36,550
27,240
0
25,060
117,147
29,741
11,999
137,385
28,755
0
9,439
0
0
98,075
137,385
79,404
79,404
45,008
45,008
0
0
0
18,340
6,700
11,640
0
0
0
11,640
1.18
0.00