

**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 June 28, 2025

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.)

12367 Crosthwaite Circle, Poway, California

(Address of principal executive offices)

92064-6817

(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 July 22, 2025, the Registrant had 46,681,643 shares of its \$1.00 par value common stock outstanding.

COHU, INC.
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FORM 10-Q
JUNE 28, 2025

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Item 1.

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

	June 28, 2025 (Unaudited)	December 28, 2024 *
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 164,436	\$ 206,407
Short-term investments	44,975	55,685
Accounts receivable, net	90,826	91,619
Inventories	137,831	141,861
Prepaid expenses	25,687	19,293
Other current assets	27,258	19,442
Total current assets	<u>491,013</u>	<u>534,307</u>
Property, plant and equipment, net	77,111	74,786
Goodwill	282,525	234,639
Intangible assets, net	96,718	110,717
Other assets	30,777	31,058
Operating lease right of use assets	32,049	13,908
	<u>\$ 1,010,193</u>	<u>\$ 999,415</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 9,830	\$ 633
Current installments of long-term debt	1,250	1,115
Accounts payable	40,764	30,554
Customer advances	2,042	2,764
Accrued compensation and benefits	20,160	20,023
Deferred profit	6,630	3,589
Accrued warranty	3,032	2,971
Income taxes payable	2,387	2,394
Other accrued liabilities	14,470	21,141
Total current liabilities	<u>100,565</u>	<u>85,184</u>
Long-term debt	7,253	7,052
Deferred income taxes	18,173	19,402
Noncurrent income tax liabilities	6,324	5,691
Accrued retirement benefits	8,443	8,481
Long-term lease liabilities	32,116	9,893
Other accrued liabilities	6,776	6,821
Stockholders' equity		
Preferred stock, \$1 par value; 1,000 shares authorized, none issued	-	-
Common stock, \$1 par value; 90,000 shares authorized, 49,745 shares issued and outstanding in 2025 and 49,601 shares in 2024	49,745	49,601
Paid-in capital	700,763	697,489
Treasury stock, at cost; 3,050 shares in 2025 and 2,891 shares in 2024	(88,385)	(87,784)
Retained earnings	201,056	248,740
Accumulated other comprehensive loss	(32,636)	(51,155)
Total stockholders' equity	<u>830,543</u>	<u>856,891</u>
	<u>\$ 1,010,193</u>	<u>\$ 999,415</u>

* Derived from December 28, 2024, 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		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Net sales	\$ 107,680	\$ 104,701	\$ 204,477	\$ 212,315
Cost and expenses:				
Cost of sales (1)	60,571	57,779	115,051	116,144
Research and development	23,188	21,342	46,340	43,678
Selling, general and administrative	29,866	32,118	59,877	67,200
Amortization of purchased intangible assets	10,081	9,748	19,933	19,543
Restructuring charges	1,210	13	7,838	22
	<u>124,916</u>	<u>121,000</u>	<u>249,039</u>	<u>246,587</u>
Loss from operations	(17,236)	(16,299)	(44,562)	(34,272)
Other (expense) income:				
Interest expense	(126)	(144)	(324)	(433)
Interest income	1,386	2,333	2,999	5,042
Foreign transaction loss	(385)	(373)	(440)	(914)
Pension curtailment gain	1,530	-	1,530	-
Loss on extinguishment of debt	-	-	-	(241)
Loss before taxes	(14,831)	(14,483)	(40,797)	(30,818)
Income tax provision (benefit)	2,049	1,286	6,887	(414)
Net loss	<u>\$ (16,880)</u>	<u>\$ (15,769)</u>	<u>\$ (47,684)</u>	<u>\$ (30,404)</u>
Loss per share:				
Basic	<u>\$ (0.36)</u>	<u>\$ (0.34)</u>	<u>\$ (1.02)</u>	<u>\$ (0.65)</u>
Diluted	<u>\$ (0.36)</u>	<u>\$ (0.34)</u>	<u>\$ (1.02)</u>	<u>\$ (0.65)</u>
Weighted average shares used in computing loss per share:				
Basic	<u>46,662</u>	<u>46,965</u>	<u>46,653</u>	<u>47,049</u>
Diluted	<u>46,662</u>	<u>46,965</u>	<u>46,653</u>	<u>47,049</u>

(1) Excludes amortization of purchased intangibles of \$7,739 and \$7,486 for the three months ended June 28, 2025, and June 29, 2024, respectively, and \$15,298 and \$15,008 for the six months ended June 28, 2025, and June 29, 2024, respectively.

The accompanying notes are an integral part of these statements.

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

	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Net loss	\$ (16,880)	\$ (15,769)	\$ (47,684)	\$ (30,404)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	13,156	(3,016)	19,555	(12,423)
Adjustments related to postretirement benefits	(1,032)	356	(1,037)	351
Change in unrealized gain/loss on investments	(3)	(6)	1	(102)
Other comprehensive income (loss), net of tax	<u>12,121</u>	<u>(2,666)</u>	<u>18,519</u>	<u>(12,174)</u>
Comprehensive loss	<u>\$ (4,759)</u>	<u>\$ (18,435)</u>	<u>\$ (29,165)</u>	<u>\$ (42,578)</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 June 28, 2025						
Balance at March 29, 2025	\$ 49,601	\$ 694,994	\$ 217,936	\$ (44,757)	\$ (90,057)	\$ 827,717
Net loss	-	-	(16,880)	-	-	(16,880)
Changes in cumulative translation adjustment	-	-	-	13,156	-	13,156
Adjustments related to postretirement benefits, net of tax	-	-	-	(1,032)	-	(1,032)
Changes in unrealized gains and losses on investments, net of tax	-	-	-	(3)	-	(3)
Shares issued under ESPP	144	1,813	-	-	-	1,957
Shares issued for restricted stock units vested	-	(1,807)	-	-	1,807	-
Repurchase and retirement of stock	-	88	-	-	(174)	(86)
Common stock repurchases	-	-	-	-	39	39
Share-based compensation expense	-	5,675	-	-	-	5,675
Balance at June 28, 2025	\$ 49,745	\$ 700,763	\$ 201,056	\$ (32,636)	\$ (88,385)	\$ 830,543

Six Months Ended June 28, 2025

Balance at December 28, 2024	\$ 49,601	\$ 697,489	\$ 248,740	\$ (51,155)	\$ (87,784)	\$ 856,891
Net loss	-	-	(47,684)	-	-	(47,684)
Changes in cumulative translation adjustment	-	-	-	19,555	-	19,555
Adjustments related to postretirement benefits, net of tax	-	-	-	(1,037)	-	(1,037)
Changes in unrealized gains and losses on investments, net of tax	-	-	-	1	-	1
Shares issued under ESPP	144	1,813	-	-	-	1,957
Shares issued for restricted stock units vested	-	(12,268)	-	-	12,268	-
Repurchase and retirement of stock	-	1,824	-	-	(4,299)	(2,475)
Common stock repurchases	-	-	-	-	(8,570)	(8,570)
Share-based compensation expense	-	11,905	-	-	-	11,905
Balance at June 28, 2025	\$ 49,745	\$ 700,763	\$ 201,056	\$ (32,636)	\$ (88,385)	\$ 830,543

Three Months Ended June 29, 2024

Balance at March 30, 2024	\$ 49,429	\$ 679,012	\$ 303,923	\$ (44,287)	\$ (72,720)	\$ 915,357
Net loss	-	-	(15,769)	-	-	(15,769)
Changes in cumulative translation adjustment	-	-	-	(3,016)	-	(3,016)
Adjustments related to post retirement benefits, net of tax	-	-	-	356	-	356
Changes in unrealized gains and losses on investments, net of tax	-	-	-	(6)	-	(6)
Shares issued under ESPP	78	1,924	-	-	-	2,002
Shares issued for restricted stock units vested	-	(999)	-	-	999	-
Repurchase and retirement of stock	-	2	-	-	(39)	(37)
Common stock repurchases	-	-	-	-	(8,260)	(8,260)
Share-based compensation expense	-	5,583	-	-	-	5,583
Balance at June 29, 2024	\$ 49,507	\$ 685,522	\$ 288,154	\$ (46,953)	\$ (80,020)	\$ 896,210

Six Months Ended June 29, 2024

Balance at December 30, 2023	\$ 49,429	\$ 686,146	\$ 318,558	\$ (34,779)	\$ (69,184)	\$ 950,170
Net loss	-	-	(30,404)	-	-	(30,404)
Changes in cumulative translation adjustment	-	-	-	(12,423)	-	(12,423)
Adjustments related to post retirement benefits, net of tax	-	-	-	351	-	351
Changes in unrealized gains and losses on investments, net of tax	-	-	-	(102)	-	(102)
Shares issued under ESPP	78	1,924	-	-	-	2,002
Shares issued for restricted stock units vested	-	(12,676)	-	-	12,676	-
Repurchase and retirement of stock	-	(83)	-	-	(4,488)	(4,571)
Common stock repurchases	-	-	-	-	(19,024)	(19,024)
Share-based compensation expense	-	10,211	-	-	-	10,211
Balance at June 29, 2024	\$ 49,507	\$ 685,522	\$ 288,154	\$ (46,953)	\$ (80,020)	\$ 896,210

The accompanying notes are an integral part of these statements.



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

	Six Months Ended	
	June 28, 2025	June 29, 2024
Cash flows from operating activities:		
Net loss	\$ (47,684)	\$ (30,404)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on extinguishment of debt	-	241
Net accretion on investments	(403)	(591)
Gain from sale of property, plant and equipment	(21)	(54)
Depreciation and amortization	26,542	26,385
Pension curtailment gain	(1,530)	-
Share-based compensation expense	11,905	10,211
Non-cash inventory related charges	3,472	1,980
Deferred income taxes	(2,572)	(1,243)
Changes in accrued retiree medical benefits	319	139
Changes in other accrued liabilities	(169)	(503)
Changes in other assets	(273)	(4,878)
Amortization of cloud-based software implementation costs	1,418	1,418
Impairment charge related to equity investment	-	966
Mark to market adjustment to contingent consideration	(1,700)	-
Amortization of debt discounts and issuance costs	-	8
Operating lease right-of-use assets	2,998	3,202
Changes in assets and liabilities, excluding effects from acquisitions:		
Customer advances	(958)	(1,794)
Accounts receivable	4,586	19,543
Inventories	1,153	6,022
Other current assets	(8,797)	(12,050)
Accounts payable	14,646	(11,994)
Deferred profit	1,317	(240)
Income taxes payable	3,453	(3,099)
Accrued compensation, warranty and other liabilities	1,631	(12,918)
Current and long-term operating lease liabilities	(3,468)	(3,215)
Net cash provided by (used in) operating activities	5,865	(12,868)
Cash flows from investing activities, excluding effects from acquisitions:		
Purchases of short-term investments	(25,504)	(26,416)
Sales and maturities of short-term investments	36,637	57,721
Settlement of net investment hedge	2,644	-
Purchases of property, plant and equipment	(13,623)	(5,342)
Cash received from sale of property, plant and equipment	36	56
Payment for purchase of Tignis, net of cash received	(34,935)	-
Net cash provided by (used in) investing activities	(34,745)	26,019
Cash flows from financing activities:		
Payments on current and long-term finance lease liabilities	(6)	(11)
Repurchases of common stock, net	(512)	(2,568)
Proceeds from revolving line of credit and revolving credit facility	8,730	-
Repayments of long-term debt	(675)	(30,224)
Acquisition of treasury stock	(8,587)	(18,886)
Net cash used in financing activities	(1,050)	(51,689)
Effect of exchange rate changes on cash and cash equivalents	(12,041)	(3,918)
Net decrease in cash and cash equivalents	(41,971)	(42,456)
Cash and cash equivalents at beginning of period	206,407	245,524
Cash and cash equivalents at end of period	\$ 164,436	\$ 203,068
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 14,099	\$ 13,265
Inventory capitalized as property, plant and equipment	\$ 495	\$ 755
Property, plant and equipment purchases included in accounts payable	\$ 1,132	\$ 317
Cash paid for interest	\$ 307	\$ 755

The accompanying notes are an integral part of these statements.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
June 28, 2025

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 28, 2024, has been derived from our audited financial statements at that date. The interim condensed consolidated financial statements as of June 28, 2025, (also referred to as “the second quarter of fiscal 2025” and “the first six months of fiscal 2025”) and June 29, 2024, (also referred to as “the second quarter of fiscal 2024” and “the first six months of fiscal 2024”) 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 six-month periods ended June 28, 2025 and June 29, 2024 were comprised of 13 and 26 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 June 28, 2025 and for the three- and six-month periods ended June 28, 2025. 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 28, 2024, which are included in our 2024 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 June 28, 2025 and December 28, 2024, our allowance for credit losses was \$0.1 million and \$0.2 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 June 28, 2025, 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*):

	June 28, 2025	December 28, 2024
Raw materials and purchased parts	\$ 91,547	\$ 94,970
Work in process	21,435	25,833
Finished goods	24,849	21,058
Total inventories	<u>\$ 137,831</u>	<u>\$ 141,861</u>

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
June 28, 2025

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*):

	June 28, 2025	December 28, 2024
Land and land improvements	\$ 12,373	\$ 6,941
Buildings and building improvements	47,335	47,733
Machinery and equipment	109,027	104,767
	<u>168,735</u>	<u>159,441</u>
Less accumulated depreciation and amortization	(91,624)	(84,655)
Property, plant and equipment, net	<u>\$ 77,111</u>	<u>\$ 74,786</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 \$8.0 million and \$9.3 million at June 28, 2025, and December 28, 2024, 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 \$1.4 million during the three and six months ended June 28, 2025, respectively, and amortization expense of \$0.7 million and \$1.4 million during the three and six months ended June 29, 2024, 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 when an event occurs or circumstances change that indicate the carrying value may not be recoverable. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the fair value of the reporting unit and its carrying value, not to exceed the carrying value 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 to derive an indication of value, which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, we use the guideline public company method. Under this method we utilize information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance metrics of the reporting unit being tested, to obtain an indication of value. We then apply a 50/50 weighting to the indicated values from the income and market approaches to derive the fair values of the reporting units. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on customer forecasts, industry trade organization data and general economic conditions. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors.

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
June 28, 2025

We conduct our annual impairment test as of October 1st each year and determined there was no impairment as of October 1, 2024, as we determined that the estimated fair values of our reporting units exceeded their carrying values on that date. Other events and changes in circumstances may also require goodwill to be tested for impairment between annual measurement dates. While a decline in stock price and market capitalization is not specifically cited as a goodwill impairment indicator, a company's stock price and market capitalization should be considered in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Additionally, a significant decline in a company's stock price may suggest that an adverse change in the business climate may have caused the fair value of one or more reporting units to fall below their carrying value. The current financial market volatility directly impacts our fair value measurement through our stock price that we use to determine our market capitalization. During times of volatility, significant judgment must be applied to determine whether credit or stock price changes are short-term in nature or indicative of a long-term trend. As of June 28, 2025, we do not believe there have been any events or circumstances that would require us to perform an interim goodwill impairment review, however, a sustained decline in Cohu's market capitalization below its book value could lead us to determine, in a future period, that an interim goodwill impairment review is required and may result in an impairment charge which would have a negative impact on our results of operations.

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, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and estimated fair value.

During the first six months of fiscal 2025 and 2024, 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 contract 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.

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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 both the three and six months ended June 28, 2025, we recognized foreign exchange losses, net of the impact of foreign exchange derivative contracts, of \$0.4 million in our condensed consolidated statements of operations. During the three and six months ended June 29, 2024, we recognized foreign exchange losses, net of the impact of foreign exchange derivative contracts, of \$0.4 million and \$0.9 million, respectively, in our condensed consolidated statements of operations.

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 statement of condensed consolidated 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		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Cost of sales	\$ 398	\$ 262	\$ 723	\$ 489
Research and development	1,514	1,001	2,733	1,835
Selling, general and administrative	3,763	4,320	8,449	7,887
Total share-based compensation	<u>5,675</u>	<u>5,583</u>	<u>11,905</u>	<u>10,211</u>
Income tax effect	1,424	8	(391)	211
Total share-based compensation, net	<u>\$ 7,099</u>	<u>\$ 5,591</u>	<u>\$ 11,514</u>	<u>\$ 10,422</u>

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Loss Per Share

Basic loss per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted income 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 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. For the three and six months ended June 28, 2025, awards to issue approximately 574,000 and 638,000 potentially issuable shares of common stock were excluded from the computation, respectively. For the three and six months ended June 29, 2024, awards to issue approximately 538,000 and 272,000 potentially issuable shares of common stock were excluded from the computation, respectively. 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 loss per share (*in thousands*):

	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Weighted average common shares	46,662	46,965	46,653	47,049
Effect of dilutive securities	-	-	-	-
	<u>46,662</u>	<u>46,965</u>	<u>46,653</u>	<u>47,049</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.

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.

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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 June 28, 2025, we had \$4.7 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.

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 June 28, 2025, we had deferred revenue totaling approximately \$12.2 million, current deferred profit of \$6.6 million and deferred profit expected to be recognized after one year included in noncurrent other accrued liabilities of \$4.0 million. At December 28, 2024, we had deferred revenue totaling approximately \$8.6 million, current deferred profit of \$3.6 million and deferred profit expected to be recognized after one year included in noncurrent other accrued liabilities of \$4.3 million.

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

<i>Disaggregated Net Sales</i>	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Systems	\$ 39,643	\$ 35,272	\$ 75,285	\$ 72,583
Non-systems	68,037	69,429	129,192	139,732
Total net sales	<u>\$ 107,680</u>	<u>\$ 104,701</u>	<u>\$ 204,477</u>	<u>\$ 212,315</u>

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

<i>Disaggregated Net Sales</i>	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
China	\$ 16,971	\$ 19,072	\$ 31,099	\$ 30,816
Malaysia	10,847	13,791	29,009	30,690
Philippines	15,803	9,708	28,989	21,550
Taiwan	22,581	6,242	28,868	11,431
United States	7,988	17,173	16,744	31,815
Singapore	5,258	12,929	10,135	24,993
Rest of the World	28,232	25,786	59,633	61,020
Total net sales	<u>\$ 107,680</u>	<u>\$ 104,701</u>	<u>\$ 204,477</u>	<u>\$ 212,315</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		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Customers individually representing more than 10% of net sales	*	*	one	*
Percentage of net sales	*	*	10%	*

Accumulated Other Comprehensive Loss

Our accumulated other comprehensive loss balance totaled approximately \$32.6 million and \$51.2 million at June 28, 2025 and December 28, 2024, 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 six months of fiscal 2025 and 2024 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 six months of fiscal 2025 and 2024 was not significant.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in the ASU require, among other things, disclosure of significant segment expenses that are regularly provided to an entity's CODM and a description of other segment items (the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss) by reportable segment, as well as disclosure of the title and position of the CODM, and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Effective December 28, 2024, we adopted the new standard. The primary change as a result of adoption was the inclusion of additional disclosures related to our single reportable segment. See Note 10, "Segment and Geographic Information" for further information.

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.

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In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires enhancements and further transparency to certain annual income tax disclosures, most notably the tax rate reconciliation and income taxes paid. This ASU is effective for fiscal years beginning after December 15, 2024. We are adopting this ASU at the end of fiscal 2025 and will implement the required annual 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 cutting-edge AI, machine learning (ML), 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 expect to finalize 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 have the right to receive an additional \$5.0 million of consideration which is based on Tignis achieving certain sales and expense targets through December 2025. The contingent consideration payable has been 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. In the first quarter of 2025, we updated the fair value of contingent consideration based on management’s current estimates at that date which differed from those used as of January 7, 2025. The following table presents the fair value of contingent consideration from the date of acquisition through June 28, 2025, (*in thousands*):

Fair Value of Consideration Recognized at Acquisition Date	Settlements	Mark-to-Market Adjustment Charged to SG&A	Fair Value of Consideration at June 28, 2025
\$1,700	\$-	\$(1,700)	\$-

Including cash paid, the impact of our estimated working capital adjustment and the fair value of the contingent consideration, the purchase price for Tignis is \$36.6 million. During the three and six months ending June 28, 2025, we incurred acquisition-related costs totaling approximately \$0.1 million and \$0.4 million, respectively, which were expensed as selling, general and administrative costs. The acquisition of Tignis has been accounted for in conformity with ASC Topic 805, *Business Combinations* (“ASC 805”).

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As of June 28, 2025 we have not finalized the purchase price allocation. Accordingly, the preliminary purchase price allocation shown below could change as the fair values of the tangible and intangible assets acquired and liabilities assumed and the related income tax effects are finalized during the remainder of the measurement period (which will not exceed 12 months from the acquisition closing date). The preliminary allocation of the purchase price to the assets acquired and liabilities assumed based on their fair values is as follows (*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 preliminary 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 loss was not material.

Goodwill and Intangible Assets

Changes in the carrying value of goodwill during the year ended December 28, 2024, and the six-month period ended June 28, 2025, were as follows (*in thousands*):

	Goodwill
Balance December 30, 2023	\$ 241,658
Impact of currency exchange	(7,019)
Balance, December 28, 2024	234,639
Additions	33,688
Impact of currency exchange	14,198
Balance, June 28, 2025	\$ 282,525

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

	June 28, 2025			December 28, 2024	
	Gross Carrying Amount	Accum. Amort.	Remaining Weighted Average Amort. Period	Gross Carrying Amount	Accum. Amort.
Developed technology	\$ 240,625	\$ 186,614	3.5 years	\$ 228,789	\$ 163,453
Customer relationships	75,574	40,466	5.7 years	72,570	35,229
Trade names	22,282	14,720	4.3 years	20,926	12,930
Covenant not-to-compete	244	207	1.5 years	223	179
Total intangible assets	\$ 338,725	\$ 242,007		\$ 322,508	\$ 211,791

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

Amortization expense related to intangible assets was approximately \$10.0 million in the second quarter of fiscal 2025 and \$19.9 million in the first six months of fiscal 2025. Amortization expense related to intangible assets was approximately \$9.7 million in the second quarter of fiscal 2024 and \$19.5 million in the first six months of fiscal 2024.

3. Borrowings and Credit Agreements

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

	June 28, 2025	December 28, 2024
Revolving Credit Facility	\$ 8,897	\$ -
Construction loan-Cohu GmbH	6,751	6,473
Bank Term Loans-Kita	1,752	1,694
Lines of Credit	933	633
Total debt	18,333	8,800
Less: current portion	(11,080)	(1,748)
Total long-term debt	\$ 7,253	\$ 7,052

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Credit Agreement

On October 1, 2018, we entered into a Credit Agreement providing for a \$350.0 million Term Loan Credit Facility and borrowed the full amount to finance a portion of the Xcerra acquisition. Loans under the Term Loan Credit Facility amortize in equal quarterly installments of 0.25% of the original principal amount, with the balance payable at maturity. All outstanding principal and interest in respect of the Term Loan Credit Facility would have been due on or before October 1, 2025. On February 9, 2024, we made a cash payment of \$29.3 million to repay the remaining outstanding amounts owed under our Term Loan Credit Facility. We accounted for the transaction as a debt extinguishment, and in the first quarter of fiscal 2024 we recognized a loss of \$0.2 million due to the recognition of the remaining debt discount and deferred financing costs.

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 0.95%, and expire at various dates through 2034. At June 28, 2025, the outstanding loan balance was \$1.8 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 28, 2024, the outstanding loan balance was \$1.7 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 June 28, 2025.

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 June 28, 2025, total outstanding borrowings under the Loan Facilities was \$6.8 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. At December 28, 2024, total outstanding borrowings under the Loan Facilities was \$6.5 million with \$0.9 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 June 28, 2025.

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 million, of which MYR 37.6 million was subsequently withdrawn. 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 (“ECOF”) plus a spread of 0.5%. The revolving credit facility is secured by the land and building. At June 28, 2025, \$8.9 million was outstanding under the revolving credit facility and the rate of interest was 4.23%. As this revolving credit facility agreement renews monthly, it has been included in short-term borrowings in our condensed consolidated balance sheets. The revolving credit is denominated in Malaysian Ringgits and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

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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 960 million Japanese Yen of which 135 million Japanese Yen was drawn as of June 28, 2025. At June 28, 2025, total borrowings outstanding under the revolving lines of credit were \$0.9 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 June 28, 2025 and December 28, 2024 no amounts were outstanding under this line of credit.

4. Restructuring ChargesPoway 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. When fully implemented, these changes will allow 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 six months ended June 28, 2025 were \$1.2 million. The following table summarizes the activity within the restructuring related accounts for the Poway volume manufacturing transition during the first six months ended June 28, 2025 (*in thousands*):

	Severance and Other Payroll	Other Exit Costs	Total
Balance, December 28, 2024	\$ -	\$ -	\$ -
Costs accrued	766	458	1,224
Amounts paid or charged	(243)	(340)	(583)
Balance, June 28, 2025	<u>\$ 523</u>	<u>\$ 118</u>	<u>\$ 641</u>

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 (“2025 Restructuring Program”). As part of the 2025 Restructuring Program we plan on consolidating certain operations that are currently based in La Chaux-de-Fonds, Switzerland, and in Kolbermoor, Germany, into other lower cost locations. As part of the 2025 Restructuring Program, we are making headcount reductions in the U.S. and throughout 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. 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, 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.

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As a result of the activities described above, we recognized total pretax charges of \$6.6 million during the first six months ended June 28, 2025, 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 six months ended June 28, 2025 (*in thousands*):

	Severance and Other Payroll	Other Exit Costs	Total
Balance, December 28, 2024	\$ -	\$ -	-
Costs accrued	6,559	56	6,615
Amounts paid or charged	(4,554)	(56)	(4,610)
Impact of currency exchange	404	-	404
Balance, June 28, 2025	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 2,409</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 income (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.

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

	June 28, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Estimated Fair Value
Corporate debt securities (2)	\$ 21,920	\$ 15	\$ 8	\$ 21,927
Bank certificates of deposit	11,590	3	1	11,592
U.S. treasury securities	7,182	16	4	7,194
Asset-backed securities	3,201	1	1	3,201
Foreign government security	730	-	-	730
Municipal securities	330	1	-	331
	<u>\$ 44,953</u>	<u>\$ 36</u>	<u>\$ 14</u>	<u>\$ 44,975</u>

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	December 28, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Estimated Fair Value
Corporate debt securities (2)	\$ 32,040	\$ 37	\$ 25	\$ 32,052
U.S. treasury securities	11,964	12	15	11,961
Bank certificates of deposit	6,971	4	3	6,972
Asset-backed securities	3,647	6	-	3,653
Foreign government security	714	-	-	714
Municipal securities	330	3	-	333
	<u>\$ 55,666</u>	<u>\$ 62</u>	<u>\$ 43</u>	<u>\$ 55,685</u>

- (1) As of June 28, 2025, the cost and fair value of investments with loss positions were both approximately \$16.6 million. As of December 28, 2024, the cost and fair value of investments with loss positions was approximately \$20.5 million and \$20.4 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.
- (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*):

	June 28, 2025		December 28, 2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 33,170	\$ 33,173	\$ 47,819	\$ 47,855
Due after one year through five years	11,783	11,802	7,847	7,830
	<u>\$ 44,953</u>	<u>\$ 44,975</u>	<u>\$ 55,666</u>	<u>\$ 55,685</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.

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 June 28, 2025 using:			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
Cash	\$ 121,557	\$ -	\$ -	\$ 121,557
Money market funds	-	36,788	-	36,788
Corporate debt securities	-	28,018	-	28,018
Bank certificates of deposit	-	11,592	-	11,592
U.S. treasury securities	-	7,194	-	7,194
Asset-backed securities	-	3,201	-	3,201
Foreign government security	-	730	-	730
Municipal securities	-	331	-	331
	<u>\$ 121,557</u>	<u>\$ 87,854</u>	<u>\$ -</u>	<u>\$ 209,411</u>

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Fair value measurements at December 28, 2024 using:

	Level 1	Level 2	Level 3	Total Estimated Fair Value
Cash	\$ 136,965	\$ -	\$ -	\$ 136,965
Money market funds	-	69,442	-	69,442
Corporate debt securities	-	32,052	-	32,052
U.S. treasury securities	-	11,961	-	11,961
Bank certificates of deposit	-	6,972	-	6,972
Asset-backed securities	-	3,653	-	3,653
Foreign government security	-	714	-	714
Municipal securities	-	333	-	333
	<u>\$ 136,965</u>	<u>\$ 125,127</u>	<u>\$ -</u>	<u>\$ 262,092</u>

6. Employee Stock Benefit Plans

Our 2005 Equity Incentive Plan (“2005 Plan”) and our 1997 Employee Stock Purchase Plan (“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 2005 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 June 28, 2025, there were 1,843,642 shares available for future equity grants under the 2005 Plan and 484,449 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 2005 Plan have a maximum contractual term of ten years. In the first six months of fiscal 2025, we did not grant any stock options and as of June 28, 2025, no stock options were outstanding.

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 June 28, 2025.

In the first six months of fiscal 2025, we awarded 886,577 RSUs and issued 350,839 shares of our common stock on vesting of previously granted awards and 52,669 RSUs were forfeited. On June 28, 2025, we had 1,371,281 RSUs outstanding with an aggregate intrinsic value of approximately \$26.6 million and the weighted average remaining vesting period was approximately 1.3 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 the relative performance of our TSR compared with the Russell 2000 Index (RUT) for the performance period. PSUs granted vest 100% on the third anniversary of their grant, assuming achievement of the applicable performance criteria.

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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 June 28, 2025.

In the first six months of fiscal 2025, we awarded 385,548 PSUs, we issued 70,004 shares of our common stock on vesting of previously granted awards and 118,847 shares were forfeited. On June 28, 2025, we had 735,679 PSUs outstanding with an aggregate intrinsic value of approximately \$14.3 million and the weighted average remaining vesting period was approximately 2.0 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 six months of fiscal 2025, 143,867 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.

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*):

	Location of gain (loss) recognized on derivatives	Three Months Ended		Six Months Ended	
		June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Derivatives not designated as hedging instruments					
Foreign exchange forward contracts	Foreign transaction gain (loss)	\$ 3,790	\$ (1,247)	\$ 5,295	(5,325)

Net Investment Hedges

In the third quarter of fiscal 2024 we began hedging foreign currency risk associated with net investment positions in certain of our foreign subsidiaries. To accomplish this, we enter into foreign currency forward contracts that are designated as hedges of our net investment.

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

	Location of gain (loss) recognized on derivatives	Three Months Ended		Six Months Ended	
		June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Derivatives designated as hedging instruments					
Foreign exchange forward contracts	AOCL	\$ (6,102)	N/A	\$ (8,671)	N/A

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 \$0.7 million for the three- and six-month periods ended June 28, 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.

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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 June 28, 2025 will mature during the fourth quarter of fiscal 2025.

The following table provides information about our foreign currency forward contracts outstanding as of June 28, 2025 (*in thousands*):

Currency	Contract Position	Contract Amount (Local Currency)	Contract Amount (U.S. Dollars)
Euro	Buy	36,543	\$ 41,600
Swiss Franc	Buy	7,189	8,800
South Korean Won	Buy	2,745,860	2,000
Japanese Yen	Buy	284,000	2,000
Euro	Sell	50,276	54,600
Swiss Franc	Sell	12,267	14,000

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 June 28, 2025 and December 28, 2024 were immaterial.

8. EquityShare 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 months ended June 28, 2025. During the six months ended June 28, 2025, we repurchased 432,288 shares of our common stock for \$8.6 million to be held as treasury stock. During the three months ended June 29, 2024, we repurchased 267,000 shares of our common stock for \$8.2 million to be held as treasury stock. During the six months ended June 29, 2024, we repurchased 600,504 shares of our common stock for \$18.9 million to be held as treasury stock. As of June 28, 2025, \$22.8 million remained available for us to repurchase shares of our common stock under our share repurchase program.

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., generation of tax credits, changes in uncertain tax benefit positions, changes to valuation allowances, and the impact of Global Intangible Low-Taxed Income (“GILTI”). 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 the United States, Germany, the Philippines, Malaysia, Switzerland and California. We believe our financial statement accruals for income taxes are appropriate.

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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 a previously recorded valuation allowance against substantially all net deferred tax assets in the United States is required. 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.

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 June 28, 2025	Three Months Ended June 29, 2024	Six Months Ended June 28, 2025	Six Months Ended June 29, 2024
Net sales	\$ 107,680	\$ 104,701	\$ 204,477	\$ 212,315
Cost of sales	60,173	57,517	114,327	115,655
Research and development	21,674	20,341	43,607	41,843
Selling	13,320	13,049	26,445	27,525
General & administrative	12,783	14,749	24,984	31,788
Amortization of purchased intangible assets	10,081	9,748	19,933	19,543
Stock-based compensation	5,675	5,583	11,905	10,211
Other segment items ⁽¹⁾	(1,195)	(1,803)	4,073	(3,432)
Loss before taxes	<u>\$ (14,831)</u>	<u>\$ (14,483)</u>	<u>\$ (40,797)</u>	<u>\$ (30,818)</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”.

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June 28, 2025

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 1 year to 33 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	June 28, 2025	December 28, 2024
Assets			
Operating lease assets	Operating lease right-of-use assets (1)	\$ 32,049	\$ 13,908
Finance lease assets	Property, plant and equipment, net (2)	104	9,676
Total lease assets		<u>\$ 32,153</u>	<u>\$ 23,584</u>
Liabilities			
Current			
Operating	Other accrued liabilities	\$ 4,648	\$ 5,296
Finance	Other accrued liabilities (2)	10	8,418
Noncurrent			
Operating	Long-term lease liabilities (1)	32,116	9,890
Finance	Long-term lease liabilities	-	3
Total lease liabilities		<u>\$ 36,774</u>	<u>\$ 23,607</u>
Weighted-average remaining lease term (years)			
Operating leases		9.0	5.2
Finance leases		0.6	-
Weighted-average discount rate			
Operating leases		6.4%	6.4%
Finance leases		4.0%	2.8%

(1) In June 2025, we gained access to our new corporate headquarters located in San Diego, California enabling us to make certain preparations for our planned relocation on January 1, 2026, resulting in an increase to our operating lease asset and long term operating lease liability.

(2) Finance lease assets are recorded net of accumulated amortization of \$0.5 million and \$0.4 million as of June 28, 2025, and December 28, 2024, respectively. On December 30, 2024 we completed the purchase of our leased facility in Melaka, Malaysia resulting in a decrease to our finance lease asset and liability.

The components of lease expense were as follows:

<i>(in thousands)</i>	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Operating leases	\$ 1,498	\$ 1,563	\$ 3,020	\$ 3,181
Variable lease expense	650	577	1,296	1,147
Short-term operating leases	15	1	29	2
Finance leases				
Amortization of leased assets	20	22	41	43
Interest on lease liabilities	-	80	1	133
Sublease income	-	(1)	-	(4)
Net lease cost	<u>\$ 2,183</u>	<u>\$ 2,242</u>	<u>\$ 4,387</u>	<u>\$ 4,502</u>

Cohu, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
June 28, 2025

Future minimum lease payments on June 28, 2025, are as follows:

<i>(in thousands)</i>	Operating leases	Finance leases	Total
2025	\$ 3,231	\$ 7	\$ 3,238
2026 ⁽¹⁾	6,248	3	6,251
2027 ⁽¹⁾	4,931	-	4,931
2028 ⁽¹⁾	4,054	-	4,054
2029	4,429	-	4,429
Thereafter ⁽¹⁾	27,751	-	27,751
Total lease payments	50,644	10	50,654
Less: Interest	(13,880)	-	(13,880)
Present value of lease liabilities	\$ 36,764	\$ 10	\$ 36,774

(1) In June 2025, we gained access to our new corporate headquarters located in San Diego, California enabling us to make certain preparations for our relocation on January 1, 2026. The new lease will result in cash outflows totaling \$34.9 million expected to be paid as follows: \$2.5 million, \$3.0 million, \$2.6 million, \$3.0 million and \$23.8 million for 2026, 2027, 2028, 2029 and thereafter, respectively.

Supplemental cash flow information related to leases was as follows:

<i>(in thousands)</i>	Six Months Ended	
	June 28, 2025	June 29, 2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,055	\$ 3,275
Operating cash flows from finance leases	\$ -	\$ 129
Financing cash flows from finance leases	\$ 6	\$ 11
Leased assets obtained in exchange for new finance lease liabilities	\$ -	\$ 8,844
Leased assets obtained in exchange for new operating lease liabilities	\$ 20,990	\$ 1,357

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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June 28, 2025

Changes in accrued warranty were as follows (*in thousands*):

	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Balance at beginning of period	\$ 2,837	\$ 4,295	\$ 3,093	\$ 5,017
Warranty expense accruals	1,306	896	2,091	1,802
Warranty payments	(907)	(1,407)	(1,948)	(3,035)
Balance at end of period	<u>\$ 3,236</u>	<u>\$ 3,784</u>	<u>\$ 3,236</u>	<u>\$ 3,784</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 \$0.2 million and \$0.1 million at June 28, 2025, and December 28, 2024, respectively.

14. Subsequent Event

One Big Beautiful Bill Act

On July 4, 2025, the President signed into law the One Big Beautiful Bill Act (the “Act”), which introduced significant changes to the U.S. federal income tax code. The Act includes provisions affecting corporate tax rates on specified eligible income, timing of tax deductibility of depreciation, interest expense and research and development costs, and the taxation of foreign income. The effects of these changes will be recognized in the period in which the legislation was enacted. We currently do not expect the Act to have a material impact on our financial statements provided we maintain a valuation allowance on the majority of our net operating losses and other US federal deferred tax assets. We will continue to evaluate the broader implications of the Act, including the potential effects of future regulatory guidance and interpretations. Additional adjustments may be required in periods subsequent to enactment as further information becomes available.

Cohu, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations
June 28, 2025

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 2024 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 is a leading supplier of test and inspection metrology systems and data analytics software to optimize semiconductor manufacturing yield and productivity. We offer a wide range of products and services and our revenue from capital equipment products is driven by the capital expenditure and operating budgets of our customers, who often abruptly delay or accelerate purchases in reaction to variations in their business. The level of expenditure by these companies depends on the current and anticipated market demand for semiconductor devices and the products that incorporate them. Our recurring products are driven by the number of semiconductor devices that are tested and by the continuous introduction of new products and new technologies by our customers. As a result, our recurring products provide a more stable recurring source of revenue and generally do not have the same degree of cyclicity as our capital equipment products.

Global macroeconomic and geopolitical factors have impacted the semiconductor industry. In response to the higher cost of capital, slowing customer demand, and inventory levels higher than target, many semiconductor companies have been cutting costs, reducing employee headcount, and pushing out capital expenditures for additional capacity. For the three-month period ending June 28, 2025, our net sales increased 2.8%, on a year-over-year basis, to \$107.7 million. In response to the current economic conditions, we initiated a global restructuring program designed to improve profitability without negatively impacting product development activities. Once fully implemented in 2025, quarterly cost savings are expected to total approximately \$2.0 million including \$1.0 million from manufacturing overhead and \$1.0 million from operating expenses. Based on our ongoing assessment of business conditions in the semiconductor industry and the results from our operations, we repurchased 432,288 shares of our common stock for approximately \$8.6 million during the six-month period ending June 28, 2025.

We continue to focus on building a well-balanced and resilient business model, executing on customer design-wins and in developing innovative products. Our long-term market drivers and market strategy remain intact, and we are encouraged by increased use of semiconductors including the most recent developments in artificial intelligence ("AI"), along with customer traction with our new products. We continue to capture new customers and new opportunities and remain optimistic about the long-term prospects for our business due to the increasing ubiquity of semiconductors, increasing semiconductor complexity, increasing quality demands from semiconductor customers, increasing test intensity, increasing focus on automation and Industry 4.0 initiatives, and continued proliferation of electronics in a variety of products across the 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 and require complex management judgment 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 of assets or accelerate their depreciation.

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, contactor and kit revenue is 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 June 28, 2025, we had \$4.7 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 that are 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 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 of 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 are 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 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 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 when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting unit. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the fair value of the reporting unit and its carrying value, not to exceed the carrying value 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 to derive an indication of value, which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, we use the guideline public company method. Under this method we utilize information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance metrics of the reporting unit being tested, to obtain an indication of value. We then apply a 50/50 weighting to the indicated values from the income and market approaches to derive the fair values of the reporting units. Forecasts of future cash flows are based on our best estimate of future net sales and operating expenses, based primarily on customer forecasts, industry trade organization data and general economic conditions. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors.

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We conduct our annual impairment test as of October 1st each year and determined there was no impairment as of October 1, 2024, as we determined that the estimated fair values of our reporting units exceeded their carrying values on that date. Other events and changes in circumstances may also require goodwill to be tested for impairment between annual measurement dates. While a decline in stock price and market capitalization is not specifically cited as a goodwill impairment indicator, a company's stock price and market capitalization should be considered in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Additionally, a significant decline in a company's stock price may suggest that an adverse change in the business climate may have caused the fair value of one or more reporting units to fall below their carrying value. The current financial market volatility caused directly impacts our fair value measurement through our stock price that we use to determine our market capitalization. During times of volatility, significant judgment must be applied to determine whether credit or stock price changes are a short-term swing or a longer-term trend. As of June 28, 2025, we do not believe there have been any events or circumstances that would require us to perform an interim goodwill impairment review, however, a sustained decline in Cohu's market capitalization below its book value could lead us to determine, in a future period, that an interim goodwill impairment review is required and may result in an impairment charge which would have a negative impact on our results of operations.

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, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and estimated fair value.

During the first six months of fiscal 2025, 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: Share-based compensation expense related to restricted stock unit awards is calculated based on the market price of our common stock on the grant date, reduced by the present value of dividends expected to be paid on our common stock prior to vesting of the restricted stock unit. When granted, share-based compensation on performance stock units with market-based goals is calculated using a Monte Carlo simulation model on the date of the grant. Share-based compensation expense related to stock options is recorded 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.

RESULTS OF OPERATIONS

Recent Transactions Impacting Results of Operations

On January 7, 2025, we completed the acquisition of Tignis. Tignis has been included in our condensed consolidated results of operations as of the date of acquisition.

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

	Three Months Ended		Six Months Ended	
	June 28, 2025	June 29, 2024	June 28, 2025	June 29, 2024
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(56.3)%	(55.2)%	(56.3)%	(54.7)%
Gross margin	43.7%	44.8%	43.7%	45.3%
Research and development	(21.5)%	(20.4)%	(22.7)%	(20.6)%
Selling, general and administrative	(27.7)%	(30.7)%	(29.3)%	(31.6)%
Amortization of purchased intangible assets	(9.4)%	(9.3)%	(9.7)%	(9.2)%
Restructuring charges	(1.1)%	0.0%	(3.8)%	0.0%
Loss from operations	(16.0)%	(15.6)%	(21.8)%	(16.1)%

Second Quarter of Fiscal 2025 Compared to Second Quarter of Fiscal 2024

Net Sales

Our consolidated net sales increased 2.8% to \$107.7 million in 2025, compared to \$104.7 million in 2024. Net sales for the second quarter of fiscal 2025 were impacted by the current global macroeconomic environment which continues to show lower demand for automotive industrial and consumer applications, however, in the second quarter of fiscal 2025 we saw increased demand for mobile and AI-based computing applications as compared to the second quarter of fiscal 2024. Cohu acquired Tignis on January 7, 2025, and the results of its operations are included since that date. In the second quarter of fiscal 2025, Tignis’ net sales were not material to Cohu.

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 and business volume which impacts the utilization of our manufacturing capacity. Our gross margin, as a percentage of net sales for the second fiscal quarter, was 43.7% in 2025 and 44.8% in 2024. Gross margin in the second quarter of fiscal 2025 declined as it was impacted by the mix of systems sold to customers, and \$0.3 million of additional manufacturing employee compensation and inventory charges resulting from transitioning certain of our manufacturing activities from the U.S. and Europe to our factories in the Philippines and Malaysia.

We compute the majority of our excess and obsolete inventory reserve requirements using inventory usage forecasts. During the second quarter of fiscal 2025 and 2024, we recorded charges to cost of sales of \$1.5 million and \$0.3 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 June 28, 2025. Further 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 \$23.2 million in fiscal 2025 and \$21.3 million in fiscal 2024 representing 21.5% and 20.4% of net sales, respectively. During the second quarter of fiscal 2025 R&D expenses increased due to higher material costs associated with new product development and \$0.9 million of incremental costs from the Tignis business.

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 \$29.9 million or 27.7% of net sales in fiscal 2025, compared to \$32.1 million or 30.7% in fiscal 2024. SG&A expense during the second fiscal quarter of 2025 was down on a year-over-year basis due to lower incentive compensation due to current business conditions and cost controls. SG&A expense in the second quarter of fiscal 2025 includes \$0.6 million of incremental SG&A costs from the operations of Tignis. The second quarter of fiscal 2024 included \$1.2 million of one-time severance costs resulting from manufacturing transition related to the expansion of our factories in the Philippines and Malaysia. Transaction related costs incurred related to the acquisition of Tignis incurred in the second quarter of fiscal 2025 were not significant.

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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 \$10.0 million and \$9.7 million in the second fiscal quarter of 2025 and 2024, respectively. The increase in expense recorded during the second quarter of fiscal 2025 resulted from the amortization of acquired intangible assets from the acquisition of Tignis.

Restructuring Charges

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. Restructuring costs incurred in the second quarter of fiscal 2025 related to the Poway volume manufacturing transition totaled \$0.8 million. During the first quarter of fiscal 2025, we began executing a strategic restructuring program designed to reposition our global organization and improve our cost structure. Restructuring costs incurred in the second quarter of fiscal 2025 related to the 2025 Restructuring Program totaled \$0.4 million. Amounts for restructuring recorded in the second quarter of fiscal 2024 were not material.

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 \$0.1 million in both the second fiscal quarter of 2025 and 2024, respectively.

Interest income was \$1.4 million and \$2.3 million in the second quarter of fiscal 2025 and 2024, respectively. The decrease in interest income year-over-year is a result of lower investment balances in fiscal 2025 due to the acquisition of Tignis.

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 the U.S., generation of tax credits, changes in uncertain tax benefit positions, changes to valuation allowances, and the impact of Global Intangible Low-Taxed Income ("GILTI"). 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 second quarter 2025 ETR is higher than the second quarter 2024 ETR primarily due to a change in mix of income between tax jurisdictions, an increase in our uncertain tax positions, and certain true ups.

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 the United States, Germany, the Philippines, Malaysia, Switzerland 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 Loss

As a result of the factors set forth above, our net loss was \$16.9 million for the three months ended June 28, 2025 and \$15.8 million for the three months ended June 29, 2024.

First Six Months of Fiscal 2025 Compared to First Six Months of Fiscal 2024***Net Sales***

Our consolidated net sales decreased 3.7% to \$204.5 million in 2025, compared to \$212.3 million in 2024. The decrease in net sales recognized for the first six months of fiscal 2025 resulted from the current global macroeconomic environment which continues to show lower demand for automotive, industrial, and mobile applications partly offset by increased demand for AI-based computing applications. Cohu acquired Tignis on January 7, 2025, and the results of its operations are included since that date. For the first six months of fiscal 2025, Tignis' net sales were not material to Cohu.

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

Our gross margin, as a percentage of net sales, decreased to 43.7% in 2025 from 45.3% in 2024. Gross margin during the first six months of fiscal 2025 declined as it was impacted by the mix of systems sold to customers and \$0.5 million of additional manufacturing employee compensation and inventory charges resulting from transitioning certain of our manufacturing activities from the U.S. and Europe to our factories in the Philippines and Malaysia.

In the first six months of fiscal 2025 and 2024 we recorded charges to cost of sales for excess and obsolete inventory of approximately \$3.2 million and \$2.0 million, respectively. We believe our reserves for excess and obsolete inventory and lower of cost or market concerns are adequate to cover known exposures as of June 28, 2025. 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 \$46.3 million or 22.7% of net sales in 2025, compared to \$43.7 million or 20.6% in 2024. R&D expense increased during the first six months of fiscal 2025 due to higher material costs associated with new product development during the current year. Additionally, the first six months of fiscal 2025 included \$1.9 million of incremental costs from Tignis.

SG&A Expense

SG&A expense was \$59.9 million or 29.3% of net sales in 2025, compared to \$67.2 million or 31.6% in 2024. The relative decrease in SG&A expense as a percentage of net sales is a result of lower sales in the first six months of fiscal 2025. SG&A expense during the first six months of fiscal 2025 was down on a year-over-year basis due to lower incentive compensation due to current business conditions and a \$1.7 million benefit from an adjustment made to contingent consideration related to the acquisition of Tignis. SG&A expense during the first six months of fiscal 2025 includes \$0.1 million of one-time severance costs resulting from manufacturing transition related to the expansion of our factories in the Philippines and Malaysia, \$1.2 million of incremental SG&A costs from the operations of Tignis, and \$0.3 million of transaction costs related to our acquisition of Tignis. The first six months of fiscal 2024 included \$2.9 million of one-time severance costs resulting from manufacturing transition related to the expansion of our factories in the Philippines and Malaysia and a \$1.0 million impairment charge related to our investment in Fraes-und Technologiezentrum GmbH Frasdorf ("FTZ"), a company based in Germany that provides milling services to one of our wholly owned subsidiaries and \$0.2 million of transaction costs related to our acquisition of MCT and EQT.

Amortization of Purchased Intangible Assets

Amortization of acquisition-related intangible assets was \$19.9 million and \$19.5 million for the first six months of 2025 and 2024, respectively. The increase in expense recorded during the first six months of fiscal 2025 was a result of the amortization of acquired intangible assets from Tignis.

Restructuring Charges

During the first six months of fiscal 2025, we began executing a strategic restructuring program designed to reposition our global organization and improve our cost structure. Restructuring costs incurred in the first six months of fiscal 2025 related to the 2025 Restructuring Program totaled \$6.6 million. 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. Restructuring costs incurred in the first six months of fiscal 2025 related to the Poway volume manufacturing transition totaled \$1.2 million. Restructuring charges incurred in the first six months of fiscal 2024 were not material.

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 \$0.3 million and \$0.4 million in the first six months of 2025 and 2024, respectively. On February 9, 2024, we repaid the remaining outstanding amounts owed under our Term Loan Credit Facility.

Interest income was \$3.0 million and \$5.0 million in the first six months of 2025 and 2024, respectively. The year-over-year decrease resulted from lower cash and investment balances in the first six months of fiscal 2025 due to the repayment of the Term Loan Credit Facility and the acquisition of Tignis.

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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 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 the U.S., generation of tax credits, changes in uncertain tax benefit positions, changes to valuation allowances, and the impact of Global Intangible Low-Taxed Income ("GILTI"). 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 ETR on income for the six months ended June 28, 2025 is higher than the ETR for the six months ended June 29, 2024 primarily due to a change in mix of income between tax jurisdictions and an increase in our uncertain tax positions.

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 the United States, Germany, the Philippines, Malaysia, Switzerland 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 six months ended June 28, 2025.

Net Loss

As a result of the factors set forth above, our net loss was \$47.7 million for the six months ended June 28, 2025. For the six months ended June 29, 2024, our net loss was \$30.4 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 June 28, 2025, \$131.6 million or 80.0% 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 June 28, 2025, our total indebtedness included \$1.8 million outstanding under Kita's term loans, \$6.8 million outstanding under Cohu GmbH's construction loan, \$8.9 million outstanding under Cohu Malaysia's revolving credit facility and \$0.9 million outstanding under Kita's lines of credit. We repurchased 432,288 shares of our outstanding common stock, to be held as treasury stock, for \$8.6 million, during the first six months of fiscal 2025.

We believe that our sources of liquidity will be sufficient to satisfy our anticipated cash requirements through at least the next 12 months. Our liquidity could be negatively affected by a decrease in demand for our products. In addition, we may make acquisitions or increase our capital expenditures and may need to raise additional capital through debt or equity financing to provide for greater flexibility to fund these activities. Additional financing may not be available or not available on terms favorable to us.

Cohu, Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations
June 28, 2025

Liquidity

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

<i>(in thousands)</i>	June 28, 2025	December 28, 2024	Decrease	Percentage Change
Cash, cash equivalents and short-term investments	\$ 209,411	\$ 262,092	\$ (52,681)	(20.1)%
Working capital	\$ 390,448	\$ 449,123	\$ (58,675)	(13.1)%

Cash Flows

Operating Activities: Operating cash flows for the first six months of fiscal 2025 consisted of our net loss, adjusted for non-cash expenses and changes in operating assets and liabilities. These adjustments include depreciation expense on property, plant and equipment, share-based compensation expense, amortization of intangible assets, deferred income taxes, amortization of cloud-based software implementation costs, adjustments to contingent consideration, amortization of debt discounts and issuance costs, pension curtailment gains and gains on sales of property, plant and equipment. Our net cash provided by operating activities in the first six months of fiscal 2025 totaled \$5.9 million. Net cash provided by operating activities was impacted by changes in current assets and liabilities and included increases in accounts payable of \$14.7 million, other current assets of \$8.8 million, income taxes payable of \$3.5 million, deferred profit of \$1.3 million, accrued compensation, warranty and other liabilities of \$1.6 million, decreases in accounts receivable of \$4.6 million and inventory of \$1.2 million. The increase in accounts payable is a result of the timing of payments to suppliers. Other current assets, which includes prepaids and income taxes receivable, increased from prepayments of certain expenses that will be utilized throughout fiscal 2025 and the timing difference of accrual and receipt of income taxes. Changes in income taxes payable are a result of the estimation and timing of income taxes in certain jurisdictions in which we operate. The increase in deferred profit is due to deferrals of revenue made in accordance with our revenue recognition policy. Accrued compensation, warranty and other liabilities increased due to accruals for restructuring severance, offset by payments of incentive compensation related to the prior year that were paid in the first quarter of 2025. The decrease in accounts receivable was a result of the timing of cash collections and inventory decreased due to a reduction in purchases in response to current business conditions.

Investing Activities: Investing cash flows consist primarily of cash used for capital expenditures in support of our business, purchases of investments, business acquisitions and proceeds from investment maturities, and asset disposals. Our net cash used in investing activities in the first six months of fiscal 2025 totaled \$34.7 million. We generated \$36.6 million from sales and maturities and used \$25.5 million of cash for purchases of short-term investments in the first six months of fiscal 2025. We invest our excess cash, in an attempt 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 six months of fiscal 2025 were \$13.6 million, and were made to support our operating and development activities. Cash received for the settlement of net investment hedges totaled \$2.6 million in first six months of fiscal 2025 and in the first six months of fiscal 2025, we used \$34.9 million of cash, net of cash received, for the acquisition of Tignis, which was a strategic transaction of AI-driven data analytics software for our interface solutions group.

Financing Activities: Financing cash flows consist primarily of net proceeds from the issuance of common stock under our stock option and employee stock purchase plans 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 six months of fiscal 2025, 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 \$0.5 million. We made payments totaling \$8.6 million in the first six months of fiscal 2025 for shares of our common stock repurchased under our share repurchase program to be held as treasury stock. Proceeds from borrowings on a revolving line of credit used to finance the purchase of our factory in Malaysia were \$8.7 million during the first six months of fiscal 2025. Repayments of debt during the first six months of fiscal 2025 totaled \$0.7 million.

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 six months ended June 28, 2025, we repurchased 432,288 shares of our common stock for \$8.6 million to be held as treasury stock. As of June 28, 2025, \$22.8 million remained available for us to repurchase shares of our common stock under our share repurchase program.

Cohu, Inc.
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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.

Credit Agreement

On October 1, 2018, we entered into a Credit Agreement providing for a \$350.0 million Term Loan Credit Facility and borrowed the full amount to finance a portion of the Xcerra acquisition. Loans under the Term Loan Credit Facility amortize in equal quarterly installments of 0.25% of the original principal amount, with the balance payable at maturity. All outstanding principal and interest in respect of the Term Loan Credit Facility would have been due on or before October 1, 2025. On February 9, 2024, we made a cash payment of \$29.3 million to repay the remaining outstanding amounts owed under our Term Loan Credit Facility. We accounted for the transaction as a debt extinguishment, and in the first quarter of fiscal 2024 we recognized a loss of \$0.2 million in our condensed consolidated statement of operations due to the recognition of the remaining debt discount and deferred financing costs.

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 0.95%, and expire at various dates through 2034. At June 28, 2025, the outstanding loan balance was \$1.8 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 28, 2024, the outstanding loan balance was \$1.7 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 June 28, 2025, total outstanding borrowings under the Loan Facilities was \$6.8 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. At December 28, 2024, total outstanding borrowings under the Loan Facilities was \$6.5 million with \$0.9 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 June 28, 2025.

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 million, of which MYR 37.6 million was subsequently withdrawn. 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 ("ECOF") plus a spread of 0.5%. The revolving credit facility is secured by the land and building. At June 28, 2025, \$8.9 million was outstanding under the revolving credit facility and the rate of interest was 4.23%. As this revolving credit facility agreement renews monthly, it has been included in short-term borrowings in our condensed consolidated balance sheets. The revolving credit is denominated in Malaysian Ringgits and, as a result, amounts disclosed herein will fluctuate because of changes in currency exchange rates.

Cohu, Inc.
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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 960 million Japanese Yen of which 135 million Japanese Yen is drawn. At June 28, 2025, total borrowings outstanding under the revolving lines of credit were \$0.9 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 it with borrowings of up to a total of 2.0 million Swiss Francs, a portion of which is reserved for tax guarantees. On June 28, 2025, and December 28, 2024, 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 June 28, 2025, \$0.4 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. In June 2025, we gained access to our new corporate headquarters located in San Diego, California enabling us to make certain preparations for our relocation on January 1, 2026. The new lease will result in cash outflows totaling \$34.9 million expected to be paid as follows: \$2.5 million, \$3.0 million, \$2.6 million, \$3.0 million and \$23.8 million for 2026, 2027, 2028, 2029 and thereafter, respectively. On December 30, 2024, we purchased our leased facility in Malaysia, decreasing our financing lease liability by \$8.4 million. The transaction was financed with proceeds from a revolving credit facility that our Malaysian subsidiary entered into. Aside from the items discussed above, 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 28, 2024.

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 June 28, 2025, \$0.4 million was outstanding under standby letters of credit

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Interest Rate Risk.

At June 28, 2025, our investment portfolio included short-term fixed-income investment securities with a fair value of approximately \$45.0 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 June 28, 2025, the cost and fair value of investments we held with loss positions were both approximately \$16.6 million. 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. Fluctuations in currency exchange rates also impact the U.S. Dollar amount of our net investment in foreign operations. 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 June 28, 2025, compared to December 28, 2024, our stockholders' equity decreased by \$19.6 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 June 28, 2025, would result in an approximate \$31.4 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 June 28, 2025, would result in an approximate \$31.4 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 June 28, 2025, 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. In addition to the risk factors set forth in this Quarterly Report on Form 10-Q, 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 28, 2024 (the “Annual Report”). The risk factor set forth below updates, and should be read in conjunction with, the risk factors disclosed in such Annual Report. Other than the risk factor set forth below, we believe there have been no material changes from the risk factors disclosed in the Annual 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.

Risks Relating to Our Business Operations and Industry

Changes in United States trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition, and results of operations.

During the first Trump Administration from 2017 to 2021, certain tariffs and retaliatory tariffs, as well as other trade restrictions, were imposed on various products and materials. The Trump Administration again has imposed tariffs and retaliatory tariffs against U.S. trading partners. On February 1, 2025, President Trump issued an Executive Order imposing tariffs at various levels on imports from Canada, Mexico, and China. The newly imposed tariffs have resulted in immediate threats of retaliatory tariffs against U.S. goods and resulted in discussions with the countries which have delayed many of the U.S. imposed tariffs while discussions with each trading partner continue. In March and April 2025, the Trump Administration announced a series of additional special tariffs, some of which have been temporarily paused. Since then, the Trump administration has issued revised tariff amounts for both the special tariffs on aluminum and steel as well as the blanket tariffs based upon the origin location, many of which are set to go into effect on August 1, 2025.

The above and other potential tariffs and trade restrictions may, among other things, cause the prices of our products upon import into the US to increase, which could reduce demand for such products given the increased cost, and adversely impact our revenue, financial results, and ability to service debt. These dynamic conditions are also causing some reservations from consumers and business alike, which may impact buying decisions which are or mimic recessionary conditions. This in turn could adversely affect our financial condition and result from operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, our results of operations and financial condition could be materially and adversely impacted in the future. At this time, it remains unclear what the U.S. government or foreign governments will or will not do with respect to additional tariffs that may be imposed or international trade agreements and policies.

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 stock during the three months ended June 28, 2025. During the six months ended June 28, 2025, we repurchased 432,288 shares of our common stock for \$8.6 million to be held as treasury stock. During the three months ended June 29, 2024, we repurchased 267,000 shares of our common stock for \$8.2 million to be held as treasury stock. During the six months ended June 29, 2024, we repurchased 600,504 shares of our common stock for \$18.9 million to be held as treasury stock. As of June 28, 2025, \$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.**Certificate of Correction to Amended Restated Certificate of Incorporation**

On January 6, 2025, Plaintiff Keith Palmer (“Plaintiff”), a stockholder of Cohu, Inc. (“Cohu” or the “Company”), filed a stockholder class action complaint against the Company challenging certain provisions of Cohu’s Certificate of Incorporation (the “Charter”) as being in violation of the Delaware General Corporate Law. In response, on April 3, 2025, the Company filed a Certificate of Correction with the State of Delaware correcting Article Fourteen of the Charter to redress any concerns by Plaintiff. On April 2, 2025, the Court entered an Order granting a stipulation dismissing the action as moot and retaining jurisdiction to determine Plaintiff’s counsel’s application for an award of attorneys’ fees and reimbursement of expenses (the “Fee and Expense Application”).

The Company has subsequently agreed to pay \$125,000 in attorneys’ fees and expenses to plaintiff’s counsel in full satisfaction of the Fee and Expense Application in the Palmer Action. On June 20, 2025, the Court entered an order closing the case, subject to Cohu filing an affidavit with the Court confirming that this notice has been issued. In entering the order, the Court was not asked to review, and did not pass judgment on, the Fee and Expense Application or the reasonableness of the payment of the attorneys’ fees and expenses. Additional information can be found in the copy of the Stipulation, which is filed as exhibit 10.1 to this 10-Q, and is incorporated by reference herein.

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. The following table shows the Rule 10b5-1 trading plans intended to satisfy the affirmative defense conditions of Rule 10b-1(c) adopted or terminated by our directors and executive officers during the second quarter of 2025.

Name and Position	Plan Action	Plan Adoption Date	Expiration Date	Number of Shares to be Sold under Plan
William E. Bendush, Director (1)	Adoption	5/23/2025	5/22/2026	7,500

(1) This 10b5-1 trading arrangement was adopted by William E. Bendush, as Trustee of the Bendush Living Trust DTD 3/25/87.

During the second quarter of 2025, none of our directors or executive officers terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (each term as defined in Item 408 of Regulation S-K).

Item 6.	Exhibits.
3.1	Certificate of Correction to Amended Restated Certificate of Incorporation of Cohu, Inc., filed on April 3, 2025, incorporated herein by reference to Exhibit 3.1 from the Cohu, Inc. Form 10-Q filed with the Securities and Exchange Commission on May 2, 2025
10.1	Settlement Agreement and Stipulation dated June 20, 2025 by and between Cohu, Inc. and Keith Palmer
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: August 1, 2025

/s/ Luis A. Müller

Luis A. Müller

President & Chief Executive Officer

Date: August 1, 2025

/s/ Jeffrey D. Jones

Jeffrey D. Jones

Senior Vice President, Finance & Chief

Financial Officer

(Principal Financial & Accounting Officer)

WHEREAS, the parties have reached agreement that the Company will pay, or cause to be paid on its behalf, \$125,000 to Plaintiff's counsel to resolve Plaintiff's claim for attorney's fees and expenses (the "Mootness Fee");

WHEREAS, the Court has not and will not pass judgment on the amount of the fee; and

WHEREAS, the Company intends to provide notice to its stockholders of the Mootness Fee in a Form 10-Q to be filed by the Company with the SEC.

IT IS HEREBY STIPULATED AND AGREED, pursuant to Delaware Court of Chancery Rules 23(e) and 41(a), subject to the approval of the Court, that:

1. Following the entry of this Order, the Company shall include text substantially similar to the below in the Company's next Form 10-Q with the SEC (the "Notice"):

On January 6, 2025, Plaintiff Keith Palmer ("Plaintiff"), a stockholder of Cohu, Inc. ("Cohu" or the "Company"), filed a stockholder class action complaint against the Company challenging certain provisions of Cohu's Certificate of Incorporation (the "Charter") as being in violation of the Delaware General Corporate Law. In response, on April 3, 2025, the Company filed a Certificate of Correction with the State of Delaware correcting Article Fourteen of the Charter to redress any concerns by Plaintiff. On April 2, 2025, the Court entered an Order granting a stipulation dismissing the action as moot and retaining jurisdiction to determine Plaintiff's counsel's application for an award of attorneys' fees and reimbursement of expenses (the "Fee and Expense Application").

The Company has subsequently agreed to pay \$125,000 in attorneys' fees and expenses to plaintiff's counsel in full satisfaction of the Fee and Expense Application in the Palmer Action. On June [___], 2025, the Court entered an order closing the case, subject to Cohu filing an affidavit with the Court confirming that this notice has been issued. In entering the order, the Court was not asked to review, and did not pass judgment on, the Fee and Expense Application or the reasonableness of the payment of the attorneys' fees and expenses. Additional information can be found in the copy of the Stipulation, which is filed as exhibit 10.24 to this 10-Q, and is incorporated by reference herein.

2. Upon compliance with Paragraph 1 herein, the Company's counsel shall file an affidavit (the "Affidavit") with the Court (no later than five (5) business days after the Settlement Notice has been disseminated by the Company in the Form 10-Q) stating that Paragraph 1 has been satisfied;

3. Upon the filing of the Affidavit:

a. The Register in Chancery is directed to close the Action on the docket for all purposes;

b. The Court will no longer retain jurisdiction over the Action; and

4. Within ten (10) business days of the date of the entry of this Order, the Company shall pay or cause to be paid to Plaintiff's counsel the Mootness Fee to an account designated by Plaintiff's counsel. The foregoing payment shall fully satisfy and resolve Plaintiff's entitlement to any fees or expenses in this Action, and Plaintiff's counsel shall not seek any additional fees, expenses, or costs related to this Action.

Date: June 20, 2025

OF COUNSEL:

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Robert H. Lefkowitz
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Omer Kremer
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FARNAN LLP

/s/ Brian E. Farnan
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(302) 777-0300

Counsel for Plaintiff

DLA PIPER LLP (US)

/s/ Ronald N. Brown, III
Ronald N. Brown, III (#4831)
Kelly L. Freund (#6280)
1201 N. Market Street, Suite 2100 Wilmington, DE 19801
(302) 468-5700

Counsel for Defendants

SO ORDERED, this ____ day of _____, 2025

Vice Chancellor Lori W. Will

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: August 1, 2025

/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: August 1, 2025

/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 June 28, 2025 (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: August 1, 2025

/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 June 28, 2025 (the "Report"), I, Jeffrey D. Jones, 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: August 1, 2025

/s/ Jeffrey D. Jones

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