

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2026

OR

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

For the transition period from to

Commission file number 001-04298

COHU, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-1934119

(I.R.S. Employer Identification No.)

17087 Via Del Campo, San Diego, California

(Address of principal executive offices)

92127-1711

(Zip Code)

Registrant's telephone number, including area code (858) 848-8100

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, \$1.00 par value	COHU	The Nasdaq Stock Market LLC

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

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

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

As of October 20, 2026, the Registrant had 47,346,050 shares of its \$1.00 par value common stock outstanding.

COHU, INC.
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FORM 10-Q
SEPTEMBER 26, 2026

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Item 1.

COHU, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value amounts)

	September 26, 2026 (Unaudited)	December 27, 2025 *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 272,303	\$ 227,053
Short-term investments	235,645	256,928
Accounts receivable, net	145,243	108,754
Inventories	149,049	129,006
Prepaid expenses and other current assets	27,676	24,356
Taxes receivable	6,419	3,893
Total current assets	836,335	749,990
Property, plant and equipment, net	75,312	76,987
Goodwill	278,721	283,027
Intangible assets, net	57,013	79,272
Other assets	23,429	24,435
Operating lease right of use assets	26,913	29,271
	<u>\$ 1,297,723</u>	<u>\$ 1,242,982</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 15,636	\$ 9,807
Current installments of long-term debt	1,213	1,244
Accounts payable	76,598	40,708
Customer advances	3,818	2,802
Accrued compensation and benefits	32,577	22,463
Deferred profit	9,546	8,626
Accrued warranty	6,163	4,179
Income taxes payable	2,865	2,789
Other accrued liabilities	13,816	16,460
Total current liabilities	162,232	109,078
Long-term debt	285,212	285,026
Deferred income taxes	14,644	15,469
Noncurrent income tax liabilities	3,917	3,975
Accrued retirement benefits	5,209	5,472
Long-term lease liabilities	30,033	31,693
Other accrued liabilities	5,496	6,730
Stockholders' equity		
Preferred stock, \$1 par value; 1,000 shares authorized, none issued	-	-
Common stock, \$1 par value; 150,000 shares authorized; 50,347 shares issued and outstanding in 2026, and 90,000 shares authorized; 49,875 shares issued in 2025	50,347	49,875
Paid-in capital	693,820	681,509
Treasury stock, at cost; 2,997 shares in 2026 and 3,030 shares in 2025	(86,865)	(87,842)
Retained earnings	174,369	174,467
Accumulated other comprehensive loss	(40,691)	(32,470)
Total stockholders' equity	790,980	785,539
	<u>\$ 1,297,723</u>	<u>\$ 1,242,982</u>

* Derived from December 27, 2025, audited financial statements

The accompanying notes are an integral part of these statements.

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

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Net sales	\$ 172,956	\$ 126,249	\$ 447,077	\$ 330,726
Cost and expenses:				
Cost of sales (1)	94,237	70,985	242,863	186,036
Research and development	25,558	22,454	76,888	68,794
Selling, general and administrative	32,748	31,768	101,794	91,645
Amortization of purchased intangible assets	7,177	10,249	21,754	30,182
Restructuring charges	435	509	1,839	8,347
	<u>160,155</u>	<u>135,965</u>	<u>445,138</u>	<u>385,004</u>
Income (loss) from operations	12,801	(9,716)	1,939	(54,278)
Other (expense) income:				
Interest expense	(1,813)	(110)	(5,054)	(434)
Interest income	3,854	1,335	11,564	4,334
Foreign transaction loss	(519)	(111)	(1,150)	(551)
Pension curtailment gain	-	787	-	2,317
Income (loss) before taxes	<u>14,323</u>	<u>(7,815)</u>	<u>7,299</u>	<u>(48,612)</u>
Income tax provision (benefit)	2,194	(3,714)	7,397	3,173
Net income (loss)	<u>\$ 12,129</u>	<u>\$ (4,101)</u>	<u>\$ (98)</u>	<u>\$ (51,785)</u>
Income (loss) per share:				
Basic	<u>\$ 0.26</u>	<u>\$ (0.09)</u>	<u>\$ (0.00)</u>	<u>\$ (1.11)</u>
Diluted	<u>\$ 0.22</u>	<u>\$ (0.09)</u>	<u>\$ (0.00)</u>	<u>\$ (1.11)</u>
Weighted average shares used in computing income (loss) per share:				
Basic	<u>47,410</u>	<u>46,748</u>	<u>47,245</u>	<u>46,685</u>
Diluted	<u>54,366</u>	<u>46,748</u>	<u>47,245</u>	<u>46,685</u>

(1) Excludes amortization of purchased intangibles of \$4,830 and \$7,873 for the three months ended September 26, 2026, and September 27, 2025, respectively, and \$14,677 and \$23,171 for the nine months ended September 26, 2026, and September 27, 2025, respectively.

The accompanying notes are an integral part of these statements.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands)

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Net income (loss)	\$ 12,129	\$ (4,101)	\$ (98)	\$ (51,785)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	558	(622)	(7,128)	18,933
Adjustments related to postretirement benefits	(3)	(355)	8	(1,392)
Change in unrealized gain/loss on investments	(608)	38	(1,101)	39
Other comprehensive income (loss), net of tax	(53)	(939)	(8,221)	17,580
Comprehensive income (loss)	<u>\$ 12,076</u>	<u>\$ (5,040)</u>	<u>\$ (8,319)</u>	<u>\$ (34,205)</u>

The accompanying notes are an integral part of these statements.

COHU, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except par value and per share amounts)

	Common stock \$1 par value	Paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
Three Months Ended September 26, 2026						
Balance at June 27, 2026	\$ 50,339	\$ 689,512	\$ 162,240	\$ (40,638)	\$ (86,865)	\$ 774,588
Net income	-	-	12,129	-	-	12,129
Changes in cumulative translation adjustment	-	-	-	558	-	558
Adjustments related to postretirement benefits, net of tax	-	-	-	(3)	-	(3)
Changes in unrealized gains and losses on investments, net of tax	-	-	-	(608)	-	(608)
Shares issued for restricted stock units vested	14	(14)	-	-	-	-
Repurchase and retirement of stock	(6)	(303)	-	-	-	(309)
Share-based compensation expense	-	4,625	-	-	-	4,625
Balance at September 26, 2026	\$ 50,347	\$ 693,820	\$ 174,369	\$ (40,691)	\$ (86,865)	\$ 790,980

Nine Months Ended September 26, 2026

Balance at December 27, 2025	\$ 49,875	\$ 681,509	\$ 174,467	\$ (32,470)	\$ (87,842)	\$ 785,539
Net loss	-	-	(98)	-	-	(98)
Changes in cumulative translation adjustment	-	-	-	(7,128)	-	(7,128)
Adjustments related to postretirement benefits, net of tax	-	-	-	8	-	8
Changes in unrealized gains and losses on investments, net of tax	-	-	-	(1,101)	-	(1,101)
Shares issued under ESPP	89	1,715	-	-	-	1,804
Shares issued for restricted stock units vested	573	(1,577)	-	-	1,004	-
Repurchase and retirement of stock	(190)	(5,321)	-	-	(27)	(5,538)
Share-based compensation expense	-	17,494	-	-	-	17,494
Balance at September 26, 2026	\$ 50,347	\$ 693,820	\$ 174,369	\$ (40,691)	\$ (86,865)	\$ 790,980

Three Months Ended September 27, 2025

Balance at June 28, 2025	\$ 49,745	\$ 700,763	\$ 201,056	\$ (32,636)	\$ (88,385)	\$ 830,543
Net loss	-	-	(4,101)	-	-	(4,101)
Changes in cumulative translation adjustment	-	-	-	(622)	-	(622)
Adjustments related to postretirement benefits, net of tax	-	-	-	(355)	-	(355)
Changes in unrealized gains and losses on investments, net of tax	-	-	-	38	-	38
Shares issued for restricted stock units vested	-	(287)	-	-	287	-
Repurchase and retirement of stock	-	22	-	-	(78)	(56)
Common stock repurchases	-	-	-	-	(17)	(17)
Share-based compensation expense	-	5,659	-	-	-	5,659
Balance at September 27, 2025	\$ 49,745	\$ 706,157	\$ 196,955	\$ (33,575)	\$ (88,193)	\$ 831,089

Nine Months Ended September 27, 2025

Balance at December 28, 2024	\$ 49,601	\$ 697,489	\$ 248,740	\$ (51,155)	\$ (87,784)	\$ 856,891
Net loss	-	-	(51,785)	-	-	(51,785)
Changes in cumulative translation adjustment	-	-	-	18,933	-	18,933
Adjustments related to postretirement benefits, net of tax	-	-	-	(1,392)	-	(1,392)
Changes in unrealized gains and losses on investments, net of tax	-	-	-	39	-	39
Shares issued under ESPP	144	1,813	-	-	-	1,957
Shares issued for restricted stock units vested	-	(12,555)	-	-	12,555	-
Repurchase and retirement of stock	-	1,846	-	-	(4,377)	(2,531)
Common stock repurchases	-	-	-	-	(8,587)	(8,587)
Share-based compensation expense	-	17,564	-	-	-	17,564
Balance at September 27, 2025	\$ 49,745	\$ 706,157	\$ 196,955	\$ (33,575)	\$ (88,193)	\$ 831,089

The accompanying notes are an integral part of these statements.

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

	September 26, 2026	September 27, 2025
Cash flows from operating activities:		
Net income (loss)	\$ (98)	\$ (51,785)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Net accretion on investments	(2,577)	(547)
Gain (loss) from sale of property, plant and equipment	64	(45)
Depreciation and amortization	31,117	40,135
Pension curtailment gain	-	(2,317)
Share-based compensation expense	17,494	17,564
Non-cash inventory related charges	7,792	4,327
Deferred income taxes	(1,057)	(4,659)
Changes in accrued retiree medical benefits	(453)	(4)
Changes in other accrued liabilities	(1,237)	(113)
Changes in other assets	(806)	(470)
Amortization of cloud-based software implementation costs	2,169	2,127
Mark to market adjustment to contingent consideration	-	(1,700)
Amortization of debt discounts and issuance costs	1,280	-
Operating lease right-of-use assets	3,679	5,317
Changes in assets and liabilities, excluding effects from acquisitions:		
Customer advances	1,177	247
Accounts receivable	(40,236)	(28,521)
Inventories	(29,195)	3,588
Other current assets	(6,824)	(13,009)
Accounts payable	35,663	17,985
Deferred profit	1,875	2,860
Income taxes payable	(168)	(59)
Accrued compensation, warranty and other liabilities	8,855	6,260
Current and long-term operating lease liabilities	(2,160)	(5,325)
Net cash provided by (used in) operating activities	26,354	(8,144)
Cash flows from investing activities, excluding effects from acquisitions:		
Purchases of short-term investments	(183,960)	(40,319)
Sales and maturities of short-term investments	206,678	48,378
Settlement of net investment hedge	2,336	(3,059)
Purchases of property, plant and equipment	(6,961)	(17,583)
Cash received from sale of property, plant and equipment	12	79
Payment for purchase of Tignis, net of cash received	-	(34,935)
Net cash provided by (used in) investing activities	18,105	(47,439)
Cash flows from financing activities:		
Payments on current and long-term finance lease liabilities	-	(7)
Repurchases of common stock, net	(3,734)	(575)
Proceeds from revolving line of credit and revolving credit facility	6,025	8,730
Repayments of debt	(1,044)	(1,090)
Acquisition of treasury stock	-	(8,586)
Net cash provided by (used in) financing activities	1,247	(1,528)
Effect of exchange rate changes on cash and cash equivalents	(456)	648
Net increase (decrease) in cash and cash equivalents	45,250	(56,463)
Cash and cash equivalents at beginning of period	227,053	206,407
Cash and cash equivalents at end of period	\$ 272,303	\$ 149,944
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 11,910	\$ 20,904
Inventory capitalized as property, plant and equipment	\$ 1,716	\$ 639
Property, plant and equipment purchases included in accounts payable	\$ 574	\$ 672
Cash paid for interest	\$ 3,965	\$ 417

The accompanying notes are an integral part of these statements.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
September 26, 2026

1. Summary of Significant Accounting Policies

Basis of Presentation

Our fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. The condensed consolidated balance sheet at December 27, 2025, has been derived from our audited financial statements at that date. The interim condensed consolidated financial statements as of September 26, 2026, (also referred to as “the third quarter of fiscal 2026” and “the first nine months of fiscal 2026”) and September 27, 2025, (also referred to as “the third quarter of fiscal 2025” and “the first nine months of fiscal 2025”) are unaudited. However, in management’s opinion, these financial statements reflect all adjustments (consisting only of normal, recurring items) necessary to provide a fair presentation of our financial position, results of operations and cash flows for the periods presented. Both the three- and nine-month periods ended September 26, 2026, and September 27, 2025, were comprised of 13 and 39 weeks, respectively.

Our interim results are not necessarily indicative of the results that should be expected for the full year. The condensed consolidated financial statements presented herein reflect estimates and assumptions made by management at September 26, 2026, and for the three- and nine-month periods ended September 26, 2026. For a better understanding of Cohu, Inc. and our financial statements, we recommend reading these interim condensed consolidated financial statements in conjunction with our audited financial statements for the year ended December 27, 2025, which are included in our 2025 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (“SEC”). In the following notes to our interim condensed consolidated financial statements, Cohu, Inc., is referred to as “Cohu”, the “Company”, “we”, “our” and “us”.

All significant intercompany transactions and balances have been eliminated in consolidation.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant credit risk consist principally of cash equivalents, short-term investments and trade accounts receivable. We invest in a variety of financial instruments and, by policy, limit the amount of credit exposure with any one issuer.

Our trade accounts receivable are presented net of an allowance for credit losses, which is determined in accordance with the guidance provided by Accounting Standards Codification (“ASC”) Topic 326, *Financial Instruments-Credit Losses* (“ASC 326”). At September 26, 2026, and December 27, 2025, our allowance for credit losses was \$0.5 million and \$0.1 million, respectively. Our customers include semiconductor manufacturers and semiconductor test subcontractors throughout many areas of the world. While we believe that our allowance for credit losses is adequate and represents our best estimate at September 26, 2026, we will continue to monitor customer liquidity and other economic conditions, which may result in changes to our estimates regarding expected credit losses.

Inventories

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Cost includes labor, material and overhead costs. Determining the net realizable value of inventories involves numerous estimates and judgments including projecting average selling prices and sales volumes for future periods. As a result of these analyses, we record a charge to cost of sales in advance of the period when the inventory is sold when estimated market values are below our costs.

Inventories by category were as follows (*in thousands*):

	September 26, 2026	December 27, 2025
Raw materials and purchased parts	\$ 93,850	\$ 84,797
Work in process	30,979	23,388
Finished goods	24,220	20,821
Total inventories	<u>\$ 149,049</u>	<u>\$ 129,006</u>

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
September 26, 2026

Property, Plant and Equipment

Depreciation and amortization of property, plant and equipment, both owned and under financing lease, is calculated principally on the straight-line method based on estimated useful lives of thirty to forty years for buildings, five to fifteen years for building improvements, three to ten years for machinery, equipment and software, and the lease life for financing leases. Land is not depreciated. Property, plant and equipment, at cost, consisted of the following (*in thousands*):

	September 26, 2026	December 27, 2025
Land and land improvements	\$ 11,946	\$ 12,364
Buildings and building improvements	48,713	49,469
Machinery and equipment	107,593	103,273
	168,252	165,106
Less accumulated depreciation and amortization	(92,940)	(88,119)
Property, plant and equipment, net	<u>\$ 75,312</u>	<u>\$ 76,987</u>

Cloud-based Enterprise Resource Planning Implementation Costs

We have capitalized certain costs associated with the implementation of our cloud-based Enterprise Resource Planning (“ERP”) system in accordance with ASC Topic 350, *Intangibles—Goodwill and Other* (“ASC 350”). Capitalized costs include only external direct costs of materials and services consumed in developing the system and interest costs incurred, when material, while developing the system.

Total unamortized capitalized cloud computing implementation costs totaled \$4.9 million and \$7.0 million at September 26, 2026, and December 27, 2025, respectively. These amounts are recorded in other current assets and other assets in our condensed consolidated balance sheets. Implementation costs are amortized using the straight-line method over seven years and we recorded amortization expense of \$0.7 million and \$2.2 million during the three and nine months ended September 26, 2026, respectively, and amortization expense of \$0.7 million and \$2.1 million during the three and nine months ended September 27, 2025, respectively.

Segment Information

We apply the provisions of ASC Topic 280, *Segment Reporting* (“ASC 280”), which sets forth a management approach to segment reporting and establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products, major customers and the geographies in which the entity holds material assets and reports revenue. An operating segment is defined as a component that engages in business activities whose operating results are reviewed by the Chief Operating Decision Maker (“CODM”) and for which discrete financial information is available. We have determined that our three identified operating segments are: Test Handler (“TH”), Semiconductor Tester (“ST”) and Interface Solutions (“IS”). Our TH, ST and IS operating segments qualify for aggregation under ASC 280 due to similarities in their customers, their economic characteristics, and the nature of products and services provided. As a result, we report in one segment, Semiconductor Test and Inspection Equipment (“Semiconductor Test & Inspection”).

Goodwill, Intangible Assets and Other Long-Lived Assets

We evaluate goodwill for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill impairment testing is performed at the reporting unit level by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, an impairment charge is recognized for the amount by which the carrying value exceeds the fair value, limited to the carrying amount of goodwill.

We estimate the fair values of our reporting units using a weighting of the income and market approaches. Under the income approach, we use a discounted cash flow methodology, which requires significant judgment and estimates related to, among other things, forecasted revenues, gross profit margins, operating income margins, working capital cash flows, perpetual growth rates, and long-term discount rates. The market approach utilizes the guideline public company method, under which valuation multiples derived from comparable publicly traded companies with similar operating and investment characteristics are applied to the reporting unit’s operating performance metrics. The indicated values derived from the income and market approaches are equally weighted to determine the estimated fair value of each reporting unit.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
September 26, 2026

Forecasts of future cash flows are based on management's best estimates of future net sales and operating expenses, taking into account customer forecasts, industry trade organization data, and general economic and market conditions. Fair value measurements are inherently subjective and sensitive to changes in assumptions. Adverse changes in forecasted results, discount rates, long-term growth assumptions, macroeconomic conditions, customer demand, competitive dynamics, or other factors could result in a reduction in the estimated fair value of one or more reporting units.

We performed our annual goodwill impairment test as of October 1, 2025, and determined that the estimated fair values of our reporting units exceeded their respective carrying values. As disclosed in our Annual Report on Form 10-K for fiscal 2025, our IS reporting unit had less excess fair value over carrying value relative to our other reporting units as of the annual assessment date. Goodwill associated with the IS reporting unit represented approximately 39% of total goodwill as of the annual assessment date. Based on our analysis, including all relevant qualitative and quantitative factors, we concluded that no impairment existed as of the annual assessment date.

Additionally, goodwill is required to be evaluated for impairment between annual testing dates if indicators of impairment arise. As of September 26, 2026, we determined that no such triggering events had occurred. If circumstances change and an interim impairment assessment is required, it could result in a non-cash impairment charge, which could be material and would adversely affect our results of operations and financial condition.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. For long-lived assets, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted future cash flows. We measure the impairment loss based on the difference between the carrying amount and estimated fair value.

During the first nine months of fiscal 2026 and 2025, no events or conditions occurred suggesting an impairment in our long-lived assets.

Product Warranty

Product warranty costs are accrued in the period sales are recognized. Our products are generally sold with standard warranty periods, which differ by product, ranging from 12 to 36 months. Parts and labor are typically covered under the terms of the warranty agreement. Our warranty expense accruals are based on historical and estimated costs by product and configuration. From time to time, we offer customers extended warranties beyond the standard warranty period. In those situations, the revenue relating to the extended warranty is deferred at its estimated relative standalone selling price and recognized on a straight-line basis over the extended warranty period. Costs associated with our extended warranty contracts are expensed as incurred.

Restructuring Costs

We record restructuring activities including costs for one-time termination benefits in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations* ("ASC 420"). The timing of recognition for severance costs accounted for under ASC 420 depends on whether employees are required to render service until they are terminated in order to receive the termination benefits. If employees are required to render service until they are terminated in order to receive the termination benefits, a liability is recognized ratably over the future service period. Otherwise, a liability is recognized when management has committed to a restructuring plan and has communicated those actions to employees. Employee termination benefits covered by existing benefit arrangements are recorded in accordance with ASC Topic 712, *Nonretirement Postemployment Benefits*. These costs are recognized when management has committed to a restructuring plan and the severance costs are probable and estimable. See Note 4, "Restructuring Charges" for additional information.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
September 26, 2026

Debt Issuance Costs

We defer costs related to the issuance of debt. Debt issuance costs directly related to our Convertible Notes (the “Notes”) are presented within noncurrent liabilities as a reduction of long-term debt in our consolidated balance sheets. The amortization of such costs is recognized as interest expense using the effective interest method over the term of the respective debt issue. Amortization related to deferred debt issuance costs and original discount costs was \$0.4 million and \$1.3 million for the three and nine months ended September 26, 2026, respectively.

Foreign Remeasurement and Currency Translation

Assets and liabilities of our wholly owned foreign subsidiaries that use the U.S. Dollar as their functional currency are re-measured using exchange rates in effect at the end of the period, except for nonmonetary assets, such as inventories and property, plant and equipment, which are re-measured using historical exchange rates. Revenues and costs are re-measured using average exchange rates for the period, except for costs related to those balance sheet items that are re-measured using historical exchange rates. Gains and losses on foreign currency transactions are recognized as incurred. During the three and nine months ended September 26, 2026, we recognized foreign exchange losses, net of the impact of foreign exchange derivative contracts, of \$0.5 million and \$1.2 million, respectively. During the three and nine months ended September 27, 2025, we recognized foreign exchange losses, net of the impact of foreign exchange derivative contracts, of \$0.1 million and \$0.6 million, respectively.

Certain of our foreign subsidiaries have designated the local currency as their functional currency and, as a result, their assets and liabilities are translated at the rate of exchange at the balance sheet date, while revenue and expenses are translated using the average exchange rate for the period. Cumulative foreign currency translation adjustments resulting from the translation of the financial statements are included as a separate component of stockholders’ equity.

Foreign Exchange Derivative Contracts

We operate and sell our products in various global markets. As a result, we are exposed to changes in foreign currency exchange rates. To minimize foreign exchange volatility, we enter into foreign currency forward contracts with a financial institution to hedge against future movements in foreign exchange rates. We do not use derivative financial instruments for speculative or trading purposes. The accounting for changes in the fair value of our derivatives depends on the intended use of the derivative and whether we have elected to designate a derivative as a hedging relationship and apply hedge accounting. All derivative instruments are recognized at fair value on our condensed consolidated balance sheets and all changes in fair value are recognized in net earnings or in the condensed consolidated statements of stockholders’ equity through accumulated other comprehensive loss (AOCL).

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. For accounting purposes, certain of our foreign currency forward contracts are not designated as hedging instruments and, accordingly, we record the fair value of these contracts as of the end of our reporting period in our condensed consolidated balance sheets with changes in fair value recorded within foreign transaction gain (loss) in our condensed consolidated statements of operations for both realized and unrealized gains and losses.

See Note 7, “Derivative Financial Instruments” for additional information.

Share-Based Compensation

We measure and recognize all share-based compensation under the fair value method. Reported share-based compensation is classified in our condensed consolidated financial statements, as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Cost of sales	\$ 274	\$ 341	\$ 767	\$ 1,064
Research and development	1,094	1,356	3,135	4,089
Selling, general and administrative	3,257	3,962	13,592	12,411
Total share-based compensation	4,625	5,659	17,494	17,564
Income tax effect	5	98	48	(293)
Total share-based compensation, net	<u>\$ 4,630</u>	<u>\$ 5,757</u>	<u>\$ 17,542</u>	<u>\$ 17,271</u>

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Income (Loss) Per Share

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted income (loss) per share includes the dilutive effect of common shares potentially issuable upon the exercise of stock options, vesting of outstanding restricted stock and performance stock units and issuance of stock under our employee stock purchase plan using the treasury stock method. In loss periods, potentially dilutive securities are excluded from the per share computations due to their anti-dilutive effect. For purposes of computing diluted income (loss) per share, certain restricted and performance stock units and stock options with exercise prices that exceed the average fair market value of our common stock for the period are excluded. The dilutive effect of the Notes is calculated under the if-converted method. Shares issuable upon conversion of the Notes are excluded from diluted income (loss) per common share in any quarter when the weighted average fair market value of our common stock is below the conversion price. In periods of year-to-date net income, diluted earnings per share reflects the effect of potentially dilutive securities to the extent dilutive. In periods of year-to-date net loss, potentially dilutive securities are excluded because their effect would be anti-dilutive. The number of incremental common shares included in year-to-date diluted earnings per share reflects the weighted-average dilutive effect determined for the interim periods included in the year-to-date period.

For the three months ended September 26, 2026, potentially dilutive securities were included in the computation of diluted income per share to the extent their effect was dilutive. For the nine months ended September 26, 2026, potentially dilutive securities were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive. For the nine months ended September 26, 2026, such securities primarily consisted of shares issuable upon conversion of the Notes, which totaled approximately 3.5 million shares, while the effect of employee equity awards for the periods was not material. For the three and nine months ended September 27, 2025, potentially dilutive securities were excluded from the computation of diluted loss per share because their effect would have been anti-dilutive. For the three and nine months ended September 27, 2025, employee equity awards to issue approximately 488,000 and 588,000 shares of common stock, respectively, were excluded from the computation. All shares repurchased and held as treasury stock are reflected as a reduction to our basic weighted-average shares outstanding based on the trade date of the share repurchase.

The following table reconciles the denominators used in computing basic and diluted income (loss) per share (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Weighted average common shares	47,410	46,748	47,245	46,685
Effect of dilutive securities	6,956	-	-	-
	<u>54,366</u>	<u>46,748</u>	<u>47,245</u>	<u>46,685</u>

Leases

We determine if a contract contains a lease at inception. Operating leases are included in operating lease right of use (“ROU”) assets, current other accrued liabilities, and long-term lease liabilities on our condensed consolidated balance sheets. Finance leases are included in property, plant and equipment, other current accrued liabilities, and long-term lease liabilities on our condensed consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at January 1, 2019, the adoption date of ASU 2016-02, *Leases (Topic 842)*, or the commencement date for leases entered into after the adoption date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rates for the remaining lease terms based on the information available at the adoption date or commencement date in determining the present value of future payments.

The operating lease ROU asset also includes any lease payments made, lease incentives, favorable and unfavorable lease terms recognized in business acquisitions and excludes initial direct costs incurred and variable lease payments. Variable lease payments include estimated payments that are subject to reconciliations throughout the lease term, increases or decreases in the contractual rent payments, as a result of changes in indices or interest rates and tax payments that are based on prevailing rates. Our lease terms may include renewal options to extend the lease when it is reasonably certain that we will exercise those options. In addition, we include purchase option amounts in our calculations when it is reasonably certain that we will exercise those options. Rent expense for minimum payments under operating leases is recognized on a straight-line basis over the term.

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Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet but recognized in our consolidated statements of operations on a straight-line basis over the lease term. We account for lease and non-lease components as a single lease component and include both in our calculation of the ROU assets and lease liabilities.

We sublease certain leased assets to third parties, mainly as a result of unused space in our facilities. None of our subleases contain extension options. Variable lease payments in our subleases include tax payments that are based on prevailing rates. We account for lease and non-lease components as a single lease component.

Revenue Recognition

Our net sales are derived from the sale of products and services and are adjusted for estimated returns and allowances, which historically have been insignificant. We recognize revenue when the obligations under the terms of a contract with our customers are satisfied; generally, this occurs with the transfer of control of our systems and non-system products or the completion of services. In circumstances where control is not transferred until destination or acceptance, we defer revenue recognition until such events occur.

Revenue for established products that have previously satisfied a customer's acceptance requirements is generally recognized upon shipment. In cases where a prior history of customer acceptance cannot be demonstrated and in the case of new products, revenue and cost of sales are deferred until customer acceptance has been received. Our post-shipment obligations typically include standard warranties. Service revenue is recognized over time as we transfer control to our customer for the related contract or upon completion of the services if they are short-term in nature. Spares, contactor and kit revenue is generally recognized upon shipment.

Certain of our equipment sales have multiple performance obligations that may occur at different points in time or over different periods of time. For arrangements containing multiple performance obligations, the revenue relating to the undelivered performance obligation is deferred using the relative standalone selling price method utilizing estimated sales prices until satisfaction of the deferred performance obligation.

Unsatisfied performance obligations primarily represent contracts for products with future delivery dates. At September 26, 2026, we had \$4.6 million of revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) for contracts with original expected durations of over one year. As allowed under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), we have opted to not disclose unsatisfied performance obligations for contracts with original expected durations of less than one year.

We generally sell our equipment with a product warranty. The product warranty provides assurance to customers that delivered products are as specified in the contract (an "assurance-type warranty"). Therefore, we account for such product warranties under ASC Topic 460, *Guarantees* ("ASC 460"), and not as a separate performance obligation.

The transaction price reflects our expectations about the consideration we will be entitled to receive from the customer and may include fixed or variable amounts. Fixed consideration primarily includes sales to customers in which the amount of consideration is known as of the end of the reporting period. Variable consideration includes sales in which the amount of consideration that we will receive is unknown as of the end of a reporting period. Such consideration primarily includes sales made to certain customers with cumulative tier volume discounts offered. Variable consideration arrangements are rare; however, when they occur, we estimate variable consideration as the expected value to which we expect to be entitled. Included in the transaction price estimate are amounts in which it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that does not meet revenue recognition criteria is deferred.

For contracts that are less than one year in duration, we have elected to use the practical expedient available in ASC 606 to expense cost to obtain contracts as they are incurred because they would be amortized over less than one year.

Accounts receivable represents our unconditional right to receive consideration from our customer. Payment terms do not exceed one year from the invoice date and therefore do not include a significant financing component. To date, there have been no material impairment losses on accounts receivable. There were no material contract assets or contract liabilities recorded on our condensed consolidated balance sheet in any of the periods presented.

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On shipments where sales are not recognized, gross profit is recorded as deferred profit in our condensed consolidated balance sheet, representing the difference between the receivable recorded and the inventory shipped. In certain instances where customer payments are received prior to product shipment, the customer's payments are recorded as customer advances. At September 26, 2026, we had deferred revenue totaling approximately \$14.4 million, current deferred profit of \$9.5 million and deferred profit expected to be recognized after one year included in noncurrent other accrued liabilities of \$3.3 million. At December 27, 2025, we had deferred revenue totaling approximately \$15.3 million, current deferred profit of \$8.6 million and deferred profit expected to be recognized after one year included in noncurrent other accrued liabilities of \$3.7 million.

Net sales by type are as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
<i>Disaggregated Net Sales</i>				
Systems	\$ 90,694	\$ 56,245	\$ 210,796	\$ 131,530
Non-systems	82,262	70,004	236,281	199,196
Total net sales	<u>\$ 172,956</u>	<u>\$ 126,249</u>	<u>\$ 447,077</u>	<u>\$ 330,726</u>

Revenue by geographic area based upon product shipment destination was (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
<i>Disaggregated Net Sales</i>				
China	\$ 46,109	\$ 14,162	\$ 77,233	\$ 45,261
Malaysia	26,842	12,397	74,228	41,406
Taiwan	19,613	23,369	54,339	52,237
Philippines	18,680	20,416	53,170	49,405
Rest of the World	61,712	55,905	188,107	142,417
Total net sales	<u>\$ 172,956</u>	<u>\$ 126,249</u>	<u>\$ 447,077</u>	<u>\$ 330,726</u>

A small number of customers historically have been responsible for a significant portion of our net sales. Significant customer concentration information is as follows:

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Customers individually representing 10% or more of net sales	one	three	*	one
Percentage of net sales	15%	34%	*	10%

* No single customer represented more than 10% of consolidated net sales.

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss balance totaled approximately \$40.7 million and \$32.5 million at September 26, 2026 and December 27, 2025, respectively, and was attributed to all non-owner changes in stockholders' equity and consists of, on an after-tax basis where applicable, foreign currency adjustments resulting from the translation of certain of our subsidiary accounts where the functional currency is not the U.S. Dollar, unrealized loss on investments and adjustments related to postretirement benefits. Reclassification adjustments from accumulated other comprehensive loss during the first nine months of fiscal 2026 and 2025 were not significant.

Retiree Medical Benefits

We provide post-retirement health benefits to certain retired executives, one director (who is a former executive) and their eligible dependents under a noncontributory plan. These benefits are no longer offered to any other retired Cohu employees. The net periodic benefit cost incurred during the first nine months of fiscal 2026 and 2025 was not significant.

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Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, requiring public entities to disclose additional information about specific expense categories in the notes to the financial statements on an interim and annual basis. The FASB subsequently issued ASU 2025-01, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*, to clarify the effective date of ASU 2024-03. The guidance is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the impact of adopting the new standard; however, we do not expect it to have a material impact on Cohu's financial statements other than enhanced disclosures.

2. Business Acquisitions, Goodwill and Purchased Intangible Assets

Tignis, Inc.

On January 7, 2025, we completed the acquisition of Tignis, Inc. ("Tignis"), a provider of artificial intelligence ("AI") process control and analytics-based monitoring software. This strategic acquisition is intended to enable us to expand our analytics offerings to the semiconductor process control market. Tignis' PAICe Monitor and PAICe Maker solutions leverage the insights of physical phenomena with innovative AI, machine learning and data science to deliver advanced predictive and prescriptive automation solutions for semiconductor manufacturing. Tignis is also expected to deepen Cohu's expertise in data science while adding advanced analytics to our DI-Core software. The acquisition of Tignis is a debt free transaction and was subject to a working capital adjustment which we finalized in the third quarter of fiscal 2025. We made a cash payment totaling approximately \$34.9 million, net of cash received, for Tignis which was paid out of cash on hand.

In addition to the initial consideration paid, the Tignis shareholders had the right to receive an additional \$5.0 million of contingent consideration subject to Tignis achieving certain sales and expense targets through December 2025. The contingent consideration payable was classified as Level 3 in the fair value hierarchy. See Note 5 "Financial Instruments Measured at Fair Value" for additional information on the three-tier fair value hierarchy. Contingent consideration is recorded in our condensed consolidated balance sheets in other accrued liabilities. Adjustments to the fair value of contingent consideration are reflected in selling, general, and administrative expense in our condensed consolidated statements of operations. The initial fair value of the contingent consideration recognized at acquisition date was \$1.7 million. In the first quarter of fiscal 2025, we updated the fair value of contingent consideration to zero based on management's current estimates at that date which differed from those used as of January 7, 2025. The sales and expense targets were not met in fiscal 2025 and no additional payment was owed to Tignis' shareholders.

Including cash paid, the impact of our working capital adjustment and the fair value of the contingent consideration, the purchase price for Tignis is \$36.6 million. During the nine months ended September 27, 2025, we incurred acquisition-related costs totaling approximately \$0.4 million, which were expensed as selling, general and administrative costs. Costs incurred during the three months ended September 27, 2025, were not significant.

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The acquisition of Tignis has been accounted for in conformity with ASC Topic 805, *Business Combinations* (“ASC 805”). The acquired assets and liabilities of Tignis were recorded at their respective fair values including an amount for goodwill representing the difference between the consideration paid and the fair value of the identifiable net assets. The purchase price allocation was finalized during the third quarter of 2025. The table below summarizes the assets acquired and liabilities assumed as of January 7, 2025 (*in thousands*):

Current assets, including cash received	\$ 293
Property, plant and equipment	19
Other assets	56
Intangible assets	2,900
Goodwill	33,688
Total assets acquired	36,956
Liabilities assumed	(349)
Net assets acquired	\$ 36,607

The allocation of the intangible assets subject to amortization is as follows (*in thousands*):

	Estimated Fair Value	Weighted Average Useful Life (years)
Developed technology	\$ 2,300	3.0
Customer relationships	500	6.0
Trademarks and trade names	100	4.0
Total intangible assets	\$ 2,900	

Acquired intangible assets reported above are being amortized using the straight-line method over their estimated useful lives which approximates the pattern of how the economic benefit is expected to be used. While high customer retention rates are common in the semiconductor capital equipment industry, amounts allocated to customer relationships are being amortized on an accelerated basis over their estimated useful lives due to the early-stage nature of Tignis’ business and historical customer turnover.

The value assigned to developed technology was determined by using the relief from royalty method under the income approach, which included assumptions related to revenue growth rates, royalty rates, and discount rates. Developed technology, which comprises products that have reached technological feasibility, includes the products in Tignis’ product line. The revenue estimates used to value the developed technology were based on estimates of relevant market sizes and growth factors, expected trends in technology and the nature and expected timing of new product introductions by Tignis and competitors. The estimated after-tax cash flows were based on a hypothetical royalty rate applied to the revenues for the developed technology. The discount rate utilized to discount the net cash flows of the developed technology to present value was based on the risk associated with the respective cash flows taking into consideration the perceived risk of the technology relative to the other acquired assets, the weighted average cost of capital, the internal rate of return, and the weighted average return on assets.

The value assigned to customer relationships was determined by using the multi-period excess earnings method under the income approach. The estimated cash flow was based on revenues from the existing customers net of operating expenses and net of contributory asset charges. The discount rate utilized to discount the net cash flows of the customer relationships to present value was based on the respective cash flows taking into consideration the perceived risks.

The earnout agreement was measured at fair value in accordance with the guidance provided by ASC Topic 820, *Fair Value Measurement* (“ASC 820”). ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions, and risk of nonperformance.

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Tignis' results of operations have been included starting January 7, 2025. The impact of Tignis on our condensed consolidated statements of operations and comprehensive income (loss) was not material.

Goodwill and Intangible Assets

Changes in the carrying value of goodwill during the year ended December 27, 2025, and the nine-month period ended September 26, 2026, were as follows (*in thousands*):

	Goodwill
Balance December 28, 2024	\$ 234,639
Additions	33,688
Impact of currency exchange	14,700
Balance, December 27, 2025	283,027
Impact of currency exchange	(4,306)
Balance, September 26, 2026	\$ 278,721

Purchased intangible assets subject to amortization are as follows (*in thousands*):

	September 26, 2026			December 27, 2025	
	Gross Carrying Amount	Accum. Amort.	Remaining Weighted Average Amort. Period (in years)	Gross Carrying Amount	Accum. Amort.
Developed technology	\$ 238,081	\$ 211,708	3.5	\$ 241,038	\$ 199,776
Customer relationships	74,941	49,091	4.8	75,677	44,210
Trade names	21,933	17,150	4.4	22,366	15,845
Covenant not-to-compete	224	217	0.3	225	203
Total intangible assets	\$ 335,179	\$ 278,166		\$ 339,306	\$ 260,034

Changes in the carrying values of purchased intangible assets presented above are a result of the impact of fluctuations in currency exchange rates.

Amortization expense related to intangible assets was approximately \$7.2 million in the third quarter of fiscal 2026 and \$21.8 million in the nine months of fiscal 2026. Amortization expense related to intangible assets was approximately \$10.2 million in the third quarter of fiscal 2025 and \$30.2 million in the nine months of fiscal 2025.

3. Borrowings and Credit Agreements

The following table is a summary of our borrowings (*in thousands*):

	September 26, 2026	December 27, 2025
Convertible notes	\$ 287,500	\$ 287,500
Revolving Credit Facility	15,318	9,360
Construction loan-Cohu GmbH	5,278	6,252
Bank Term Loans-Kita	1,390	1,530
Lines of Credit	318	447
Total debt	309,804	305,089
Less: financing fees and discount	(7,743)	(9,012)
Less: current portion	(16,849)	(11,051)
Total long-term debt	\$ 285,212	\$ 285,026

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Convertible Senior Notes Due 2031

On September 29, 2025, we issued \$287.5 million aggregate principal amount of 1.50% convertible senior notes due 2031. The Notes include the full exercise by the initial purchasers on September 25, 2025, of their option to purchase up to an additional \$27.5 million principal amount of the Notes. The Notes are senior unsecured obligations and bear interest at a coupon rate of 1.50% per annum, with interest payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2026. The Notes will mature on January 15, 2031, unless earlier converted, redeemed or repurchased in accordance with their terms.

Prior to the close of business on the business day immediately preceding October 15, 2030, noteholders will have the right to convert their Notes only upon the occurrence of certain events. On or after October 15, 2030, noteholders may convert all or any portion of their Notes at any time at their election until the close of business on the second scheduled trading day immediately preceding the maturity date. The Notes were convertible at the option of holders from July 28, 2026, through September 8, 2026, as a result of the last reported sale price of our common stock exceeding 130% of the conversion price of the Notes for at least five trading days (whether or not consecutive) during the first 20 trading days of the fiscal quarter commencing June 28, 2026. No Notes were converted during the third quarter of fiscal 2026, and \$287.5 million aggregate principal amount of the Notes remained outstanding as of September 26, 2026. The market-price conversion condition was also satisfied during the first 20 trading days of the fiscal quarter commencing September 27, 2026, resulting in the Notes becoming convertible at the option of holders from October 26, 2026, through December 7, 2026.

Upon conversion, we will satisfy the conversion obligations by paying cash up to the aggregate principal amount of the Notes to be converted and paying and/or delivering cash, shares of common stock or a combination of cash and shares of common stock, at our election, in respect of the remainder, if any, of the conversion obligation in excess of the aggregate principal amount of the Notes being converted. The initial conversion rate for the Notes is 36.7975 shares of common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$27.18 per share of common stock), which represents an approximately 32.5% conversion premium over the last reported sale price of \$20.51 per share of our common stock on The Nasdaq Stock Market on September 24, 2025. The conversion rate (and accordingly the conversion price) is subject to adjustment upon the occurrence of certain events. In addition, upon certain corporate events or upon a notice of redemption (as described below), we will, under certain circumstances, increase the conversion rate for noteholders who convert Notes in connection with such a corporate event or convert their Notes called (or deemed called) for redemption during the related redemption period, as the case may be.

The Notes will not be redeemable before January 22, 2029. The Notes will be redeemable, in whole or in part, for cash at our option at any time, and from time to time, on or after January 22, 2029 and prior to the 51st scheduled trading day immediately preceding the maturity date, if (i) the Notes are “freely tradable” (as defined in the indenture governing the Notes), and certain accrued and unpaid additional interest, if any, has been paid in full, as of the first interest payment date occurring on or before the date we send such notice and (ii) the last reported sale price per share of our common stock has been at least 130% of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

If a “fundamental change” (as defined in the indenture governing the Notes) occurs, then, subject to certain conditions, noteholders may require us to repurchase their Notes for cash. The repurchase price will be equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

Our net proceeds from the offering were approximately \$278.9 million, after deducting the initial purchasers’ discounts and commissions but before offering expenses. We used approximately \$31.4 million of the net proceeds to enter into the capped call transactions that are described in Note 8, “Equity”. We intend to use the remaining net proceeds for general corporate purposes.

The Notes are recorded as liabilities in accordance with ASC Topic 470, *Debt* (“ASC 470”). Issuance costs will be amortized to interest expense over the term of the Notes using the effective interest method. Upon issuance, we evaluated the conversion feature for potential separation as an embedded derivative under ASC 815, *Derivatives and Hedging* (“ASC 815”) and determined that the conversion feature did not meet the criteria for derivative accounting.

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The effective interest rate for the Notes is 2.2% after considering the effect of the accretion of the related debt discount over the term of the Notes. For the three months ended September 26, 2026, total interest expense related to the Notes was \$1.5 million, with coupon interest expense of \$1.1 million and amortization of debt discount of \$0.4 million. For the nine months ended September 26, 2026, total interest expense related to the Notes was \$4.5 million, with coupon interest expense of \$3.2 million and amortization of debt discount of \$1.3 million. As of September 26, 2026, the remaining unamortized debt discount of the Notes was \$7.7 million. At September 26, 2026, the outstanding Notes balance, net of discount, was \$279.8 million. At December 27, 2025, the outstanding Notes balance, net of discount, was \$278.5 million.

As of September 26, 2026, the fair value of the Notes was \$747.7 million. The measurement of the fair value of Notes is based on the last traded price of the Notes as of September 26, 2026 and is considered a Level 2 fair value measurement.

Kita Term Loans

We have a series of term loans with Japanese financial institutions primarily related to the expansion of our facility in Osaka, Japan. The loans are collateralized by the facility and land, carry interest at rates ranging from 0.05% to 1.53%, and expire at various dates through 2034. At September 26, 2026, the outstanding loan balance was \$1.4 million and \$0.2 million of the outstanding balance is presented as current installments of long-term debt in our condensed consolidated balance sheets. At December 27, 2025, the outstanding loan balance was \$1.5 million and \$0.2 million of the outstanding balance is presented as current installments of long-term debt in our condensed consolidated balance sheets. The fair value of the debt approximates the carrying value at September 26, 2026.

The term loans are denominated in Japanese Yen and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

Construction Loans

In July 2019 and June 2020, one of our wholly owned subsidiaries located in Germany entered into a series of construction loans ("Loan Facilities") with a German financial institution initially providing it with total borrowings of up to €10.1 million. The Loan Facilities were utilized to finance the expansion of our facility in Kolbermoor, Germany and are secured by the land and the existing building on the site. The Loan Facilities bear interest at agreed upon rates based on the facility amounts as discussed below.

The first facility totaling €3.4 million has been fully drawn and is payable over 10 years at a fixed annual interest rate of 0.8%. Principal and interest payments are due each quarter over the duration of the facility ending in September 2029. The second facility totaling €5.2 million has been fully drawn and is payable over 15 years at an annual interest rate of 1.05%, which is fixed until April 2027. Principal and interest payments are due each month over the duration of the facility ending in January 2034. The third facility totaling €0.9 million has been fully drawn and is payable over 10 years at an annual interest rate of 1.2%. Principal and interest payments are due each month over the duration of the facility ending in May 2030.

At September 26, 2026, total outstanding borrowings under the Loan Facilities was \$5.3 million with \$1.0 million of the total outstanding balance being presented as current installments of long-term debt in our condensed consolidated balance sheets. At December 27, 2025, total outstanding borrowings under the Loan Facilities was \$6.3 million with \$1.1 million of the total outstanding balance being presented as current installments of long-term debt in our condensed consolidated balance sheets. The loans are denominated in Euros and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates. The fair value of the debt approximates the carrying value at September 26, 2026.

Revolving Credit Facility

On December 30, 2024, our wholly owned subsidiary in Malaysia entered into a revolving credit facility with a Malaysian financial institution that provides up to MYR 40.0 million, all of which has been drawn. The revolving credit facility was utilized to finance the purchase of our leased facility in Melaka, Malaysia. Interest is due monthly and is calculated based on the lender's Effective Cost of Funds plus a spread of 0.5%.

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During the third quarter of fiscal 2026, we entered into a separate revolving credit facility with the same Malaysian financial institution that provides up to \$20.0 million of borrowing capacity denominated in U.S. dollars. As of September 26, 2026, \$5.5 million was drawn under the U.S. dollar facility. Proceeds from borrowings under the U.S. dollar facility are being used for general corporate purposes. Interest is due monthly and is calculated based on the lender's Effective Cost of Funds plus a spread of 1.25%.

The revolving credit facilities are secured by the land and building in Melaka, Malaysia, and by a fixed and floating charge over Cohu Malaysia's assets. At September 26, 2026, \$9.8 million was outstanding under the MYR-denominated revolving credit facility and the applicable interest rate was 4.07%. In addition, \$5.5 million was outstanding under the U.S. dollar-denominated revolving credit facility and the applicable interest rate was 5.60%. As these revolving credit facility agreements renew monthly, they have been included in short-term borrowings in our condensed consolidated balance sheets. The revolving credit facilities are denominated in Malaysian Ringgits and U.S. dollars and, as a result, amounts disclosed herein will fluctuate due to changes in foreign currency exchange rates.

Lines of Credit

As a result of our acquisition of Kita, we assumed a series of revolving credit facilities with various financial institutions in Japan. The credit facilities renew monthly and provide Kita with access to working capital totaling up to 660 million Japanese Yen of which 50 million Japanese Yen was drawn as of September 26, 2026. At September 26, 2026, total borrowings outstanding under the revolving lines of credit were \$0.3 million. As these credit facility agreements renew monthly, they have been included in short-term borrowings in our condensed consolidated balance sheets.

The revolving lines of credit are denominated in Japanese Yen and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

Our wholly owned subsidiary in Switzerland has one available line of credit which provides borrowings of up to a total of 2.0 million Swiss Francs, a portion of which is reserved for tax guarantees. On September 26, 2026 and December 27, 2025 no amounts were outstanding under this line of credit.

4. Restructuring Charges

Proposed German Organizational Realignment

Subsequent to quarter end, Cohu initiated consultation with the German Works Council regarding a proposed organizational realignment of certain engineering activities. The proposed initiative may result in restructuring charges; however, the nature, timing and amount of any such charges will depend on the outcome of the consultation process.

Poway Volume Manufacturing Transition

During the fourth quarter of fiscal 2024, we made the decision to transition all remaining volume manufacturing out of Poway, CA, and consolidate it into our factories in Asia. These changes have allowed us to better utilize our corporate infrastructure, drive improvements in inventory management, optimize our warehousing and better support our long-term goals. Total pretax charges related to the Poway volume manufacturing transition for the first nine months ended September 27, 2025 were \$1.5 million. The Poway volume manufacturing transition was substantially complete as of the first quarter of fiscal 2026, and costs incurred during the nine months ended September 26, 2026, were insignificant. The following table summarizes the activity within the restructuring related accounts for the Poway volume manufacturing transition during the first nine months ended September 27, 2025 (*in thousands*):

	Severance and Other Payroll	Other Exit Costs	Total
Balance, December 28, 2024	\$ -	\$ -	\$ -
Costs accrued	948	555	1,503
Amounts paid or charged	(948)	(542)	(1,490)
Balance, September 27, 2025	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 13</u>

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2025 Strategic Restructuring

On February 19, 2025, we approved and began executing a strategic restructuring program designed to reposition our organization and improve our cost structure (the “2025 Restructuring Program”). As part of this program, we consolidated certain of our operations in La Chaux-de-Fonds, Switzerland, and Kolbermoor, Germany, into lower-cost locations, and we also implemented headcount reductions in those areas and in the U.S. and across Asia. Relating to the operations consolidation actions, we notified certain impacted employees of the corresponding reduction in force program at those locations which required negotiation with the microtechnology and Swiss watch trade union and the German labor organization which represent certain of the employees at their respective locations. During the second quarter of 2025, headcount reductions we implemented in Switzerland as part of the 2025 Restructuring Program resulted in a change to our defined benefit pension plan, resulting in a curtailment of future benefits for affected employees. In accordance with ASC Topic 715, *Compensation-Retirement Benefits* (“ASC 715”), during the three months ended June 28, 2025, we recognized a pension curtailment gain of \$1.5 million. During the three months ended September 27, 2025, we recognized an additional pension curtailment gain of \$0.8 million. This gain reflects the reduction in the projected benefit obligation due to the termination of future service accruals for impacted plan participants and is included in the condensed consolidated statements of operations. The 2025 Restructuring Program, as implemented over time, will reduce headcount and enable us to optimize the facilities of our operations, as well as transition certain manufacturing to other lower cost regions. The 2025 Restructuring Program is being implemented as part of a comprehensive review of our operations with the goal of reducing costs during the extended downturn in the semiconductor test and inspection equipment industry.

In the fourth quarter of 2025, management identified additional restructuring actions under Cohu’s previously communicated 2025 Restructuring Program to further optimize our cost structure and operational footprint. These additional actions were announced and commenced on January 13, 2026, and include the further consolidation of certain operations within our IS and ST business segments in the U.S. and Asia, as well as workforce reductions across select functions.

As a result of the activities described above, we recognized total pretax charges of \$1.8 million and \$6.8 million during the first nine months ended September 26, 2026 and September 27, 2025, respectively, that are within the scope of ASC 420. The following table summarizes the activity within the restructuring related accounts for the 2025 Restructuring Program during the first nine months ended September 26, 2026 and September 27, 2025 (in thousands):

	Severance and Other Payroll	Other Exit Costs	Total
Balance, December 28, 2024	\$ -	\$ -	\$ -
Costs accrued	6,742	103	6,845
Amounts paid or charged	(5,598)	(103)	(5,701)
Impact of currency exchange	405	-	405
Balance, September 27, 2025	<u>\$ 1,549</u>	<u>\$ -</u>	<u>\$ 1,549</u>
Balance, December 27, 2025	\$ 2,132	\$ -	\$ 2,132
Costs accrued	1,366	473	1,839
Amounts paid or charged	(3,348)	(473)	(3,821)
Impact of currency exchange	(3)	-	(3)
Balance, September 26, 2026	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ 147</u>

5. Financial Instruments Measured at Fair Value

Our cash, cash equivalents, and short-term investments consisted primarily of cash and other investment grade securities. We do not hold investment securities for trading purposes. All short-term investments in debt securities are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk and we monitor credit risk and attempt to mitigate exposure by making high-quality investments and through investment diversification.

We assess whether unrealized loss positions on available-for-sale debt securities are due to credit-related factors. The credit-related portion of unrealized losses, and any subsequent improvements, are recorded in earnings through an allowance account. Unrealized gains and losses that are not due to credit-related factors are included in accumulated other comprehensive loss. Factors that could indicate an impairment exists include, but are not limited to, earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset. Gross realized gains and losses on sales of short-term investments are included in interest income. Realized gains and losses for the periods presented were not significant.

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Investments that we have classified as short-term, by security type, are as follows (*in thousands*):

	September 26, 2026			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Estimated Fair Value
Corporate debt securities ⁽²⁾	\$ 118,318	\$ 4	\$ 544	\$ 117,778
Bank certificates of deposit	70,100	1	94	70,007
U.S. treasury securities	31,650	-	257	31,393
Asset-backed securities	15,809	-	50	15,759
Foreign government security	708	-	-	708
	<u>\$ 236,585</u>	<u>\$ 5</u>	<u>\$ 945</u>	<u>\$ 235,645</u>

	December 27, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Estimated Fair Value
Corporate debt securities ⁽²⁾	\$ 150,314	\$ 60	\$ 13	\$ 150,361
Bank certificates of deposit	58,130	26	-	58,156
U.S. treasury securities	37,584	68	-	37,652
Asset-backed securities	10,038	18	-	10,056
Foreign government security	703	-	-	703
	<u>\$ 256,769</u>	<u>\$ 172</u>	<u>\$ 13</u>	<u>\$ 256,928</u>

- (1) As of September 26, 2026, the cost and fair value of investments with loss positions were approximately \$207.0 million and \$206.0 million, respectively. As of December 27, 2025, the cost and fair value of investments with loss positions were both approximately \$58.3 million. We evaluated the nature of these investments, creditworthiness of the issuer and the duration of these impairments to determine if a credit-related decline in fair value had occurred and concluded that these losses were temporary and we have the ability and intent to hold these investments to maturity.
- (2) Corporate debt securities include investments in financial and other corporate institutions. No single issuer represents a significant portion of the total corporate debt securities portfolio.

Effective maturities of short-term investments are as follows (*in thousands*):

	September 26, 2026		December 27, 2025	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 162,055	\$ 161,769	\$ 200,379	\$ 200,436
Due after one year through five years	74,530	73,876	56,390	56,492
	<u>\$ 236,585</u>	<u>\$ 235,645</u>	<u>\$ 256,769</u>	<u>\$ 256,928</u>

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. When available, we use quoted market prices to determine the fair value of our investments, and they are included in Level 1. When quoted market prices are unobservable, we use quotes from independent pricing vendors based on recent trading activity and other relevant information, and they are included in Level 2.

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The following table summarizes, by major security type, our financial instruments that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (*in thousands*):

Fair value measurements at September 26, 2026 using:				
	Level 1	Level 2	Level 3	Total Estimated Fair Value
Cash	\$ 136,566	\$ -	\$ -	\$ 136,566
Corporate debt securities	-	138,091	-	138,091
Money market funds	-	115,424	-	115,424
Bank certificates of deposit	-	70,007	-	70,007
U.S. treasury securities	-	31,393	-	31,393
Asset-backed securities	-	15,759	-	15,759
Foreign government security	-	708	-	708
	<u>\$ 136,566</u>	<u>\$ 371,382</u>	<u>\$ -</u>	<u>\$ 507,948</u>

Fair value measurements at December 27, 2025 using:				
	Level 1	Level 2	Level 3	Total Estimated Fair Value
Cash	\$ 142,091	\$ -	\$ -	\$ 142,091
Corporate debt securities	-	183,611	-	183,611
Bank certificates of deposit	-	58,156	-	58,156
Money market funds	-	51,712	-	51,712
U.S. treasury securities	-	37,652	-	37,652
Asset-backed securities	-	10,056	-	10,056
Foreign government security	-	703	-	703
	<u>\$ 142,091</u>	<u>\$ 341,890</u>	<u>\$ -</u>	<u>\$ 483,981</u>

6. Employee Stock Benefit Plans

On May 15, 2026, our stockholders approved the Cohu, Inc. 2026 Equity Incentive Plan (“2026 Plan”). The 2026 Plan replaced the Cohu, Inc. 2005 Equity Incentive Plan (“2005 Plan”), under which no further awards may be granted. Outstanding awards under the 2005 Plan remain in effect under their original terms, and any shares that return to the share reserve through forfeiture, expiration, or cash settlement become available for issuance under the 2026 Plan. The initial number of common shares that are reserved for issuance pursuant to equity awards granted under the 2026 Plan shall not exceed 3.4 million plus any Returning Shares (as defined in the 2026 Plan). On May 15, 2026, our stockholders also approved an amendment to our 1997 Employee Stock Purchase Plan (“ESPP”), which increased the number of ESPP shares that may be issued by 600,000.

Our 2026 Plan and our ESPP are broad-based, long-term retention programs intended to attract, motivate, and retain talented employees as well as align stockholder and employee interests. Awards that may be granted under the 2026 Plan include, but are not limited to, non-qualified and incentive stock options, restricted stock units, and performance stock units. We settle employee stock option exercises, employee stock purchase plan purchases, and the vesting of restricted stock units and performance stock units with newly issued common shares. On September 26, 2026, there were 3.4 million shares available for future equity grants under the 2026 Plan and 0.9 million shares available for purchase under the ESPP.

Stock Options

Stock options may be granted to employees, consultants and non-employee directors to purchase a fixed number of shares of our common stock. The exercise prices of options granted are at least equal to the fair market value of our common stock on the dates of grant and options vest and become exercisable in annual increments that range from one to four years from the date of grant. Stock options granted under the 2026 Plan have a maximum contractual term of ten years. In the first nine months of fiscal 2026, we did not grant any stock options and as of September 26, 2026, no stock options were outstanding.

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Restricted Stock Units

We grant restricted stock units (“RSUs”) to certain employees, consultants and directors. RSUs vest in annual increments that range from one to four years from the date of grant. Prior to vesting, RSUs do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding. Shares of our common stock or treasury shares will be issued on the date the RSUs vest net of the minimum statutory tax withholding requirements to be paid by us on behalf of our employees. As a result, the actual number of shares issued will be fewer than the number of RSUs outstanding on September 26, 2026.

In the first nine months of fiscal 2026, we awarded 561,348 RSUs and issued 597,633 shares of our common stock on vesting of previously granted awards and 120,255 RSUs were forfeited. On September 26, 2026, we had 1,183,608 RSUs outstanding with an aggregate intrinsic value of approximately \$79.3 million and the weighted average remaining vesting period was approximately 1.1 years.

Performance Stock Units

We grant performance stock units (“PSUs”) to certain senior executives as a part of our long-term equity compensation program. The number of shares of common stock that will ultimately be issued to settle PSUs granted ranges from 0% to 200% of the number granted and is determined based on certain performance criteria over a three-year measurement period. The performance criteria for the PSUs are based on a combination of our annualized Total Shareholder Return (“TSR”) for the performance period and, for PSUs granted to senior executives in 2024 and 2025, the relative performance of our TSR compared with the Russell 2000 Index (RUT) for the performance period, and for PSUs granted to senior executives in 2026, the percentile performance of our TSR within the members of the RUT as of the first day of the performance period. Granted PSUs will vest 100% on the third anniversary of their grant, assuming achievement of the applicable performance criteria.

We estimate the fair value of the PSUs using a Monte Carlo simulation model on the date of grant. Compensation expense is recognized over the requisite service period. To the extent applicable performance conditions are satisfied, shares of our common stock or treasury shares are issued on the date the PSUs vest net of the minimum statutory tax withholding requirements to be paid by us on behalf of our employees. As a result, the actual number of shares issued will be fewer than the actual number of PSUs outstanding on September 26, 2026.

In the first nine months of fiscal 2026, we awarded 261,552 PSUs, we issued 10,135 shares of our common stock on vesting of previously granted awards and 213,702 awarded shares were forfeited. On September 26, 2026, we had 784,554 PSUs outstanding with an aggregate intrinsic value of approximately \$52.6 million and the weighted average remaining vesting period was approximately 1.5 years.

Employee Stock Purchase Plan

The ESPP provides for the issuance of shares of our common stock. Under the ESPP, eligible employees may purchase shares of Cohu common stock through payroll deductions at a price equal to 85 percent of the lower of the fair market value of Cohu common stock at the beginning or end of each 6-month purchase offering period, subject to certain limits. The two offering periods run from November 1 through April 30 and May 1 through October 31, respectively. During the first nine months of fiscal 2026, 89,222 shares of our common stock were sold to our employees under the ESPP.

7. Derivative Financial Instruments**Economic (Non-Designated) Hedges**

We enter into foreign currency forward contracts to manage our foreign exchange exposure related to intercompany transactions and other balance sheet items that are subject to revaluation. For accounting purposes, our foreign currency forward contracts that are not designated as hedging instruments are recorded at fair value as of the end of our reporting period in our condensed consolidated balance sheets with changes in fair value recorded within foreign transaction gain (loss) in our condensed consolidated statements of operations for both realized and unrealized gains and losses. The gain or loss recorded on these instruments is substantially offset by the remeasurement adjustment on the foreign currency denominated asset or liability.

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The location and amount of gains and losses related to non-designated derivative instruments in the condensed consolidated statements of operations were as follows (*in thousands*):

Derivatives not designated as hedging instruments	Location of gain (loss) recognized on derivatives	Three Months Ended		Nine Months Ended	
		Sep. 26, 2026	Sep. 27, 2025	Sep. 26, 2026	Sep. 27, 2025
Foreign exchange forward contracts	Foreign transaction gain (loss)	\$ (584)	\$ (701)	\$ (3,935)	\$ 4,594

Net Investment Hedges

We have implemented an ongoing program to hedge foreign currency risk associated with our net investment positions in certain foreign subsidiaries. These exposures are managed through the use of foreign currency forward contracts, which are designated as net investment hedges.

The location and amount of gains and losses from net investment hedges recorded in the foreign currency translation component of AOCL were as follows (*in thousands*):

Derivatives designated as hedging instruments	Location of gain (loss) recognized on derivatives	Three Months Ended		Nine Months Ended	
		Sep. 26, 2026	Sep. 27, 2025	Sep. 26, 2026	Sep. 27, 2025
Foreign exchange forward contracts	AOCL	\$ 620	\$ 457	\$ 2,186	\$ (8,214)

Gains recognized in foreign transaction loss, in the condensed consolidated statements of operations for the portion of the net investment hedges excluded from the assessment of hedge effectiveness was \$0.4 million and \$0.5 million for the three months ended September 26, 2026, and September 27, 2025, and \$1.1 million and \$1.2 million for the nine months ended September 26, 2026, and September 27, 2025, respectively.

Cash flows associated with settlements of our non-designated foreign currency forward contracts are reported in net cash provided by operating activities and our net investment hedges are included in investing activities in our condensed consolidated statements of cash flows.

Fair Value

The fair value of our foreign currency forward contracts was determined based on current foreign currency exchange rates and forward points. All our foreign currency forward contracts outstanding on September 26, 2026, will mature during the fourth quarter of fiscal 2026.

The following table provides information about our foreign currency forward contracts outstanding as of September 26, 2026 (*in thousands*):

Currency	Contract Position	Contract Amount	Contract Amount
		(Local Currency)	(U.S. Dollars)
Euro	Buy	47,546	\$ 54,250
Swiss Franc	Buy	18,004	21,820
South Korean Won	Buy	1,808,335	1,330
Japanese Yen	Buy	691,356	4,410
Malaysian Ringgit	Buy	26,700	6,566
Euro	Sell	50,400	57,768
Swiss Franc	Sell	15,700	19,618

Our foreign currency contracts are classified within Level 2 of the fair value hierarchy as they are valued using pricing models that utilize observable market inputs. The fair values of foreign currency contracts outstanding on September 26, 2026, and December 27, 2025, were immaterial.

8. Equity

Common Stock

On May 15, 2026, our stockholders approved an amendment to Cohu's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 90,000,000 to 150,000,000 shares. Accordingly, on May 15, 2026, we filed with the Secretary of State of the State of Delaware an Amended and Restated Certificate of Incorporation implementing the approved changes (the "Restated Certificate"), and the Restated Certificate was effective as of that date.

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Capped Call Transactions

In connection with the Notes offering described in Note 3, “Borrowings and Credit Agreements”, on September 24, 2025, we entered into privately negotiated capped call transactions (the “Base Capped Call Transactions”) with an affiliate of one or more of the initial purchasers of the Notes and certain other financial institutions (the “Option Counterparties”). In addition, on September 25, 2025, in connection with the initial purchasers’ exercise in full of their option to purchase additional Notes, we entered into additional capped call transactions (the “Additional Capped Call Transactions,” and, together with the Base Capped Call Transactions, the “Capped Call Transactions”) with each of the Option Counterparties. The Capped Call Transactions are separate from the Notes and do not change the holders’ rights under the Notes. Holders of the Notes do not have any rights with respect to the Capped Call Transactions. The Capped Call Transactions are generally expected to reduce the potential dilution to our common stock upon any conversion of the Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted Notes, with such reduction and/or offset subject to a cap.

The Capped Call Transactions are for an aggregate of 10.58 million shares of our common stock, subject to certain anti-dilution adjustments. Each capped call option has an initial strike price of approximately \$27.18 per share, which corresponds to the initial conversion price of the Notes, and an initial cap price of approximately \$41.02 per share, representing a premium of approximately 100% above the reference price of \$20.51, which was the last reported sale price of our common stock on September 24, 2025. The strike and cap prices are subject to certain adjustments. The Capped Call Transactions are intended to offset some or all of the potential dilution to our common stock caused by any conversion of the Notes up to the cap price. The capped call options can be settled in either net shares or cash at our option in components commencing October 15, 2030, and ending January 15, 2031, which could be extended under certain circumstances.

The capped call options are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting us, including a merger, tender offer, nationalization, insolvency or delisting. In addition, certain events may result in a termination of the capped call options, including changes in law and hedging disruptions. The Capped Call Transactions are recorded at their aggregate cost of \$31.4 million as a reduction to paid-in capital stock in the shareholders’ equity section of our consolidated balance sheet.

Share Repurchase Program

On October 28, 2021, we announced that our Board of Directors authorized a \$70 million share repurchase program. This share repurchase program was effective as of November 2, 2021, and has no expiration date. On October 25, 2022, our Board of Directors authorized an additional \$70 million under the share repurchase program. The timing of share repurchases and the number of shares of common stock to be repurchased will depend upon prevailing market conditions and other factors. Repurchases under this program will be made using our existing cash resources and may be commenced or suspended from time to time at our discretion without prior notice. Repurchases may be made in the open market, through 10b5-1 programs, or in privately negotiated transactions at prevailing market rates in accordance with federal securities laws. We did not repurchase any common shares of our stock during the three and nine months ended September 26, 2026. We did not repurchase any common shares of our stock during the three months ended September 27, 2025. During the nine months ended September 27, 2025, we repurchased 432,288 shares of our common stock for \$8.6 million to be held as treasury stock. As of September 26, 2026, \$22.8 million remained available for us to repurchase shares of our common stock under our share repurchase program.

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9. Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes* (“ASC 740”). The provision or benefit for income taxes is attributable to U.S. federal, state, and foreign income taxes. Our effective tax rate (“ETR”) used for interim periods is based on an estimated annual effective tax rate adjusted for the tax effect of items required to be recorded discretely in the interim periods in which those items occur. Our ETR is different than the statutory rate in the U.S. due to foreign income taxed at different rates than in the U.S., changes in uncertain tax benefit positions, changes to valuation allowances, the accrual of taxes on unremitted income of our foreign subsidiaries, state taxes, and foreign withholding taxes. In addition, we have numerous tax holidays related to our manufacturing operations in Malaysia and the Philippines. The tax holiday periods expire at various times in the future; however, we actively seek to obtain new tax holidays.

We conduct business globally and, as a result, Cohu or one or more of its subsidiaries files income tax returns in the US and various state and foreign jurisdictions. In the normal course of business, we are subject to examinations by taxing authorities throughout the world and are currently under examination in Germany, the Philippines, Malaysia, Taiwan, Japan, and California. We believe our financial statement accruals for income taxes are appropriate.

Companies are required to assess whether a valuation allowance should be recorded against their deferred tax assets (“DTAs”) based on the consideration of all available evidence, using a “more likely than not” realization standard. The four sources of taxable income that must be considered in determining whether DTAs will be realized are, (1) future reversals of existing taxable temporary differences (i.e. offset of gross deferred tax assets against gross deferred tax liabilities); (2) taxable income in prior carryback years, if carryback is permitted under the tax law; (3) tax planning strategies and (4) future taxable income exclusive of reversing temporary differences and carryforwards.

In assessing whether a valuation allowance is required, significant weight is to be given to evidence that can be objectively verified. We have evaluated our DTAs at each reporting period, including an assessment of our cumulative income or loss over the prior three-year period and future periods, to determine if a valuation allowance was required.

Based on the evidence available, including a lack of sustainable earnings and history of expiring unused NOLs, and tax credits, we continue to maintain our judgment that previously recorded valuation allowances against substantially all net deferred tax assets are required in the United States and Malaysia. If a change in judgment regarding this valuation allowance were to occur in the future, we will record a potentially material deferred tax benefit, which could result in a favorable impact on the effective tax rate in that period.

In accordance with the disclosure requirements in ASC 740, we have classified unrecognized tax benefits as non-current income tax liabilities, or a reduction in non-current deferred tax assets, unless they are expected to be paid within one year. Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

10. Segment and Geographic Information

We applied the provisions of ASC 280, which sets forth a management approach to segment reporting and establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products, major customers and the geographies in which the entity holds material assets and reports revenue. An operating segment is defined as a component that engages in business activities whose operating results are reviewed by the CODM, which is our Chief Executive Officer Luis A. Müller, and for which discrete financial information is available. We have determined that our three identified operating segments are: TH, ST and IS. Our three operating segments qualify for aggregation under ASC 280 due to similarities in their customers, their economic characteristics, and the nature of products and services provided. As a result, we report in one segment, Semiconductor Test & Inspection, which derives revenue from the design and manufacture of equipment and components used in the testing of semiconductors.

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The CODM assesses performance of the Semiconductor Test & Inspection segment and decides how to allocate resources based on income (loss) before taxes. The table below summarizes selected financial information for our single reportable segment.

<i>(in thousands)</i>	Three Months Ended September 26, 2026	Three Months Ended September 27, 2025	Nine Months Ended September 26, 2026	Nine Months Ended September 27, 2025
Net sales	\$ 172,956	\$ 126,249	\$ 447,077	\$ 330,726
Cost of sales	93,963	70,644	242,096	184,971
Research and development	24,464	21,098	73,753	64,705
Selling	13,892	13,274	43,121	39,719
General & administrative	15,599	14,532	45,081	39,516
Amortization of purchased intangible assets	7,177	10,249	21,754	30,182
Share-based compensation	4,625	5,659	17,494	17,564
Other segment items ⁽¹⁾	(1,087)	(1,392)	(3,521)	2,681
Income (loss) before taxes	<u>\$ 14,323</u>	<u>\$ (7,815)</u>	<u>\$ 7,299</u>	<u>\$ (48,612)</u>

(1) Other segment items include restructuring charges as well as miscellaneous non-operating items.

For revenues by geography and information on customer concentration, see Note 1, “Summary of Significant Accounting Policies”.

11. Leases

We lease certain of our facilities, equipment and vehicles under non-cancelable operating and finance leases. Leases with initial terms of 12 months or less are not recorded on the condensed consolidated balance sheet, but we recognize those lease payments in the condensed consolidated statements of operations on a straight-line basis over the lease term. Lease and non-lease components are included in the calculation of the ROU asset and lease liabilities.

Our leases have remaining lease terms of up to 31 years, some of which include one or more options to extend the lease for up to 25 years. Our lease terms include renewal terms when we are reasonably certain that we will exercise the renewal options. We sublease certain leased assets to third parties, mainly as a result of unused space in our facilities.

Supplemental balance sheet information related to leases was as follows:

<i>(in thousands)</i>	Classification	September 26, 2026	December 27, 2025
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 26,913	\$ 29,271
Finance lease assets	Property, plant and equipment, net	32	68
Total lease assets		<u>\$ 26,945</u>	<u>\$ 29,339</u>
Liabilities			
Current			
Operating	Other accrued liabilities	\$ 3,795	\$ 3,100
Noncurrent			
Operating	Long-term lease liabilities	30,033	31,693
Total lease liabilities		<u>\$ 33,828</u>	<u>\$ 34,793</u>
Weighted-average remaining lease term (years)			
Operating leases		8.6	9.0
Weighted-average discount rate			
Operating leases		6.5%	6.5%

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The components of lease expense were as follows:

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Operating leases	\$ 1,566	\$ 2,429	\$ 4,941	\$ 5,449
Variable lease expense	500	654	1,914	1,950
Short-term operating leases	8	18	24	47
Finance leases				
Amortization of leased assets	14	10	39	51
Interest on lease liabilities	-	-	-	1
Net lease cost	<u>\$ 2,088</u>	<u>\$ 3,111</u>	<u>\$ 6,918</u>	<u>\$ 7,498</u>

Supplemental cash flow information related to leases was as follows:

<i>(in thousands)</i>	Nine Months Ended	
	September 26, 2026	September 27, 2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,879	\$ 4,690
Financing cash flows from finance leases	\$ -	\$ 7
Leased assets obtained in exchange for new operating lease liabilities	\$ 1,366	\$ 21,854

Future minimum lease payments on September 26, 2026, are as follows:

<i>(in thousands)</i>	Operating leases	Finance leases	Total
2026	\$ 1,515	\$ -	\$ 1,515
2027	5,631	-	5,631
2028	4,664	-	4,664
2029	4,762	-	4,762
2030	4,907	-	4,907
Thereafter	23,520	-	23,520
Total lease payments	44,999	-	44,999
Less: Interest	(11,171)	-	(11,171)
Present value of lease liabilities	<u>\$ 33,828</u>	<u>\$ -</u>	<u>\$ 33,828</u>

12. Contingencies

From time to time we are involved in various legal proceedings, examinations by various tax authorities and claims that have arisen in the ordinary course of our business. The outcome of any litigation is inherently uncertain. While there can be no assurance, we do not believe at the present time that the resolution of these matters will have a material adverse effect on our assets, financial position or results of operations.

13. Guarantees

Product Warranty

Our products are generally sold with warranty periods that range from 12 to 36 months following sale or acceptance. The product warranty promises customers that delivered products are as specified in the contract (an “assurance-type warranty”). Therefore, we account for such product warranties under ASC 460, and not as a separate performance obligation. Parts and labor are covered under the terms of the warranty agreement. The warranty provision is based on historical and projected experience by product and configuration.

Cohu, Inc.
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Changes in accrued warranty were as follows (*in thousands*):

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Balance at beginning of period	\$ 5,878	\$ 3,236	\$ 4,402	\$ 3,093
Warranty expense accruals	3,136	2,209	6,997	4,300
Warranty payments	(2,540)	(1,060)	(4,925)	(3,008)
Balance at end of period	<u>\$ 6,474</u>	<u>\$ 4,385</u>	<u>\$ 6,474</u>	<u>\$ 4,385</u>

Accrued warranty amounts expected to be incurred after one year are included in noncurrent other accrued liabilities in the condensed consolidated balance sheet. These amounts totaled \$0.3 million and \$0.2 million at September 26, 2026, and December 27, 2025, respectively.

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

This Form 10-Q contains certain forward-looking statements including expectations of market conditions, challenges and plans, within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the Safe Harbor provisions created by that statute. Such forward-looking statements are based on management's current expectations and beliefs, including estimates and projections about our business and include, but are not limited to, statements concerning financial position, business strategy, our industry environment, market growth expectations, and plans or objectives for future operations. Forward-looking statements are not guarantees of future performance, and are subject to certain risks, uncertainties, and assumptions that are difficult to predict and may cause actual results to differ materially from management's current expectations. Such risks and uncertainties include those set forth in this Quarterly Report on Form 10-Q and our 2025 Annual Report on Form 10-K under the heading "Item 1A. Risk Factors". The forward-looking statements in this report speak only as of the time they are made, and do not necessarily reflect management's outlook at any other point in time. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or for any other reason, however, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the SEC after the date of this Quarterly Report. This Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain of our products. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry, and general publications, government data, and similar sources.

OVERVIEW

Cohu was founded in 1947 and is a global supplier of equipment and services optimizing semiconductor manufacturing yield and productivity. We serve global semiconductor manufacturers and test subcontractors with a broad portfolio of products and services.

For the three months ended September 26, 2026, net sales increased 16.1% sequentially to \$173.0 million from \$149.0 million in the second quarter of fiscal 2026. Revenue from our capital equipment products is primarily driven by customers' capital expenditures and operating budgets, which depend on capacity utilization, inventory levels, and anticipated end market demand and may fluctuate significantly with industry conditions, with capital spending related to artificial intelligence ("AI") and high-performance computing currently remaining a strong area of investment, while automotive, industrial and consumer markets continue to recover at varying rates. In contrast, revenue from our recurring products, such as test consumables, services, and subscription software, is influenced by the volume of semiconductor devices tested and customers' ongoing technology transitions, and because this revenue is tied to the installed base and production activity rather than discrete capital purchase decisions, it is generally more stable and less cyclical than capital equipment revenue.

Global macroeconomic and geopolitical factors continue to influence the semiconductor industry. While elevated interest rates and ongoing geopolitical uncertainty have moderated capital spending in certain end markets, industry conditions continue to be bifurcated. While automotive, industrial and consumer-oriented semiconductor markets have shown signs of improvement, customers continue to manage inventory levels closely and remain cautious with capacity investments, leading many semiconductor companies to maintain cost controls and carefully manage expansion plans.

By contrast, demand related to AI, high-performance computing, and data center applications has remained comparatively strong and continues to support investment in advanced semiconductor testing and inspection solutions. Demand across industrial and automotive semiconductor markets remained stronger during the third quarter, contributing to increased customer activity and investment levels. During the third quarter of fiscal 2026, our net sales benefited from increased customer activity associated with AI-driven computing applications, as well as higher demand in industrial and automotive semiconductor markets, which helped offset continued softness in certain consumer-oriented markets. These trends are broadly consistent with market conditions and customer spending patterns specific to our end markets.

In response to economic conditions, in fiscal 2025, we initiated a global restructuring program designed to improve profitability while maintaining investments in product development. We continue to manage our cost structure with discipline while preserving flexibility to support anticipated growth opportunities, particularly in AI-related applications. We remain focused on building a well-balanced and resilient business model, executing on customer design wins, and developing innovative products. We are expanding our addressable market with new test, inspection, automation, and AI-driven software solutions and are encouraged by increasing customer adoption of semiconductor test and inspection equipment used in AI-enabled data centers. Despite continued near-term variability across certain semiconductor end markets, we believe our long-term market drivers remain intact, supported by increasing semiconductor complexity, higher quality and reliability requirements, test intensity, automation, smart manufacturing initiatives including AI-driven data analytics, and the proliferation of electronics across automotive, mobile, industrial, computing, and consumer markets.

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Application of Critical Accounting Estimates and Policies

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience, forecasts and on various other assumptions that are believed to be reasonable under the circumstances, however actual results may differ from those estimates under different assumptions or conditions. The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

Our critical accounting estimates that we believe are the most important to investors' understanding of our financial results and condition require complex management judgment and include:

- revenue recognition, including the deferral of revenue on sales to customers, which impacts our results of operations;
- estimation of valuation allowances and accrued liabilities, specifically inventory reserves, which impact gross margin or operating expenses;
- the recognition and measurement of current and deferred income tax assets and liabilities, unrecognized tax benefits, the valuation allowance on deferred tax assets and accounting for the impact of the change to U.S. tax law as described herein, which impact our tax provision; and
- the assessment of recoverability of goodwill, which primarily impacts gross margin or operating expenses if we are required to record impairments.

Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective.

Revenue Recognition: Our net sales are derived from the sale of products and services and are adjusted for estimated returns and allowances, which historically have been insignificant. We recognize revenue when the obligations under the terms of a contract with our customers are satisfied; generally, this occurs with the transfer of control of our systems and non-system products or the completion of services. In circumstances where control is not transferred until destination or acceptance, we defer revenue recognition until such events occur. Revenue for established products that have previously satisfied a customer's acceptance requirements is generally recognized upon shipment. In cases where a prior history of customer acceptance cannot be demonstrated and in the case of new products, revenue and cost of sales are deferred until customer acceptance has been received. Our post-shipment obligations typically include standard warranties. Service revenue is recognized over time as the transfer of control is completed for the related contract or upon completion of the services if they are short-term in nature. Spares and contactor and kit revenue are generally recognized upon shipment. Certain of our equipment sales have multiple performance obligations. These arrangements involve the delivery or performance of multiple performance obligations that may occur at different points in time or over different periods of time. For arrangements containing multiple performance obligations, the revenue relating to the undelivered performance obligation is deferred using the relative standalone selling price method utilizing estimated sales prices until satisfaction of the deferred performance obligation. Unsatisfied performance obligations primarily represent contracts for products with future delivery dates. On September 26, 2026, we had \$4.6 million of revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) with expected durations of over one year. As allowed under ASC 606, we have opted not to disclose unsatisfied performance obligations for contracts with original expected durations of less than one year. We generally sell our equipment with a product warranty. The product warranty provides assurance to customers that delivered products are as specified in the contract (an "assurance-type warranty"). Therefore, we account for such product warranties under ASC 460, and not as a separate performance obligation. The transaction price reflects our expectations about the consideration we will be entitled to receive from the customer and may include fixed or variable amounts. Fixed consideration primarily includes sales to customers in which the amount of consideration is known as of the end of the reporting period. Variable consideration includes sales in which the amount of consideration that we will receive is unknown as of the end of a reporting period. Such consideration primarily relates to sales made to certain customers with cumulative tier volume discounts offered. Variable consideration arrangements are rare; however, when they occur, we estimate variable consideration as the expected value to which we expect to be entitled. Included in the transaction price estimate are amounts for which it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This estimate is based on information available for projected future sales. Variable consideration that does not meet revenue recognition criteria is deferred. Accounts receivable represents our unconditional right to receive consideration from our customer. Payments terms do not exceed one year from the invoice date and therefore do not include a significant financing component. To date, there have been no material impairment losses on accounts receivable. There were no material contract assets or contract liabilities recorded on the condensed consolidated balance sheet in any of the periods presented. On shipments where sales are not recognized, gross profit is generally recorded as deferred profit in the condensed consolidated balance sheet representing the difference between the receivable recorded and the inventory shipped.

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Accounts Receivable: We maintain an allowance for estimated credit losses resulting from the inability of our customers to make required payments. If the financial condition of our customers deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be required. Our customers include semiconductor manufacturers and semiconductor test subcontractors throughout many areas of the world. While we believe that our allowance for credit losses is adequate and represents our best estimate of future losses, we will continue to monitor customer liquidity and other economic conditions, which may result in changes to our estimates.

Inventory: The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. The demand forecast is a direct input in the development of our short-term manufacturing plans. We record valuation reserves on our inventory for estimated excess and obsolete inventory and lower of cost or net realizable value concerns equal to the difference between the cost of inventory and the estimated realizable value based upon assumptions about future product demand, market conditions and product selling prices. If future product demand, market conditions or product selling prices are less than those projected by management or if continued modifications to products are required to meet specifications or other customer requirements, increases to inventory reserves may be required which would have a negative impact on our gross margin.

Income Taxes: We estimate our liability for income taxes based on the various jurisdictions where we conduct business. This requires us to estimate our (i) current taxes; (ii) temporary differences that result from differing treatment of certain items for tax and accounting purposes; and (iii) unrecognized tax benefits. Temporary differences result in deferred tax assets and liabilities that are reflected in the condensed consolidated balance sheet. The deferred tax assets are reduced by a valuation allowance if, based upon all available evidence, it is more likely than not that some or all the deferred tax assets will not be realized. Establishing, reducing or increasing a valuation allowance in an accounting period generally results in an increase or decrease in tax expense in the statement of operations. We must make significant judgments to determine the provision for income taxes, deferred tax assets and liabilities, unrecognized tax benefits and any valuation allowance to be recorded against deferred tax assets. Our deferred tax assets consist primarily of research and development costs that were required to be capitalized under IRC Section 174, net of related amortization, reserves and accruals that are not yet deductible for tax, and tax credit and net operating loss carryforwards.

Segment Information: We apply the provisions of ASC 280, which sets forth a management approach to segment reporting and establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products, major customers and the geographies in which the entity holds material assets and reports revenue. An operating segment is defined as a component that engages in business activities whose operating results are reviewed by the CODM and for which discrete financial information is available. We have determined that our three identified operating segments are: TH, ST and IS. Our three operating segments qualify for aggregation under ASC 280 due to similarities in their customers, their economic characteristics, and the nature of products and services provided. As a result, we report in one segment, Semiconductor Test & Inspection.

Goodwill, Intangible Assets and Other Long-lived Assets: We evaluate goodwill for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill impairment testing is performed at the reporting unit level by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds fair value, an impairment charge is recognized for the amount by which the carrying value exceeds the fair value, limited to the carrying amount of goodwill.

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We estimate the fair values of our reporting units using a weighting of the income and market approaches. Under the income approach, we use a discounted cash flow methodology, which requires significant judgment and estimates related to, among other things, forecasted revenues, gross profit margins, operating income margins, working capital cash flows, perpetual growth rates, and long-term discount rates. The market approach utilizes the guideline public company method, under which valuation multiples derived from comparable publicly traded companies with similar operating and investment characteristics are applied to the reporting unit's operating performance metrics. The indicated values derived from the income and market approaches are equally weighted to determine the estimated fair value of each reporting unit.

Forecasts of future cash flows are based on management's best estimates of future net sales and operating expenses, taking into account customer forecasts, industry trade organization data, and general economic and market conditions. Fair value measurements are inherently subjective and sensitive to changes in assumptions. Adverse changes in forecasted results, discount rates, long-term growth assumptions, macroeconomic conditions, customer demand, competitive dynamics, or other factors could result in a reduction in the estimated fair value of one or more reporting units.

We performed our annual goodwill impairment test as of October 1, 2025, and determined that the estimated fair values of our reporting units exceeded their respective carrying values. As disclosed in our Annual Report on Form 10-K for fiscal 2025, our IS reporting unit had less excess fair value over carrying value relative to our other reporting units as of the annual assessment date. Goodwill associated with the IS reporting unit represented approximately 39% of total goodwill as of the annual assessment date. Based on our analysis, including all relevant qualitative and quantitative factors, we concluded that no impairment existed as of the annual assessment date.

Goodwill is also required to be evaluated for impairment between annual testing dates if indicators of impairment arise. Based on our evaluation of events, including operating results and market conditions through September 26, 2026, we determined that no such triggering events had occurred. If circumstances change and an interim impairment assessment is required, it could result in a non-cash impairment charge, which could be material and would adversely affect our results of operations and financial condition.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. For long-lived assets, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted future cash flows. We measure the impairment loss based on the difference between the carrying amount and estimated fair value.

During the first nine months of fiscal 2026, no events or conditions occurred suggesting an impairment in our long-lived assets.

Warranty: We provide for the estimated costs of product warranties in the period sales are recognized. Our warranty obligation estimates are affected by historical product shipment levels, product performance and material and labor costs incurred in correcting product performance problems. Should product performance, material usage or labor repair costs differ from our estimates, revisions to the estimated warranty liability would be required.

Contingencies: We are subject to certain contingencies that arise in the ordinary course of our businesses which require us to assess the likelihood that future events will confirm the existence of a loss or an impairment of an asset. If a loss or asset impairment is probable and the amount of the loss or impairment is reasonably estimable, we accrue a charge to operations in the period such conditions become known.

Share-based Compensation: Compensation expense for restricted stock unit (RSU) awards is calculated based on the market price of our common stock on the grant date. As Cohu doesn't currently pay dividends, no reduction for expected dividends is applied. Compensation expense for performance stock units (PSUs) with market-based goals is determined using a Monte Carlo simulation model as of the grant date. When granted, compensation expense for stock options is measured based on the fair value of the award on its grant date, which we estimate using the Black-Scholes valuation model.

Recent Accounting Pronouncements

For a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see "Recent Accounting Pronouncements", in Note 1 located in Part I, Item 1 of this Form 10-Q.

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RESULTS OF OPERATIONS

The following table summarizes certain operating data as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	September 26, 2026	September 27, 2025	September 26, 2026	September 27, 2025
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(54.5)%	(56.2)%	(54.3)%	(56.3)%
Gross margin	45.5%	43.8%	45.7%	43.7%
Research and development	(14.8)%	(17.8)%	(17.2)%	(20.8)%
Selling, general and administrative	(18.9)%	(25.2)%	(22.8)%	(27.7)%
Amortization of purchased intangible assets	(4.1)%	(8.1)%	(4.9)%	(9.1)%
Restructuring charges	(0.3)%	(0.4)%	(0.4)%	(2.5)%
Income (loss) from operations	7.4%	(7.7)%	0.4%	(16.4)%

Third Quarter of Fiscal 2026 Compared to Third Quarter of Fiscal 2025

Net Sales

Our consolidated net sales increased 37.0% to \$173.0 million in 2026, compared to \$126.2 million in 2025. Net sales for the third quarter of fiscal 2026 increased compared to the same period in fiscal 2025, primarily driven by stronger demand across AI-based computing applications, industrial and automotive semiconductor markets. Meanwhile, demand in mobile and consumer end markets remained relatively consistent year-over-year.

Gross Margin (exclusive of amortization of acquisition-related intangible assets described below)

Gross margin consists of net sales less cost of sales. Cost of sales consists primarily of materials, assembly, test labor, and overhead from operations. Our gross margin can fluctuate due to a number of factors, including, but not limited to, the mix and volume of products sold, product support costs, changes in inventory reserves, the sale of previously reserved inventory, manufacturing cost structure, and business volume which impacts the utilization of our manufacturing capacity. Our gross margin, as a percentage of net sales for the third quarter, was 45.5% in fiscal 2026 and 43.8% in fiscal 2025. Gross margin in the third quarter of fiscal 2026 was higher due to a more favorable mix of systems sold to customers, as well as higher overall business volume, which enabled improved utilization of our existing manufacturing cost structure.

We compute the majority of our excess and obsolete inventory reserve requirements using inventory usage forecasts. During the third quarter of fiscal 2026 and 2025, we recorded charges to cost of sales of \$2.3 million and \$0.9 million for excess and obsolete inventory, respectively. We believe our reserves for excess and obsolete inventory and lower of cost or net realizable value are adequate to cover known exposures as of September 26, 2026. Reductions in customer forecasts, continued modifications to products, or our failure to meet specifications or other customer requirements, may result in additional charges to operations that could negatively impact our gross margin in future periods.

Research and Development Expense ("R&D Expense")

R&D expense consists primarily of salaries and related costs of employees engaged in ongoing research, product design and development activities, costs of engineering materials and supplies and professional consulting expenses. R&D expense was \$25.6 million in fiscal 2026 and \$22.5 million in fiscal 2025, representing 14.8% and 17.8% of net sales, respectively. During the third quarter of fiscal 2026, R&D expenses increased primarily due to higher material costs incurred for new products under development, reflecting continued investment in our product roadmap.

Selling, General and Administrative Expense ("SG&A Expense")

SG&A expense consists primarily of salaries and benefit costs of employees, commission expense for independent sales representatives, product promotion and costs of professional services. SG&A expense was \$32.7 million or 18.9% of net sales in fiscal 2026, compared to \$31.8 million or 25.2% in fiscal 2025. SG&A expense during the third fiscal quarter of 2026 increased on a year-over-year basis, primarily driven by higher business volume and the associated increase in selling and administrative activity. These increases were partially offset by improved operating leverage as SG&A declined as a percentage of net sales.

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Amortization of Purchased Intangible Assets

Amortization of purchased intangibles is the process of expensing the cost of an intangible asset acquired through a business combination over the projected life of the asset. Amortization of acquisition-related intangible assets was \$7.2 million and \$10.2 million in the third fiscal quarter of 2026 and 2025, respectively. The decrease in amortization expense during the third quarter of fiscal 2026 was primarily due to certain acquisition-related intangible assets becoming fully amortized during fiscal 2025.

Restructuring Charges

We initiated a broad strategic restructuring program during the first quarter of fiscal 2025 aimed at repositioning our global organization and optimizing our cost structure. During the third fiscal quarters of 2026 and 2025, restructuring activity resulted in charges of \$0.4 million and \$0.5 million, respectively. The year-over-year decrease primarily reflects the timing and level of restructuring-related activities during the respective periods.

See Note 4, "Restructuring Charges" in Part I, Item 1 of this Form 10-Q for additional information with respect to restructuring charges.

Interest Expense and Income

Interest expense was \$1.8 million and \$0.1 million in the third fiscal quarter of 2026 and 2025, respectively. The increase in interest expense compared to the prior year was primarily attributable to interest expense associated with the convertible notes issued during the fourth quarter of fiscal 2025.

Interest income was \$3.9 million and \$1.3 million in the third quarter of fiscal 2026 and 2025, respectively. The increase in interest income compared to the prior year was primarily driven by higher average investment balances during the third fiscal quarter of 2026, reflecting the investment of proceeds from the issuance of the convertible notes in the fourth quarter of fiscal 2025. The higher invested balances resulted in increased interest income during the period.

Income Taxes

We account for income taxes in accordance with ASC 740. The provision or benefit for income taxes is attributable to U.S. federal, state, and foreign income taxes. Our effective tax rate ("ETR") used for interim periods is based on an estimated annual effective tax rate, adjusted for the tax effect of items required to be recorded discretely in the interim periods in which those items occur. Our ETR is different than the statutory rate in the U.S. due to foreign income taxed at different rates than in the U.S., changes in uncertain tax benefit positions, changes to valuation allowances, the accrual of taxes on unremitted income of our foreign subsidiaries, state taxes, and foreign withholding taxes. In addition, we have numerous tax holidays related to our manufacturing operations in Malaysia and the Philippines. The tax holiday periods expire at various times in the future; however, we actively seek to obtain new tax holidays.

Our third quarter 2026 tax provision is higher than the third quarter 2025 tax provision, primarily due to a change in mix of income between tax jurisdictions.

We conduct business globally, and as a result, Cohu or one or more of its subsidiaries files income tax returns in the U.S. and various state and foreign jurisdictions. In the normal course of business, we are subject to examinations by taxing authorities throughout the world and are currently under examination in Germany, the Philippines, Malaysia, Taiwan, Japan, and California. We believe our financial statement accruals for income taxes are appropriate.

In accordance with the disclosure requirements as described in ASC 740, we have classified unrecognized tax benefits as non-current income tax liabilities, or a reduction in non-current deferred tax assets, unless expected to be paid within one year. Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Net Income (Loss)

As a result of the factors set forth above, our net income was \$12.1 million for the three months ended September 26, 2026, as compared to a net loss of \$4.1 million for the three months ended September 27, 2025.

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First Nine Months of Fiscal 2026 Compared to First Nine Months of Fiscal 2025***Net Sales***

Our consolidated net sales increased 35.2% to \$447.1 million in 2026, compared to \$330.7 million in 2025. Net sales for the first nine months of fiscal 2026 increased compared to fiscal 2025, driven by stronger demand across our semiconductor end markets, particularly AI-based computing applications, as well as improved activity in industrial and automotive markets.

Gross Margin (exclusive of amortization of acquisition-related intangible assets described below)

Our gross margin, as a percentage of net sales, increased to 45.7% in 2026 from 43.7% in 2025. Gross margin during the first nine months of fiscal 2026 was higher due to a more favorable mix of systems sold to customers, as well as higher overall business volume, which enabled improved utilization of our existing manufacturing cost structure.

In the first nine months of fiscal 2026 and 2025, we recorded charges to cost of sales for excess and obsolete inventory of approximately \$7.8 million and \$4.1 million, respectively. We believe our reserves for excess and obsolete inventory and lower of cost or net realizable value are adequate to cover known exposures as of September 26, 2026. Reductions in customer forecasts or continued modifications to products, or our failure to meet specifications or other customer requirements may result in additional charges to operations that could negatively impact our results of operations and gross margin in future periods.

R&D Expense

R&D expense was \$76.9 million or 17.2% of net sales in fiscal 2026, compared to \$68.8 million or 20.8% in fiscal 2025. R&D expense increased during the first nine months of fiscal 2026 due to higher material costs associated with new product development during the current year.

SG&A Expense

SG&A expense was \$101.8 million or 22.8% of net sales in 2026, compared to \$91.6 million or 27.7% in 2025. The increase in SG&A expense was primarily attributable to higher business volume and the associated increase in selling activity. However, SG&A expense as a percentage of net sales decreased due to improved operating leverage resulting from higher sales volumes. In addition, SG&A expense during the first nine months of fiscal 2025 was lower due to ongoing cost control measures, lower incentive compensation resulting from business conditions and a \$1.7 million benefit from an adjustment made to contingent consideration related to the acquisition of Tignis.

Amortization of Purchased Intangible Assets

Amortization of acquisition-related intangible assets was \$21.8 million and \$30.2 million for the first nine months of fiscal 2026 and fiscal 2025, respectively. The decrease in amortization expense during the first nine months of fiscal 2026 was primarily due to certain acquisition-related intangible assets becoming fully amortized during fiscal 2025.

Restructuring Charges

We initiated a broad strategic restructuring program during the first quarter of fiscal 2025 aimed at repositioning our global organization and optimizing our cost structure. As a result of this program, during the first nine months of fiscal 2026 and fiscal 2025, we incurred restructuring charges totaling \$1.8 million and \$8.3 million, respectively. The year-over-year decrease primarily reflects the timing and level of restructuring-related activities during the respective periods.

See Note 4, "Restructuring Charges" in Part I, Item 1 of this Form 10-Q for additional information with respect to restructuring charges.

Interest Expense and Income

Interest expense was \$5.1 million and \$0.4 million in the first nine months of fiscal 2026 and fiscal 2025, respectively. The increase in interest expense compared to the prior year was primarily attributable to interest expense associated with the convertible notes issued during the fourth quarter of fiscal 2025.

Interest income was \$11.6 million and \$4.3 million in the first nine months of fiscal 2026 and fiscal 2025, respectively. The increase in interest income compared to the prior year was primarily driven by higher average investment balances during fiscal 2026, reflecting the investment of proceeds from the issuance of the convertible notes in the fourth quarter of fiscal 2025.

Cohu, Inc.
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Income Taxes

We account for income taxes in accordance with ASC 740. The provision or benefit for income taxes is attributable to U.S. federal, state, and foreign income taxes. Our ETR used for interim periods is based on an estimated annual effective tax rate, adjusted for the tax effect of items required to be recorded discretely in the interim periods in which those items occur. Our ETR is different than the statutory rate in the U.S. due to foreign income taxed at different rates than in the U.S., changes in uncertain tax benefit positions, changes to valuation allowances, the accrual of taxes on unremitted income of our foreign subsidiaries, state taxes, and foreign withholding taxes. In addition, we have numerous tax holidays related to our manufacturing operations in Malaysia and the Philippines. The tax holiday periods expire at various times in the future; however, we actively seek to obtain new tax holidays.

The tax provision for the nine months ended September 26, 2026, is higher than the tax provision for the nine months ended September 27, 2025, primarily due to a change in mix of income between tax jurisdictions.

We conduct business globally and as a result, Cohu or one or more of its subsidiaries files income tax returns in the U.S. and various state and foreign jurisdictions. In the normal course of business, we are subject to examinations by taxing authorities throughout the world and are currently under examination in Germany, the Philippines, Malaysia, Taiwan, Japan, and California. We believe our financial statement accruals for income taxes are appropriate.

In accordance with the disclosure requirements in ASC 740, we have classified unrecognized tax benefits as non-current income tax liabilities, or a reduction in non-current deferred tax assets, unless expected to be paid within one year. Our continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. There were no material changes to our unrecognized tax benefits and interest accrued related to unrecognized tax benefits during the nine months ended September 26, 2026.

Net Loss

As a result of the factors set forth above, our net loss was \$0.1 million for the nine months ended September 26, 2026. For the nine months ended September 27, 2025, our net loss was \$51.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Our business is generally dependent on capital expenditures by semiconductor manufacturers and test subcontractors that are, in turn, dependent on the current and anticipated market demand for semiconductors. The cyclical, seasonal and volatile nature of demand for semiconductor equipment, our primary industry, makes estimates of future revenues, results of operations and net cash flows difficult.

Our primary historical source of liquidity and capital resources has been cash flow generated by operations and we manage our business to maximize operating cash flows as our primary source of liquidity. We use cash to fund growth in our operating assets and to fund new products and product enhancements primarily through research and development. As of September 26, 2026, \$175.8 million or 64.6% of our cash and cash equivalents was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., we may be required to accrue and pay foreign withholding taxes if we repatriate these funds. Except for working capital requirements in certain jurisdictions, we provide for all withholding and other residual taxes related to unremitted earnings of our foreign subsidiaries.

On September 26, 2026, our total indebtedness, net of deferred financing costs included \$279.8 million outstanding under the Notes, \$1.4 million outstanding under Kita's term loans, \$5.3 million outstanding under Cohu GmbH's construction loan, \$15.3 million outstanding under Cohu Malaysia's revolving credit facilities and \$0.3 million outstanding under Kita's lines of credit.

Management believes that, based on current and anticipated market conditions, our existing cash, cash equivalents, short-term investments, and available credit facilities will be sufficient to meet our anticipated operating and capital requirements for at least the next 12 months. However, our liquidity position could be adversely affected by a decline in demand for our products or services. Additionally, we may pursue strategic acquisitions or increase capital expenditures, which could require additional financing. There can be no assurance that such financing will be available on favorable terms, or at all.

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Liquidity

Working Capital: The following summarizes our cash, cash equivalents, short-term investments and working capital:

<i>(in thousands)</i>	September 26, 2026	December 27, 2025	Increase	Percentage Change
Cash, cash equivalents and short-term investments	\$ 507,948	\$ 483,981	\$ 23,967	5.0%
Working capital	\$ 674,103	\$ 640,912	\$ 33,191	5.2%

Cash Flows

Operating Activities: Operating cash flows for the first nine months of fiscal 2026 consisted of our net loss, adjusted for non-cash expenses and changes in operating assets and liabilities. Significant non-cash adjustments included depreciation and amortization, share-based compensation expense, non-cash inventory-related charges, amortization of debt discounts and issuance costs, and amortization of cloud-based software implementation costs. Our net cash provided by operating activities in the first nine months of fiscal 2026 totaled \$26.4 million. Net cash provided by operations was impacted by working capital changes, including a \$35.7 million increase in accounts payable, a \$8.9 million increase in accrued compensation, warranty, and other liabilities, a \$1.2 million increase in customer advances; partially offset by a \$40.2 million increase in accounts receivable and a \$29.2 million increase in inventories. The increase in accounts payable was primarily due to the timing of supplier payments, the increase in accrued compensation, warranty, and other liabilities reflects the timing of payments and settlements during the period, and the increase in customer advances reflects timing of customer payments received in advance of performance obligations. The increase in accounts receivable was primarily due to higher business volume as well as the timing of cash collections during the quarter. Inventory increased during the nine months ended September 26, 2026, reflecting higher production levels to support anticipated customer demand and changes in product mix, partially offset by continued efforts to manage inventory and working capital efficiently across global operations.

Investing Activities: Investing cash flows consist primarily of cash used for capital expenditures in support of our business, purchases of investments, and proceeds from investment maturities and sales. Our net cash provided by investing activities in the first nine months of fiscal 2026 totaled \$18.1 million. We generated \$206.7 million from sales and maturities and used \$184.0 million of cash for purchases of short-term investments in the first nine months of fiscal 2026. We invest our excess cash to seek the highest available return while preserving capital, in short-term investments since excess cash may be required for a business-related purpose. Additions to property, plant and equipment in the first nine months of fiscal 2026 were \$7.0 million, and were made to support our operating and development activities.

Financing Activities: Financing cash flows consist primarily of net proceeds from the issuance of common stock under our employee stock purchase plan and repayments of debt. We issue restricted stock units, including performance stock units, and maintain an employee stock purchase plan as components of our overall employee compensation. In the first nine months of fiscal 2026, cash used to settle the minimum statutory tax withholding requirements on behalf of our employees upon vesting of restricted and performance stock awards, net of proceeds from shares issued under our employee stock purchase plan, was \$3.7 million. We did not repurchase shares under our share repurchase program to be held as treasury stock during the period. Repayments of debt during the first nine months of fiscal 2026 totaled \$1.0 million. Financing cash flows were also impacted by borrowings of \$6.0 million under our Malaysian revolving credit facility.

Share Repurchase Program

On October 28, 2021, we announced that our Board of Directors authorized a \$70 million share repurchase program. This share repurchase program was effective as of November 2, 2021, and has no expiration date. On October 25, 2022, our Board of Directors authorized an additional \$70 million under the share repurchase program. The timing of share repurchases and the number of shares of common stock to be repurchased will depend upon prevailing market conditions and other factors. Repurchases under this program will be made using our existing cash resources and may be commenced or suspended from time to time at our discretion without prior notice. Repurchases may be made in the open market, through 10b5-1 programs, or in privately negotiated transactions at prevailing market rates in accordance with federal securities laws. For the nine months ended September 26, 2026, we did not repurchase any shares of our common stock and, as of September 26, 2026, \$22.8 million remained available for us to repurchase shares of our common stock under our share repurchase program.

Capital Resources

We have access to credit facilities and other borrowings provided by financial institutions to finance acquisitions, capital expenditures and our operations if needed. A summary of our borrowings and available credit is as follows.

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Convertible Senior Notes Due 2031

On September 29, 2025, we issued \$287.5 million aggregate principal amount of 1.50% convertible senior notes due 2031. The Notes include the full exercise by the initial purchasers on September 25, 2025, of their option to purchase up to an additional \$27.5 million principal amount of the Notes. The Notes are senior unsecured obligations and bear interest at a coupon rate of 1.50% per annum, with interest payable semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2026. The Notes will mature on January 15, 2031, unless earlier converted, redeemed or repurchased in accordance with their terms.

Prior to the close of business on the business day immediately preceding October 15, 2030, noteholders will have the right to convert their Notes only upon the occurrence of certain events. On or after October 15, 2030, noteholders may convert all or any portion of their Notes at any time at their election until the close of business on the second scheduled trading day immediately preceding the maturity date. The Notes were convertible at the option of holders from July 28, 2026, through September 8, 2026, as a result of the last reported sale price of our common stock exceeding 130% of the conversion price of the Notes for at least five trading days (whether or not consecutive) during the first 20 trading days of the fiscal quarter commencing June 28, 2026. No Notes were converted during the third quarter of fiscal 2026, and \$287.5 million aggregate principal amount of the Notes remained outstanding as of September 26, 2026. The market-price conversion condition was also satisfied during the first 20 trading days of the fiscal quarter commencing September 27, 2026, resulting in the Notes becoming convertible at the option of holders from October 26, 2026, through December 7, 2026.

Upon conversion, we will satisfy the conversion obligations by paying cash up to the aggregate principal amount of the Notes to be converted and paying and/or delivering cash, shares of common stock or a combination of cash and shares of common stock, at our election, in respect of the remainder, if any, of the conversion obligation in excess of the aggregate principal amount of the Notes being converted. The initial conversion rate for the Notes is 36.7975 shares of common stock per \$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately \$27.18 per share of common stock), which represents an approximately 32.5% conversion premium over the last reported sale price of \$20.51 per share of our common stock on The Nasdaq Stock Market on September 24, 2025. The conversion rate (and accordingly the conversion price) is subject to adjustment upon the occurrence of certain events. In addition, upon certain corporate events or upon a notice of redemption (as described below), we will, under certain circumstances, increase the conversion rate for noteholders who convert Notes in connection with such a corporate event or convert their Notes called (or deemed called) for redemption during the related redemption period, as the case may be.

The Notes will not be redeemable before January 22, 2029. The Notes will be redeemable, in whole or in part, for cash at our option at any time, and from time to time, on or after January 22, 2029 and prior to the 51st scheduled trading day immediately preceding the maturity date, if (i) the Notes are "freely tradable" (as defined in the indenture governing the Notes), and certain accrued and unpaid additional interest, if any, has been paid in full, as of the first interest payment date occurring on or before the date we send such notice and (ii) the last reported sale price per share of our common stock has been at least 130% of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

If a "fundamental change" (as defined in the indenture governing the Notes) occurs, then, subject to certain conditions, noteholders may require us to repurchase their Notes for cash. The repurchase price will be equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

Our net proceeds from the offering were approximately \$278.9 million, after deducting the initial purchasers' discounts and commissions but before offering expenses. We used approximately \$31.4 million of the net proceeds to enter into the capped call transactions that are described in Note 8, "Equity". We intend to use the remaining net proceeds for general corporate purposes.

The Notes are recorded as liabilities in accordance with ASC 470. Issuance costs will be amortized to interest expense over the term of the Notes using the effective interest method. Upon issuance, we evaluated the conversion feature for potential separation as an embedded derivative under ASC 815 and determined that the conversion feature did not meet the criteria for derivative accounting.

The effective interest rate for the Notes is 2.2% after considering the effect of the accretion of the related debt discount over the term of the Notes. For the three months ended September 26, 2026, total interest expense related to the Notes was \$1.5 million, with coupon interest expense of \$1.1 million and amortization of debt discount of \$0.4 million. For the nine months ended September 26, 2026, total interest expense related to the Notes was \$4.5 million, with coupon interest expense of \$3.2 million and amortization of debt discount of \$1.3 million. As of September 26, 2026, the remaining unamortized debt discount of the Notes was \$7.7 million. At September 26, 2026, the outstanding Notes balance, net of discount, was \$279.8 million. At December 27, 2025, the outstanding Notes balance, net of discount, was \$278.5 million.

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Kita Term Loans

We have a series of term loans with Japanese financial institutions primarily related to the expansion of our facility in Osaka, Japan. The loans are collateralized by the facility and land, carry interest at rates ranging from 0.05% to 1.53%, and expire at various dates through 2034. At September 26, 2026, the outstanding loan balance was \$1.4 million and \$0.2 million of the outstanding balance is presented as current installments of long-term debt in our condensed consolidated balance sheets. At December 27, 2025, the outstanding loan balance was \$1.5 million and \$0.2 million of the outstanding balance is presented as current installments of long-term debt in our condensed consolidated balance sheets. The term loans are denominated in Japanese Yen and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

Construction Loans

In July 2019 and June 2020, one of our wholly owned subsidiaries located in Germany entered into a series of Loan Facilities with a German financial institution providing it with total borrowings of up to €10.1 million. The Loan Facilities were utilized to finance the expansion of our facility in Kolbermoor, Germany and are secured by the land and the existing building on the site. The Loan Facilities bear interest at agreed upon rates based on the facility amounts as discussed below.

The first facility totaling €3.4 million has been fully drawn and is payable over 10 years at a fixed annual interest rate of 0.8%. Principal and interest payments are due each quarter over the duration of the facility ending in September 2029. The second facility totaling €5.2 million has been fully drawn and is payable over 15 years at an annual interest rate of 1.05%, which is fixed until April 2027. Principal and interest payments are due each month over the duration of the facility ending in January 2034. The third facility totaling €0.9 million has been fully drawn and is payable over 10 years at an annual interest rate of 1.2%. Principal and interest payments are due each month over the duration of the facility ending in May 2030.

At September 26, 2026, total outstanding borrowings under the Loan Facilities was \$5.3 million with \$1.0 million of the total outstanding balance being presented as current installments of long-term debt in our condensed consolidated balance sheets. At December 27, 2025, total outstanding borrowings under the Loan Facilities was \$6.3 million with \$1.1 million of the total outstanding balance being presented as current installments of long-term debt in our condensed consolidated balance sheets. The loans are denominated in Euros and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates. The fair value of the debt approximates the carrying value at September 26, 2026.

Revolving Credit Facility

On December 30, 2024, our wholly owned subsidiary in Malaysia entered into a revolving credit facility with a Malaysian financial institution that provides up to MYR 40.0 million, all of which has been drawn. The revolving credit facility was utilized to finance the purchase of our leased facility in Melaka, Malaysia. Interest is due monthly and is calculated based on the lender's Effective Cost of Funds plus a spread of 0.5%.

During the third quarter of fiscal 2026, we entered into a separate revolving credit facility with the same Malaysian financial institution that provides up to \$20.0 million of borrowing capacity denominated in U.S. dollars. As of September 26, 2026, \$5.5 million was drawn under the U.S. dollar-denominated facility. Proceeds from borrowings under the U.S. dollar facility are being used for general corporate purposes. Interest is due monthly and is calculated based on the lender's Effective Cost of Funds plus a spread of 1.25%.

The revolving credit facilities are secured by the land and building in Melaka, Malaysia, and by a fixed and floating charge over Cohu Malaysia's assets. At September 26, 2026, \$9.8 million was outstanding under the MYR-denominated revolving credit facility and the applicable interest rate was 4.07%. In addition, \$5.5 million was outstanding under the U.S. dollar-denominated revolving credit facility and the applicable interest rate was 5.60%. As these revolving credit facility agreements renew monthly, they have been included in short-term borrowings in our condensed consolidated balance sheets. The revolving credit facilities are denominated in Malaysian Ringgits and U.S. dollars and, as a result, amounts disclosed herein will fluctuate due to changes in foreign currency exchange rates.

Lines of Credit

As a result of our acquisition of Kita, we assumed a series of revolving credit facilities with various financial institutions in Japan. The credit facilities renew monthly and provide Kita with access to working capital totaling up to 660 million Japanese Yen of which 50 million Japanese Yen is drawn. At September 26, 2026, total borrowings outstanding under the revolving lines of credit were \$0.3 million. As these credit facility agreements renew monthly, they have been included in short-term borrowings in our condensed consolidated balance sheets.

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The revolving lines of credit are denominated in Japanese Yen and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

Our wholly owned subsidiary in Switzerland has one available line of credit which provides it with borrowings of up to a total of 2.0 million Swiss Francs, a portion of which is reserved for tax guarantees. On September 26, 2026, and December 27, 2025, no amounts were outstanding under this line of credit.

We also have a letter of credit facility ("LC Facility") under which Bank of America, N.A., has agreed to administer the issuance of letters of credit on our behalf. The LC Facility requires us to maintain deposits of cash or other approved investments in amounts that approximate our outstanding letters of credit and contains customary restrictive covenants. In addition, our wholly owned subsidiary, Xcerra, has arrangements with various financial institutions for the issuance of letters of credit and bank guarantees. On September 26, 2026, \$0.5 million was outstanding under standby letters of credit and bank guarantees.

We expect that we will continue to make capital expenditures to support our business and we anticipate that present working capital will be sufficient to meet our operating requirements for at least the next twelve months.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations: Our significant contractual obligations consist of liabilities for debt, operating leases, unrecognized tax benefits, pensions, post-retirement benefits, and warranties. There were no material changes to these obligations outside the ordinary course of business from those disclosed in our Annual Report on Form 10-K for the year ended December 27, 2025.

Commitments to contract manufacturers and suppliers: From time to time, we enter into commitments with our vendors and outsourcing partners to purchase inventory at fixed prices or in guaranteed quantities. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current manufacturing needs and are fulfilled by our vendors within relatively short time horizons. We typically do not have significant agreements for the purchase of raw materials or other goods specifying minimum quantities or set prices that exceed our expected requirements for the next three months.

Off-Balance Sheet Arrangements: During the ordinary course of business, we provide standby letters of credit to certain parties as required. As of September 26, 2026, \$0.3 million was outstanding under standby letters of credit.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Interest Rate Risk.

At September 26, 2026, our investment portfolio included short-term fixed-income investment securities with a fair value of approximately \$235.6 million, and we did not hold or issue financial instruments for trading purposes. These securities are subject to interest rate risk and will likely decline in value if interest rates increase. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. As we classify our short-term securities as available-for-sale, no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be credit-related. Due to the relatively short duration of our investment portfolio, an immediate ten percent change in interest rates would have no material impact on our financial condition or results of operations.

We evaluate our investments periodically for possible other-than-temporary losses by reviewing factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and our ability and intent to hold the investment for a period of time sufficient for anticipated recovery of market value. As of September 26, 2026, the cost and fair value of investments we held with loss positions were approximately \$207.0 million and \$206.0 million, respectively. We evaluated the nature of these investments, credit worthiness of the issuer and the duration of these impairments to determine if a credit loss exists. We have the ability and intent to hold these investments to maturity.

Foreign Currency Exchange Risk.

We have operations in several foreign countries and conduct business in the local currency in these countries. As a result, we have risk associated with currency fluctuations as the value of foreign currencies fluctuate against the U.S. Dollar, in particular the Swiss Franc, Euro, Malaysian Ringgit, Chinese Yuan, Philippine Peso and Japanese Yen. These fluctuations can impact our reported earnings.

We enter into foreign currency forward contracts with a financial institution to hedge against future movements in foreign exchange rates that affect certain existing U.S. Dollar denominated assets and liabilities at our subsidiaries whose functional currency is the local currency. Under this program, our strategy is to have increases or decreases in our foreign currency exposures mitigated by gains or losses on the foreign currency forward contracts to mitigate the risks and volatility associated with foreign currency transaction gains or losses.

Fluctuations in currency exchange rates also impact the U.S. Dollar amount of our net investment in foreign operations and in the third quarter of fiscal 2024 we began hedging foreign currency risk associated with net investment positions in certain of our foreign subsidiaries by entering foreign currency forward contracts that are designated as hedges of net investment. The assets and liabilities of our foreign subsidiaries are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date. Income and expense accounts are translated at an average exchange rate during the period which approximates the rates in effect at the transaction dates. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive loss. As a result of fluctuations in certain foreign currency exchange rates in relation to the U.S. Dollar as of September 26, 2026, compared to December 27, 2025, our stockholders' equity decreased by \$7.1 million as a result of the foreign currency translation.

Based upon the current levels of net foreign assets, a hypothetical 10% devaluation of the U.S. Dollar as compared to these currencies as of September 26, 2026, would result in an approximate \$34.1 million positive translation adjustment recorded in other comprehensive loss within stockholders' equity. Conversely, a hypothetical 10% appreciation of the U.S. Dollar as compared to these currencies as of September 26, 2026, would result in an approximate \$34.1 million negative translation adjustment recorded in other comprehensive income within stockholders' equity.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in Internal Control over Financial Reporting. During the three months ended September 26, 2026, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II OTHER INFORMATION**Item 1. Legal Proceedings.**

The information set forth above under Note 12 contained in the “Notes to Unaudited Condensed Consolidated Financial Statements” of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors.

Our business, financial condition and results of operations are affected by a number of factors, whether currently known or unknown, including risks specific to us or our industry, as well as risks that affect businesses in general. You should carefully consider the risk factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 27, 2025 (the “Annual Report”), as supplemented by the risk factors described in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 28, 2026, filed with the SEC on May 1, 2026 (the “Q1 Quarterly Report”). We believe there have been no material changes from the risk factors disclosed in the Annual Report and the Q1 Quarterly Report. However, additional risks and uncertainties not currently known or which we currently deem to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

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

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

On October 28, 2021, we announced that our Board of Directors authorized a \$70 million share repurchase program. This share repurchase program was effective as of November 2, 2021, and has no expiration date. On October 25, 2022, our Board of Directors authorized an additional \$70 million under the share repurchase program. The timing of share repurchases and the number of shares of common stock to be repurchased will depend upon prevailing market conditions and other factors. Repurchases under this program will be made using our existing cash resources and may be commenced or suspended from time to time at our discretion without prior notice. Repurchases may be made in the open market, through 10b5-1 programs, or in privately negotiated transactions at prevailing market rates in accordance with federal securities laws. All such repurchased shares and related costs are held as treasury stock and accounted for at trade date using the cost method. We did not repurchase any shares of our common stock during the three and nine months ended September 26, 2026. We did not repurchase any shares of our stock during the three months ended September 27, 2025. During the nine months ended September 27, 2025, we repurchased 432,288 shares of our common stock for \$8.6 million to be held as treasury stock. As of September 26, 2026, \$22.8 million remained available for us to repurchase shares of our common stock under our share repurchase program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.**Rule 10b5-1 Trading Plans**

Our directors and executive officers may purchase or sell shares of our common stock in the market from time to time, including pursuant to equity trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act and in compliance with guidelines specified by our insider trading policy. In accordance with Rule 10b5-1 and our insider trading policy, directors, officers and certain employees who, at such time, are not in possession of material non-public information are permitted to enter into written plans that pre-establish amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of our stock, including shares acquired pursuant to our equity incentive plans. Under a Rule 10b5-1 trading plan, a broker executes trades pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. The use of these trading plans permits asset diversification as well as personal financial and tax planning. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information, subject to compliance with SEC rules, the terms of our insider trading policy and certain minimum holding requirements. During the third quarter of 2026, none of our directors or executive officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each term as defined in Item 408 of Regulation S-K).

Item 6.	Exhibits.
31.1	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

COHU, INC.
(Registrant)

Date: October 29, 2026

/s/ Luis A. Müller
Luis A. Müller
President & Chief Executive Officer

Date: October 29, 2026

/s/ Jeffrey D. Jones
Jeffrey D. Jones
Senior Vice President, Finance & Chief Financial Officer
(Principal Financial & Accounting Officer)

COHU, INC.
SARBANES-OXLEY ACT SECTION 302(a)
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Luis A. Müller, certify that:

1. I have reviewed this Form 10-Q of Cohu, Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: October 29, 2026

/s/ Luis A. Müller

Luis A. Müller

President & Chief Executive Officer

COHU, INC.
SARBANES-OXLEY ACT SECTION 302(a)
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey D. Jones, certify that:

1. I have reviewed this Form 10-Q of Cohu, Inc.;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: October 29, 2026

/s/ Jeffrey D. Jones

Jeffrey D. Jones
Senior Vice President, Finance & Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of Cohu, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended September 26, 2026 (the "Report"), I, Luis A. Müller, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

Date: October 29, 2026

/s/ Luis A. Müller

Luis A. Müller,
President & Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Quarterly Report of Cohu, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended September 26, 2026 (the "Report"), I, Jeffrey D. Jones, Senior Vice President Finance & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

Date: October 29, 2026

/s/ Jeffrey D. Jones

Jeffrey D. Jones,
Senior Vice President, Finance & Chief Financial Officer