UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

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

COMMISSION FILE NUMBER 1-4298

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

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $1.00 PAR VALUE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by nonaffiliates of the registrant was approximately $395,261,000 as of February 17, 1998. Shares of common stock held by each officer and director and by each person or group who owns 5% or more of the outstanding common stock have been excluded in that such persons or groups may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 17, 1998, the Registrant had 9,697,308 shares of its $1.00 par value common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part I and Part II incorporate certain information by reference from the Annual Report to Stockholders for the year ended December 31, 1997. Part III incorporates certain information by reference from the Proxy Statement for the 1998 Annual Meeting of Stockholders.

PART I

ITEM 1. BUSINESS

This Annual Report on Form 10-K contains certain forward-looking statements 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. The words "plan", "forecast", "expect", "believe" and similar expressions are intended to identify such statements. Such statements are subject to certain risks and uncertainties, including but not limited to those discussed herein and, in particular, under the caption "Business Risks and Uncertainties" that could cause actual results to differ materially from those projected.

A predecessor of Cohu, Inc. (the "Company" or "Cohu") was incorporated under the laws of California in 1947 as Kalbfell Lab., Inc. and commenced active operations in the same year. Its name was changed to Kay Lab in 1954. In 1957 the Company was reincorporated under the laws of the State of Delaware as Cohu Electronics, Inc. and in 1972 its name was changed to Cohu, Inc.

The Company operates in two industry segments. Semiconductor test handling equipment used in the final test of integrated circuits is designed, manufactured and sold by the Company's Delta Design and Daymarc subsidiaries to semiconductor manufacturers throughout the world and accounted for approximately 81% of consolidated net sales in 1997. The television and other equipment segment includes electronic products used in electronic imaging, surveillance, detection and microwave communication that are manufactured and sold to government agencies, original equipment manufacturers, contractors, distributors and consumers throughout the world. The Company conducts operations in these two segments through one division and four subsidiaries

On June 22, 1994, the Company acquired Daymarc Corporation, a privately-held manufacturer of gravity-feed semiconductor test handling equipment that complements the pick-and-place test handling equipment manufactured by Delta Design. The semiconductor test handling equipment segment includes the results of Delta Design and Daymarc.

The television and other equipment segment includes the results of the Electronics Division, Fisher Research Laboratory, Inc. ("FRL") and Broadcast Microwave Services, Inc. ("BMS").

FINANCIAL INFORMATION BY INDUSTRY SEGMENT AND EXPORT SALES

Financial information on industry segments and export sales for each of the last three years is included on pages 3 (Selected Financial Data) and 12 (Note 7) in the 1997 Annual Report to Stockholders and is incorporated herein by reference.

SEMICONDUCTOR TEST HANDLING EQUIPMENT

Through its Delta Design and Daymarc subsidiaries, Cohu is the largest U. S. based and one of the world's largest suppliers of semiconductor test handling equipment. Test handlers are electromechanical systems designed to automatically handle, temperature condition, contact and sort integrated circuits (ICs) during the IC test process. Testers are specialized, computer controlled electronic systems that perform electronic evaluation of ICs, including proper functionality, voltage/current characteristics and critical timing parameters. Testing is used to determine the quality and performance of the packaged IC prior to shipment to customers. Testers are designed to test specific IC types, such as microprocessor, logic, DRAM or mixed signal, without regard to the package used to house the IC. On the other hand, the package, rather than the circuit type, is critical to the test handler, which is connected to the tester and automates the flow of ICs through the test process.

The Company designs, manufactures, markets and services IC test handling equipment from facilities in San Diego, California (Delta Design) and Littleton, Massachusetts (Daymarc). Sales, service and technical personnel are located throughout the U. S., Asia and Europe. Most test handlers use one of two handling technologies to transport ICs: gravity-feed or pick-and-place. Gravity-feed test handling typically uses tubes as the input media and ICs slide down tracks by the force of gravity as they move through the test handler. Pick-and-place test handling uses trays as the common input media. ICs are picked up, moved and placed electromechanically throughout the test handler. Generally, the preferred handling approach is dictated by the IC package type. ICs with leads on only two sides, such as dual-in-line and Small Outline (SOIC), are usually handled in gravity-feed equipment. ICs with leads on all four sides, such as the Quad Flat Pack and certain ICs with leads on two sides, such as the TSOP, are typically run in pick-and-place systems. Historically, Delta Design's systems utilize pick-and-place handling approaches while Daymarc's equipment employs gravity-feed techniques.

As a significant portion of IC test is performed at hot and/or cold temperatures, many of the Company's test handlers are designed to provide a controlled test environment over the range of -60 degrees C to +160 degrees C. Both Delta Design and Daymarc are recognized throughout the industry for their expertise in hot/cold test handling. In addition to temperature capability, other key factors in the design of test handlers are equipment speed, flexibility, parallel test capability and size. Handlers are complex, electromechanical systems which are used continuously in high production environments, and many are in service twenty-four hours per day, seven days a week. Handler "uptime" is a critically important issue to customers and the availability of trained technical support personnel is a key competitive factor in the marketplace. For these reasons, the Company employs direct sales and service engineers wherever possible, including in Asia where over 50% of IC testing takes place.

DELTA DESIGN

Through the use of IC package dedication kits, Delta Design's pick-and-place test handlers are capable of accommodating virtually any semiconductor package type. This flexibility is a key requirement of semiconductor manufacturers, who must continuously produce new IC package types to meet the needs of their customers and the requirements of IC design engineers.

Historically, most pick-and-place handlers have been used in logic test applications, where the transition in packaging technology first occurred. Because of the relatively short test times of logic devices, handler index time, or the idle time between test cycles, is critical. Two of Delta's pick-and-place handlers are believed to have index times among the fastest in the industry.

Increasingly, the shift in packaging is taking place in memory packages, as well. Due to the longer test times associated with memory testing, simultaneous testing of multiple devices (parallel testing) is required. Delta has successfully adapted several of its handlers to test up to eight devices in parallel and is developing systems capable of testing 16 or more devices in parallel.

The Delta Turbo Flex(TM), available in three models with various levels of automation, provides hot/cold test capability and versatility in IC package and media (tray or tube) handling. The "Flex" is considered an industry workhorse, and more Flexes have been sold than any other logic pick-and-place test handler. Through Delta's continuous product improvement process, the Flex has been successfully adapted to meet the evolving needs of IC manufacturers.

The Model 2040, or RFS(TM), is a fast-index time pick-and-place handler, designed for high production applications. The handler's large environmental storage capacity enables uninterrupted operation in short test applications and parallel testing of up to four devices. The RFS(TM) utilizes a patented contactor indexing mechanism to achieve an index time of approximately 500 milliseconds.

The Model 1688 is an ambient pick-and-place handler, which uses the same fast contactor indexing mechanism as the RFS(TM). The small size footprint of only eleven square feet, combined with the high speed and dependable operation of this handler, make it a highly-cost effective solution for test applications where environmental capability is not required.

Delta's newest handler, Castle, is offered in both memory and logic configurations. Castle Mx32 provides parallel testing of up to thirty-two devices and represents Delta's entry into the DRAM segment of the test handling market. Castle Logic, offers the same benchmark small footprint as the Mx32 and a fast index time to maximize test system utilization.

DAYMARC

Daymarc, acquired by Cohu in June 1994, was established in 1959. It was the first company to introduce fully automatic, gravity-feed test handlers.

Daymarc test handlers are designed for high throughput, maximum operator productivity and small footprint. Each model achieves superior semiconductor product yield through the use of proprietary, high performance contacting technology.

Daymarc manufactures four lines of test handlers; the 717 Series, 3000 Series and 4000 Series of gravity handlers and the newly introduced Enterprise test-in-tray handler line. The 717 Series test handlers are designed specifically for SOIC packages. The small dimensions and high-speed applications of the SOIC package require a handler with minimal transition distance, high performance contacting and automation features to reduce the need for operator intervention. The 717 ambient and tri-temperature handlers feature index times as low as 350 and 500 milliseconds, respectively. Changeover for a different device package requires less than 30 minutes.

The 3000 Series, the most popular of Daymarc's models, is available in single, dual/quad and thirty-two site configurations. These handlers can be reconfigured with device dedication kits to accommodate a wide range of package types at throughput rates up to 4,200 units per hour (UPH). The 3000 Series handlers provide tri-temperature operation and input/output automation for increased productivity.

The 4000 Series handlers combine high speed SOIC handling with multi-site capability. The 4100 operates at speeds up to 18,000 UPH in dual or quad site configurations. The 4100 is a fully automated, PC-based, ambient only machine. The 4188 model, introduced in 1997, has added tri-temperature capability to the features of the 4000 Series.

The Enterprise is the first tray-based handler from Daymarc. It incorporates a new handling approach that improves efficiency by handling a device as a group rather than individually. By eliminating the transfer of individual devices within the handler, fewer interruptions occur. This increases the performance of the test cell and provides semiconductor manufacturers with higher utilization of capital equipment used in testing components.

In 1997 the semiconductor test handling equipment segment accounted for 81% of consolidated net sales and 93% of consolidated operating profit. In 1996 this segment accounted for 79% of consolidated net sales and 92% of consolidated operating profit. In 1995 the segment accounted for 82% of consolidated net sales and 95% of consolidated operating profit.

TELEVISION AND OTHER EQUIPMENT

The Electronics Division of the Company has been a designer, manufacturer and seller of closed circuit television (CCTV) cameras and systems for over 40 years. The customer base is broadly distributed between machine vision, scientific imaging and security/surveillance markets. The current product line represents a comprehensive array of indoor and outdoor CCTV cameras as well as camera control equipment. To support its camera lines, the Electronics Division offers a wide selection of accessories including monitors, lenses and camera test equipment.

FRL designs, manufactures and sells metal detectors and related underground detection devices for consumer and industrial markets. All products are sold under the Fisher M-Scope label. Industrial products include pipe and cable locators, water leak detectors, property marker locators and instruments for locating reinforcing bars in concrete. Fisher's XLT-20 water leak detector can detect the sound of escaping water and pinpoint small leaks in buried pipes to a depth of six feet.

BMS manufactures microwave radio equipment, antenna systems and associated equipment. These products are used in the transmission of telemetry, data, video and audio signals. Customers include government test ranges, law enforcement agencies, unmanned air vehicle programs and television broadcasters.

In 1997 the television and other equipment segment accounted for 19% of consolidated net sales and 7% of consolidated operating profit. In 1996 television and other equipment accounted for 21% of consolidated net sales and 8% of consolidated operating profit. In 1995 television and other equipment accounted for 18% of consolidated net sales and 5% of consolidated operating profit.

CUSTOMERS

SEMICONDUCTOR TEST HANDLING EQUIPMENT

The Company's customer base includes companies that manufacture semiconductor devices primarily for internal use and companies that manufacture devices for sale to others. Repeat sales to existing customers represent a significant portion of the Company's sales in this business segment. The Company believes that its installed customer base represents a significant competitive advantage.

The Company relies on a limited number of customers for a substantial percentage of its net sales. In 1997 Motorola, Intel and Micron Technology accounted for 17%, 14% and 11%, respectively, of the Company's net sales. In 1996 Micron Technology and Motorola represented 14% and 12%, respectively, of the Company's net sales. In 1995 Motorola and Micron Technology each accounted for 17% of the Company's net sales. The loss of or a significant reduction in orders by these or other significant customers not compensated for by other customer orders, including reductions due to market, economic or competitive conditions in the semiconductor industry, would adversely affect the Company's business and results of operations.

TELEVISION AND OTHER EQUIPMENT

The Company's customer base in this industry segment is diverse and includes government agencies, original equipment manufacturers, contractors, distributors and consumers throughout the world. No single customer of this segment accounted for 10% or more of the Company's consolidated net sales in 1997, 1996 or 1995.

Contracts, including subcontract work, with U. S. Government agencies accounted for net sales of $5.3 million, $4.8 million and $4.5 million in 1997, 1996 and 1995, respectively. Such contracts are frequently subject to termination provisions at the convenience of the Government.

MARKETING

The Company markets its products worldwide through a combination of direct sales force and independent sales representatives. In a geographic area where the Company believes there is sufficient sales potential, the Company maintains sales offices staffed with its own sales personnel. The Company maintains U. S. sales offices for the semiconductor equipment business in Santa Clara, California and Austin, Texas. In 1993, a foreign subsidiary was formed in Singapore to handle the sales and service requirements of semiconductor manufacturers located in Southeast Asia. In 1995 a branch of the Singapore sales and service subsidiary was opened in Taipei, Taiwan. The sales in Europe are derived primarily through sales representatives.

COMPETITION

The semiconductor equipment industry is intensely competitive and is characterized by rapid technological change and demanding worldwide service requirements. Significant competitive factors include product performance, price and reliability, customer support and installed base of products. While the Company believes it is the largest U. S. based supplier of semiconductor test handling equipment, it faces substantial competition in the U. S. and throughout the world. The Japanese market for this equipment is large and represents a significant percentage of the worldwide market. During the last five years the Company has had limited sales to Japanese customers who have historically purchased test handling equipment from Japanese suppliers or their affiliates. Some of the Company's competitors have substantially greater financial, engineering, manufacturing and customer support capabilities than the Company. To remain competitive the Company believes it will require significant financial resources to offer a broad range of products, maintain customer support and service centers worldwide and to invest in research and development of new products. Failure to introduce new products in a timely manner or the introduction by competitors of products with perceived or actual advantages could result in a loss of competitive position and reduced sales of existing products. No assurance can be given that the Company will continue to compete successfully in the U. S. or throughout the world.

The Company's products in the Television and Other Equipment Segment are sold in highly competitive markets throughout the world, where competition is on the basis of price, product integration with customer requirements, service and product quality and reliability. Many of the Company's competitors are divisions or segments of large, diversified companies with substantially greater financial, engineering, marketing, manufacturing and customer support capabilities than the Company. No assurance can be given that the Company will continue to compete successfully in this business segment.

BACKLOG

The dollar amount of order backlog of the Company as of December 31, 1997 was $55.5 million as compared to $33.9 million at December 31, 1996. Of these amounts, $44.5 million ($23.1 million in 1996) was in semiconductor test handling equipment and $11 million ($10.8 million in 1996) was in television and other equipment. Virtually all backlog is expected to be shipped within the next twelve months. Due to the possibility of customer changes in delivery schedules, cancellation of orders and potential delays in product shipments, the Company's backlog as of any point in time may not be representative of actual sales in any future period. All orders are subject to cancellation or rescheduling by the customer with limited penalty. There is no significant seasonal aspect to the business of the Company.

MANUFACTURING AND RAW MATERIALS

The Company's manufacturing activities take place in San Diego, California (BMS, Delta Design and the Electronics Division), Littleton, Massachusetts (Daymarc) and Los Banos, California (FRL). Many of the components and subassemblies are standard products, although certain items are made to Company specifications. Certain components are obtained or are available from a limited number of suppliers. The Company seeks to reduce its dependence on sole and limited source suppliers, however in some cases the complete or partial loss of certain of these sources could have at least a temporary negative effect on the Company's operations while it attempted to locate and qualify replacement suppliers.

PATENTS AND TRADEMARKS

The Company protects its proprietary technology through various intellectual property laws. However, the Company believes that, due to the rapid pace of technological change in the semiconductor equipment industry, the successful manufacture and sales of its products generally depend upon its experience, technological know-how, manufacturing and marketing skills and speed of response to sales opportunities, rather than on the legal protection afforded to any one or more items of intellectual property, such as patents, trademarks, copyrights and trade secrets. In the absence of patent protection the Company may be vulnerable to competitors who attempt to copy or imitate the Company's products or processes. Although the Company believes its intellectual property has value (and includes trademark rights and trade names other than Cohu), and the Company has in the past and will in the future take actions it deems appropriate to protect such property from misappropriation, there can be no assurance such actions will provide meaningful protection from competition. Protecting the Company's intellectual property rights or defending against claims brought by other holders of such rights, either directly against the Company or against customers the Company has agreed to indemnify, would likely be expensive and time consuming and could have a material adverse effect on the Company and its operations.

RESEARCH AND DEVELOPMENT

Certain of the markets served by the Company, particularly the semiconductor equipment industry, are characterized by rapid technological change. Research and development activities are carried on in the various subsidiaries and division of the Company and are directed toward development of new products and equipment, as well as enhancements to existing products and equipment. Total research and development expenses were $17.5 million in 1997, $14 million in 1996 and $10.2 million in 1995. Total dollar expenditures increased primarily due to increased spending for R & D on semiconductor test handling equipment. There was no significant customer-sponsored product development during these years.

The Company works closely with its key customers to make improvements on its existing products and in the development of new products. The Company expects to continue to invest heavily in research and development and must manage product transitions successfully as introductions of new products could adversely impact sales of existing products.

ENVIRONMENTAL LAWS

Compliance with Federal, State and local laws which have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material effect and is not expected to have a material effect upon the capital expenditures, results of operations or competitive position of the Company.

EMPLOYEES

At December 31, 1997 the Company had approximately 1,100 employees. None of these employees is covered by a labor union. The Company believes that a great part of its future success will depend on its continued ability to attract and retain qualified employees. Competition for the services of certain personnel, particularly those with technical skills, is increasing. The Company considers its relations with its employees to be good.

BUSINESS RISKS AND UNCERTAINTIES

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

In 1997, 52% of the Company's total net sales were exported to foreign countries, including 60% of the sales in the semiconductor equipment segment. The majority of the Company's export sales are made to destinations in Asia. Currency fluctuations and instability in global financial markets, particularly in Asia, may adversely impact the demand for capital equipment, including equipment of the type manufactured and marketed by the Company. In addition, changes in the amount or price of semiconductors produced in Asia could impact the profitability or capital equipment spending programs of the Company's customers.

As is common in the semiconductor equipment industry, the Company relies on a limited number of customers for a substantial percentage of its net sales. In 1997, three customers of the semiconductor equipment business accounted for 42% of the Company's net sales. The loss of or a significant reduction in orders by these or other significant customers would adversely impact the Company's results of operations. Furthermore, the concentration of the Company's revenues in a limited number of large customers may cause significant fluctuations in the Company's future annual and quarterly operating results.

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

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

The Company has commenced a "Year 2000 Computer Problem" analysis to address the necessary changes that will need to be made to the Company's information systems. The Year 2000 Computer Problem creates risk to the Company for unforeseen problems in its own computer systems and from third parties throughout the world with whom the Company conducts business. Failures in the Company's and/or third parties' computer systems could have a material impact on the Company's ability to conduct its business, particularly as it relates to the electronic transfer of funds. Management has not yet estimated the Year 2000 Computer Problem compliance expense and related potential impact on the Company's earnings.

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

ITEM 2. PROPERTIES

Certain information concerning the Company's principal properties at December 31, 1997 identified by business segment is set forth below:

LOCATION	APPROXIMATE SQ. FOOTAGE	OWNERSHIP
Littleton, MA.(1)	102,000	Owned
San Diego, CA.(1)	52,000	Owned
San Diego, CA.(1)	52,000	Owned
San Diego, CA.(2)	52,000	Owned
San Diego, CA.(2)	15,000	Leased
Los Banos, CA.(2)	23,000	Owned

(1) Semiconductor test handling equipment

(2) Television and other equipment

In addition to the locations listed above the Company leases other properties for sales and service offices in various locations including Austin, Texas, Santa Clara, California, Singapore and Taipei, Taiwan. The Company believes its facilities are suitable for their respective uses and are adequate for the Company's present needs.

In May 1996 the Company acquired approximately 12 acres of land in Poway, California. The land is being held for future expansion needs although no such expansion is currently contemplated.

ITEM 3. LEGAL PROCEEDINGS

The Company is not presently a party to any material legal proceedings, other than ordinary routine litigation incidental to the business.

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

Not applicable.

EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES OF THE REGISTRANT

The following sets forth the names and ages of and the positions and offices held by all executive officers and significant employees of the Company as of March 12, 1998. Executive Officers serve at the discretion of the Board of Directors, until their successors are appointed.

NAME	AGE	POSITION
EXECUTIVE OFFICERS:		
Charles A. Schwan	58	President & Chief Executive Officer, Director
John H. Allen	46	Vice President, Finance & Chief Financial Officer, Secretary
SIGNIFICANT EMPLOYEES:		
Melvyn W. Bosch	59	President, Daymarc
James M. Brown	60	President, Cohu Electronics Division
Graham Bunney	42	President, BMS
James A. Donahue	49	President, Delta Design
James C. Lewellen	58	President, FRL

Mr. Schwan has been employed by the Company since 1971 and became President & Chief Executive Officer on March 1, 1996. Mr. Schwan had been Treasurer since 1972, Vice President, Finance since 1983 and Executive Vice President & Chief Operating Officer since September 1995. Mr. Schwan has been a member of the Board of Directors since 1990 and served as Secretary from 1988 until September 1995.

Mr. Allen has been employed by the Company since June 1995. He was Director of Finance until September 1995, became Vice President, Finance and Secretary in September 1995 and was appointed Chief Financial Officer in October 1995. Prior to joining the Company, Mr. Allen held various positions with Ernst & Young LLP from 1976 until June 1995 and had been a partner with that firm since 1987.

Mr. Bosch has been employed by Daymarc since 1986 and has been President of Daymarc since 1989.

Mr. Brown has been employed by the Cohu Electronics Division since 1980 and has been President of that division since 1983.

Mr. Bunney has been employed by BMS since 1985. Mr. Bunney was a project manager until June 1994, manufacturing manager from June 1994 until January 1996 and was promoted to President of BMS in January 1996.

Mr. Donahue has been employed by Delta Design since 1978 and has been President of Delta Design since 1983.

Mr. Lewellen has been employed by FRL since 1974 and has been President of FRL since 1979.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Information regarding the market prices of the Company's stock, markets for that stock, the number of stockholders and dividend information is contained on the inside back cover of the 1997 Annual Report to

Stockholders under "Cohu Stock Information". Such information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

"Selected Financial Data" on page 3 of the 1997 Annual Report to Stockholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 15 and 16 of the 1997 Annual Report to Stockholders is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company, including the report thereon of Ernst & Young LLP, on pages 8 - 14 and the unaudited Quarterly Financial Data on page 3 of the 1997 Annual Report to Stockholders is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors of the Company is set forth under "Election Of Directors" in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders ("the Proxy Statement"), which information is incorporated herein by reference. Information concerning the executive officers of the Company is included in Part I, on page 9. Information in the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance" is also incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the Company's compensation of its executive officers and directors and certain other information is set forth in the Proxy Statement under "Board of Directors and Committees", "Compensation of Executive Officers and Other Information" and "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is set forth in the Proxy Statement under "Security Ownership Of Certain Beneficial Owners and Management" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is set forth in the Proxy Statement under "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The financial statements listed in the accompanying index to financial statements and financial statement schedules are incorporated herein by reference as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules

The financial statement schedule listed in the accompanying index to financial statements and financial statement schedules is filed as part of this Annual Report on Form 10-K.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated herein by reference as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1997.

COHU, INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

(Item 14(a))

All other schedules are omitted because they are not required, are not applicable, or because the information required is included in the consolidated financial statements and the notes thereto.

The consolidated financial statements listed in the above index which are included in the Annual Report to Stockholders of Cohu, Inc. for the year ended December 31, 1997 are incorporated herein by reference. With the exception of the pages listed in the above index and the Items referred to in Items 1, 5, 6, 7 and 8, the 1997 Annual Report to Stockholders is not to be deemed filed as part of this report.

COHU, INC.
INDEX TO EXHIBITS

(Item 14(a) 3)

EXHIBIT	DESCRIPTION
3.1	Restated Certificate of Incorporation of Cohu, Inc. incorporated herein by reference from the 1981 Form 10-K, Exhibit 1
3.1(a)	Certificate of Amendment of Restated Certificate of Incorporation of Cohu, Inc., incorporated herein by reference from the Company's 1996 Form 10-K, Exhibit 3.1(a)
3.2	Amended and Restated Bylaws, of Cohu, Inc. incorporated herein by reference from the Company's Form 8-K, filed December 12, 1996, Exhibit 3.2
4.1	Rights Agreement dated November 15, 1996, between Cohu, Inc. and ChaseMellon Shareholder Services, L.L.C, as Rights Agent, incorporated herein by reference from the Company's Form 8-K, filed December 12, 1996, Exhibit 4.1
10.1	Cohu, Inc. 1988 Employee Stock Option Plan, incorporated herein by reference from the Company's Proxy Statement for its 1988 Annual Meeting of Stockholders*
10.2	Description of Cohu, Inc. Executive Incentive Bonus Plan, incorporated herein by reference from the Company's 1990 Form 10-K, Exhibit 10.3*
10.3	Termination Agreement between Cohu, Inc. and Charles A. Schwan, incorporated herein by reference from the Company's 1990 Form 10-K, Exhibit 10.5*
10.4	The Cohu, Inc. 1992 Stock Option Plan, incorporated herein by reference from the Company's Proxy Statement for its 1992 Annual Meeting of Stockholders*
10.5	The Cohu, Inc. 1994 Stock Option Plan, incorporated herein by reference from the Company's Proxy Statement for its 1995 Annual Meeting of Stockholders*
10.6	Agreement of Purchase and Plan of Merger by and among Cohu, Inc., Daymarc Corporation, Cohu Acquisition Corporation, N.J. Cedrone and Melvyn Bosch as of June 16, 1994, incorporated herein by reference from the Company's June 22, 1994 Form 8-K, Exhibit 2.1
10.7	The Cohu, Inc. 1996 Stock Option Plan, incorporated herein by reference from the Company's Proxy Statement for its 1996 Annual Meeting of Stockholders*
10.8	Employment Agreement between Cohu, Inc. and James W. Barnes, incorporated herein by reference from the Company's 1995 Form 10-K, Exhibit 10.9*
10.9	Business Loan Agreement between Bank of America National Trust and Savings Association and the Company, as amended May 15, 1996, incorporated herein by reference from the Company's Form 10-Q for the quarter ended June 30, 1996, Exhibit 10.1
10.10	Termination Agreement between Cohu, Inc. and John H. Allen, incorporated herein by reference from the Company's 1996 Form 10-K, Exhibit 10.11*
10.11	The Cohu, Inc 1996 Outside Directors Stock Option Plan, incorporated herein by reference from the Company's 1996 Form 10-K, Exhibit 10.12*

COHU, INC.
INDEX TO EXHIBITS

(Item 14(a) 3)

EXHIBIT	DESCRIPTION
10.12	The Cohu, Inc. 1997 Employee Stock Purchase Plan, incorporated herein by reference from the Company's 1996 Form 10-K, Exhibit 10.13*
10.13	The Cohu, Inc. Key Executive Long Term Incentive Plan*
10.14	The Cohu, Inc. 1998 Stock Option Plan*
13	1997 Annual Report to Stockholders (Provided for information only except as specifically incorporated by reference)
21	Cohu, Inc. has the following wholly owned subsidiaries: Delta Design, Inc., a Delaware corporation Fisher Research Laboratory, Inc., a Delaware corporation Broadcast Microwave Services, Inc., a Delaware corporation Daymarc, Inc., a Delaware corporation Cohu Foreign Sales Ltd., a Barbados corporation
23	Consent of Ernst & Young LLP, Independent Auditors
27	Financial Data Schedule

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* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 12, 1998

By /s/ Charles A. Schwan

Charles A. Schwan
President & Chief Executive Officer

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

Signature	Title	Date
/s/ William S. Ivans William S. Ivans	Chairman of the Board	March 12, 1998
/s/ Charles A. Schwan Charles A. Schwan	President & Chief Executive Officer, Director (Principal Executive Officer)	March 12, 1998
/s/ John H. Allen John H. Allen	Vice President, Finance & Chief Financial Officer, Secretary (Principal Financial & Accounting Officer)	March 12, 1998
/s/ James W. Barnes James W. Barnes	Director	March 12, 1998
/s/ Harry L. Casari Harry L. Casari	Director	March 12, 1998
/s/ Frank W. Davis Frank W. Davis	Director	March 12, 1998
/s/ Gene E. Leary Gene E. Leary	Director	March 12, 1998

COHU, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at Beginning of Year	Additions Charged to Expense	Deductions (Write-offs)	Balance at End of Year
Allowance for doubtful accounts:				
Year ended December 31, 1995	$ 424	$ 1,265	$ 124	$ 1,565
Year ended December 31, 1996	$ 1,565	$ 498	$ 236	$ 1,827
Year ended December 31, 1997	$ 1,827	$ 148	$ 187	$ 1,788
Reserve for excess and obsolete inventory:				
Year ended December 31, 1995	$ 3,461	$12,939	$ 1,472	$14,928
Year ended December 31, 1996	$14,928	$ 1,988	$ 1,226	$15,690
Year ended December 31, 1997	$15,690	$ 1,471	$ 2,067	$15,094

EXHIBIT 10.13

COHU, INC.
KEY EXECUTIVE LONG TERM INCENTIVE PLAN

SECTION 1. ESTABLISHMENT AND PURPOSE.

The Plan was approved by the Board of Directors of COHU, INC. ("the Company") on February 23, 1994. The Plan is intended to provide the opportunity for additional retirement benefits for the Executives. It is expected that the Plan will assist the Company in attracting and retaining Executives of outstanding achievement and ability. This Plan is intended as an unfunded plan for a select group of highly compensated or management employees within the meaning of ERISA.

SECTION 2. DEFINITIONS.

(a) "Affiliated Group" means a group of one or more chains of corporations or other entities connected through stock or other ownership with the Company, if:

(i) Stock or other control possessing more than 50% of the total voting power or more than 50% of the total value of all ownership of each entity is owned by one or more of the other entities; and

(ii) The Company owns stock or other ownership possessing more than 50% of the total voting power or more than 50% of the total value of all ownership of at least one of the other entities excluding, in computing such voting power or value, stock or other ownership owned directly by such other entities.

An entity shall be considered a member of the Affiliated Group only with respect to periods during which the relationship described in subSections (i) and (ii) above exists.

(b) "Beneficiary" means the person, persons, trust or trusts designated to receive death benefits under the Plan for an Executive. A Beneficiary designation form shall include such form only (a) as provided by any applicable carrier, or (b) as prescribed by the Committee.

(c) "Board" means the Board of Directors of the Company, as constituted from time to time.

(d) "Change In Control" occurs when:

(i) there is a change in the composition of the Company's Board as a result of which fewer than one-half of the incumbent directors are directors who either: (A) had been directors of the Company 24 months prior to such change; or (B) were elected, or nominated for election, to the Board with the affirmative vote of a majority of the directors who had been directors of the Company 24 months prior to such change and who were still in office at the time of the election or nomination;

(ii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), other than any member of the Affiliated Group, becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Base Capital Stock"), provided, however, that any change in the relative beneficial ownership of securities of any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" means the Compensation Committee of the Board.

(g) "Company" means COHU, Inc., a Delaware corporation.

(h) "Compensation" means the base salary or wages paid to the Executive by the Company or a member of the Affiliated Group for personal services performed while an employee, including (i) base salary or wages contributed at the Executive's election to a plan described in Sections 125 or 401(k) of the Code, and (ii) base salary and wages that the Executive has elected to defer under any nonqualified deferred compensation plans sponsored by the Company but excluding overtime pay, bonuses, commissions, expatriate premiums, any other forms of additional compensation and contributions by the Company or a member of the Affiliated Group under any benefit plan, all as determined by the Company.

(i) "Death Benefit" means the benefit payable to a Beneficiary under Section 5(a).

(j) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(k) "Executive" means such individuals designated as Executives under the Plan by the Committee.

(l) "Grantor Trust" means the trust established pursuant to Section 6(b) of the Plan for the benefit of an Executive.

(m) "Insurer" means an insurance company licensed to do business in the applicable jurisdiction that issues a Policy to the Company pursuant to the Plan.

(n) "Normal Retirement Age" means age 65.

(o) "Plan" means the COHU, Inc. Key Executive Long Term Incentive Plan, as set forth herein.

(p) "Plan Year" means calendar year.

(q) "Policy" means an insurance contract purchased on behalf of Executive, and payable to the Company or the Grantor Trust pursuant to the Plan.

(r) "Termination Benefit" means the benefit payable to an Executive under Section 5(b).

SECTION 3. PARTICIPATION.

Any individual who holds a key position in the Company and who is selected by the Committee is eligible to participate in the Plan. In order to participate in the Plan, Executive must satisfy such conditions for eligibility as are set forth by the Committee. If insurance Policies are held by any Grantor Trust, Executive must comply with such application and other procedures as are required by the applicable carrier.

SECTION 4. PLAN ALLOCATIONS.

(a) Executive Deferrals. The Executive may agree to defer a portion of his or her compensation under the Plan. The election shall be made prior to the time such compensation is payable. If the election applies to wages and salary, it may be made in a dollar or percentage amount and shall be made prior to the year in which the Executive performs the services to which the salary or wages pertain (with the exception of 1994, the year of adoption of the Plan). If the election to defer applies to a bonus, it shall be made prior to the time the bonus is approved by the Committee.

The election shall be made on a form approved by the Committee.

(b) Company Allocations. To the extent the Executive's Compensation exceeds the limit in Code Section401(a)(17), the Company will allocate 4% of such excess Compensation under the Plan on behalf of the Executive.

SECTION 5. PLAN BENEFITS.

(a) Death Benefit. If Executive dies, whether or not employed at death, his or her Beneficiary shall be paid in one lump sum an amount equal to the death benefits, if any, under any Policy in the Grantor Trust purchased on behalf of the Executive; (1) less the present value of the amount of any hypothetical federal and state tax reduction attributable to the tax deduction that the Company would have been entitled to had all premium payments for such policy been made directly to the Executive as compensation; (2) plus an amount which shall be equal to the cumulative federal and state tax savings otherwise available to the Company as a result of the Company's deduction from income of its net death benefit (after adjustment for (1) payable under this Plan) including this tax "gross-up" payment. For purposes of (1) above, the present value discount rate shall be the average annual 90 day Treasury rate determined as of December 31 of each year. This payment is not intended to produce a tax neutral effect for the deceased Executive, but is intended to provide that the tax effects for the Company as a result of payment of the net death benefit only (i.e., the death benefit after reduction by (1)), will be neutral.

(b) Termination Benefit. The Executive shall be paid an amount calculated as of the time benefits commence to both (1) if the Company has purchased a Policy with respect to the Executive, provide a death benefit which, as of the end of the Executive's life expectancy (determined as of the date benefits commence) is equal to the amount described in Section 5(a)(1) with respect to the Executive, and (2) exhaust in accordance with the payment schedule in (d) the remaining investments to which Executive's allocations under Section 4 have been invested.

To the extent the Policy does provide for a death benefit sufficient to cover the amount in Section 5(a)(1), each termination benefit under this 5(b) shall be increased by an amount which, after taking into account the tax value to the Company for the deduction of each termination benefit, will cause the Company to have no net positive or negative cash flow effect from the "grossed up" termination benefit payment. A sample calculation is attached to this Plan as Exhibit A.

If the Company and the Executive do not agree on the assumptions to be used in calculating the amount of benefits payable to the Executive, the calculation shall be made by an independent third person mutually agreeable to Company and Executive. The cost of retaining such independent third person shall be borne by the Company.

(c) Commencement of Payments. Payments shall commence within 60 days of the Executive's termination of employment (whether before or after Normal Retirement Age) with the Company.

(d) Form of Payment. Benefits shall be paid in equal annual installments over a 15 year period or in such forms as are permissible under the applicable Policy and as are approved by the Company. If there is no applicable Policy, benefits should be paid as approved by the Company.

(e) Hardship. A hardship withdrawal shall be payable to an Executive from the Grantor Trust if (i) the Executive incurs a Hardship after five Years of Participation in the Plan, (ii) the Executive files a written request for the hardship withdrawal with the Company, describing the Hardship and specifying the amount required to address the Hardship, and (iii) the Company approves all or part of the request. If a hardship withdrawal is payable under this subsection (e), the trustee of the Grantor Trust for the Executive shall transfer to the Executive such portion of the assets held in the Grantor Trust as is necessary to address the Hardship, as determined in the Company's sole discretion. For purposes of this subsection (e), "Hardship" shall mean an unanticipated emergency that is caused by an event beyond the control of the Executive and that would result in severe financial hardship to the Executive if an early withdrawal were not permitted.

(f) Change in Control of the Company. Notwithstanding any other provision contained herein, upon a Change in Control of the Company, the Company shall immediately prepay to the Grantor Trust an amount sufficient to fund all allocations under Section 4. Any payments under this Section shall be limited in accordance with the limits of Code Section 280G as determined by a professional satisfactory to both Executive and Company. The costs of retaining such professional shall be borne solely by the Company.

SECTION 6. INSURANCE.

(a) Purchase of Insurance. The Company may use amounts allocated pursuant to Section 4 for the purchase of insurance from the Insurer for the applicable Executive. All such insurance shall be subject to the terms and conditions of the Plan. The Company shall take all necessary action to cause the Insurer to issue a Policy, and shall take any further action which may be necessary to cause the Policy to conform to the provisions of the Plan.

(b) Grantor Trust. The Company shall establish a Grantor Trust with respect to Executives for which Danielson Trust will act as trustee. The Grantor Trust shall hold such contributions or Policies as the Company contributes to it.

(c) Ownership of the Trust Assets and Policies. The trustee of the Grantor Trust shall be the sole and absolute owner of any Policies purchased under the Plan and other assets and may exercise all ownership rights granted to the owner thereof by the terms of the Policy, subject to such limits as are set forth in the Grantor Trust. The Trustee shall return to the Company any amount remaining in the Policy after payment of the benefits set forth in Section 5.

SECTION 7. THE OBLIGATIONS OF THE INSURER.

The Insurer shall be fully discharged from its obligations under a Policy by payment of the Policy benefit, including cash surrender value and other incidental investments, to the Company, subject to the terms and conditions of the Policy. The Insurer shall not be considered a party to the Plan or to any agreements made between or among the Company, an Executive or a Beneficiary. No provision of the Plan, or any modification or amendment of the Plan, shall affect the obligations of the Insurer as expressly provided in the Policy, except insofar as the provisions of the Plan are made a part of the Policy by agreement between the Company and the Insurer.

SECTION 8. ASSIGNMENTS.

(a) Assignment by the Trustee of the Policy. Except as otherwise provided in the Plan, the trustee of a Grantor Trust shall not sell, assign, transfer, surrender or cancel a Policy.

(b) Restriction on Assignment. The rights of any persons to payments or benefits under the

Plan or under any Policies held pursuant to the Plan shall not be subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any act in violation of this Section 7 shall be void.

SECTION 9. ADMINISTRATION OF THE PLAN.

(a) Plan Administration. The Company is the "named fiduciary" that has the discretionary authority to control and manage the operation and administration of the Plan in accordance with its terms, and the Company is the "administrator" and "plan sponsor" of the Plan (as such terms are used in ERISA). The Company in its sole discretion shall make such rules, interpretations and computations and shall take such other actions to administer the Plan as it may deem appropriate. Any decision of the Company with respect to the Plan shall be conclusive and binding on all persons. While this Plan is not subject to the rules of Part 4, Title I of ERISA, in administering the Plan, the Company shall at all times discharge its duties in accordance with the standards set forth in Section 404(a)(1) of ERISA.

(b) Employment of Advisers. The Company may retain such attorneys, actuaries, accountants, consultants or other persons to render advice or to perform services with regard to its responsibilities under the Plan as it shall determine to be necessary or desirable. The Company may designate by written instrument (signed by both parties) one or more persons to carry out, where appropriate, fiduciary responsibilities under the Plan. The Company's duties and responsibilities under the Plan which have not been delegated to other fiduciaries pursuant to the preceding sentence shall be carried out by its directors, officers and employees, acting on behalf and in the name of the Company in their capacities as directors, officers and employees, and not as individual fiduciaries.

(c) Service in Several Fiduciary Capacities. Nothing herein shall prohibit any person or group of persons from serving in more than one fiduciary capacity with respect to the Plan.

SECTION 10. CLAIMS AND INQUIRIES.

(a) Application for Benefits. Applications for benefits and inquiries concerning the Plan (or concerning present of future rights to benefits under the Plan) shall be submitted to the Company in writing and addressed as follows: "Chairman of the Compensation Committee of the Board of Directors of COHU, Inc., Plan Administrator under the COHU, Inc. Key Executive Long Term Incentive Plan, 5755 Kearny Villa Road, San Diego, California 92123." An application for benefits shall be submitted and signed by the Executive or, after his or her death, by his or her Beneficiary.

(b) Denial of Claims. In the event that any claim for benefits is denied in whole or in part, the Chairman of the Committee shall notify the applicant in writing of such denial and shall advise the applicant of the right to a review thereof. Such written notice shall set forth, in a manner calculated to be understood by the applicant, specific reasons for the denial, specific references to the Plan provisions on which the denial is based, a description of any information or material necessary for the applicant to perfect the application, an explanation of why such material is necessary and an explanation of the Plan's review procedure. Such written notice shall be given to the applicant within 90 days after the Chairman of the Committee received the claim in proper form, except that such 90-day period may be extended for an additional 90 days if special circumstances exist. The Chairman of the Committee shall advise the applicant of such circumstances in writing within the first 90-day period. If the Chairman of the Committee does not provide the applicant with written notice of its decision within the applicable time period, the applicant's claim shall be deemed to have been denied as of the last day of the applicable time period.

SECTION 11. REVIEW PROCEDURE.

(a) Appointment of Review Panel. The Committee shall serve as the "Review Panel" under the Plan. The Review Panel shall be the named fiduciary which has the authority to act with respect to appeals from denials of claims under the Plan.

(b) Right to Appeal. An applicant whose claim for benefits was denied in whole or in part (or such applicant's authorized representative) may appeal from the denial by submitting to the Review Panel a written request for a review of the claim within three months after receiving written notice of the denial, or within three months after the date when a claim may be deemed to have been denied. The Chairman of the Committee shall give the applicant (or the applicant's authorized representative) an opportunity to review pertinent materials, other than legally privileged documents, in preparing such request for review.

(c) Form of Request for Review. The request for review shall be made in writing and shall be addressed as follows: "Review Panel under the COHU, Inc. Key Executive Long Term Incentive Plan, 5755 Kearny Villa Road, San Diego, California 92123." The request for review shall set forth all of the grounds on which it is based, all facts in support thereof and any other matters which the applicant deems pertinent. The Review Panel may require the applicant to submit additional facts, documents or other material as the Review Panel may deem necessary or appropriate in making its review.

(d) Time for Review Panel Action. The Review Panel shall act upon each request for review within 60 days after receipt thereof, unless special circumstances require further time for processing and the applicant is advised of the extension. In no event shall the decision on review be rendered more than 120 days after the Review Panel received the request for review in proper form.

(e) Review Panel Decisions. The Review Panel shall give prompt written notice of its decisions to the applicant and to the Company. In the event that the Review Panel confirms the denial of the claim for benefits in whole or in part, such notice shall be set forth, in a manner calculated to be understood by the applicant, the specific reasons for such denial and specific references to the Plan provisions on which the decision is based. In the event that the Review Panel determines that the claim for benefits should not have been denied in whole or in part, the Company shall take appropriate remedial action as soon as reasonably practicable after receiving notice of the Review Panel's decision.

(f) Rules and Procedures. The Review Panel shall establish rules, procedures and interpretations, consistent with the Plan and ERISA, as it may deem necessary or appropriate in carrying out its responsibilities under this Section 11.

(g) Exhaustion of Remedies Required. No legal or equitable action for benefits under the Plan shall be brought unless and until the applicant (a) has submitted a written claim for benefits in accordance with Section 10, (b) has been notified that the claim is denied, (c) has filed a written request for a review of the claim in accordance with this Section 11 and (d) has been notified in writing that the Review Panel has affirmed the denial of the claim; provided, however, that such an action may be brought after the Chairman of the Committee or the Review Panel has failed to act on the claim within the time prescribed in Sections 10(b) and

11(d), respectively.

(h) Arbitration. Except as otherwise provided herein, any controversy or claim arising out of or relating to the Plan or Grantor Trust, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(i) Legal and Other Costs. The cost of an arbitration and any additional proceedings, actions or litigation, including legal and other professional fees, shall be borne by the party which does not prevail.

SECTION 12. AMENDMENT AND TERMINATION OF PLAN.

The Company may amend the Plan so long as no amendment reduces any accrued benefit of an Executive or impairs the security, if any, of any such accrued benefit, without the express written consent of the Executive affected.

SECTION 13. MISCELLANEOUS.

(a) No Trust or Secured Interest. The Policies or other assets of the Company shall not be held under any trust for the benefit of Executives, their Beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of the Company under this Plan. This provision notwithstanding, the Company may transfer assets to the Grantor Trust described in Section 6(b). The Grantor Trust, and any assets held by the Grantor Trust to assist it in meeting its obligations under the Plan, shall conform to the terms of the model trust described in Revenue Procedure 92-64 of the Internal Revenue Service. The Executives shall have the status of general unsecured creditors of the Company, and the Plan shall constitute a mere promise by the Company to make benefit payments in the future. It is the Company's intention that the Plan be deemed unfunded for tax purposes and for purposes of Title I of ERISA.

(b) Tax Liability and Withholding. Executives and Beneficiaries shall make appropriate arrangements with the Company for the satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employment tax requirements applicable to the provision of benefits under this Plan.

(c) No Employment Rights. Nothing contained in the Plan shall give any person a right to remain in the employ of the Company or of any member of the Affiliated Group, or shall affect the right of the Company and members of the Affiliated Group to terminate such person's employment with or without cause.

(d) Mutual Cooperation. Each Executive or Beneficiary shall cooperate with the Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, including taking such other relevant action as may be requested by the Company. If an Executive or Beneficiary refuses to cooperate, the Company shall have no further obligation to the Executive or Beneficiary under the Plan.

(e) Validity. Any provision of this Plan that is determined to be invalid, void or unenforceable shall be ineffective without invalidating the remaining provisions of this Plan.

(f) Notice. Any notice or filing required or permitted to be given to the Company under the Plan shall be sufficient if in writing and delivered or mailed to the principal office of the Company, directed to the attention of the Chairman of the Compensation Committee of the Company. Any notice required or permitted to be given to an Executive or Beneficiary shall be sufficient if in writing and delivered or mailed to that person's last known address. Notices shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark.

(g) Notice to Insurer. The Trustee of each Grantor Trust shall be responsible for notifying the Insurer or Insurers of any changes in the ownership rights and interests of an Executive and the Company of any changes in the Beneficiaries to receive death benefits under the Plan, and the Insurer shall be entitled to rely upon any such notification received from the Trustee.

(h) Waiver of Breach. The waiver by the Company of any provision of this Plan shall not operate or be construed as a waiver of any subsequent breach by an Executive, assignee or Beneficiary.

(i) Successors and Assigns. The rights and obligations under this Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company and upon the heirs, legatees and assigns of the Executive.

SECTION 14. CHOICE OF LAW.

This Plan shall be governed and construed in accordance with ERISA and, to the extent that they are not preempted, the laws of the State of California.

SECTION 15. EXECUTION.

To record the adoption of this Plan, the Company has caused its duly authorized officer to affix the corporate name hereto.

COHU, INC.

By /s/ Charles A. Schwan

Its Vice President Finance

EXHIBIT 10.14

COHU, INC.
1998 STOCK OPTION PLAN

The Cohu, Inc. 1998 Stock Option Plan, is hereby adopted for the benefit of officers, directors, service providers and key employees of Cohu, Inc., a Delaware corporation and its parent or subsidiaries, if any.

1. Purpose. The purpose of the Plan is to advance the growth and prosperity of the Corporation and its stockholders by providing to officers, directors, service providers and key employees of the Corporation an incentive to serve the Corporation. By encouraging and enabling such persons to become owners of capital stock of the Corporation, the Corporation seeks to attract and retain persons of training, experience and ability and to furnish additional incentives to those persons upon whose judgment, initiative and efforts the successful conduct of the Corporation's business depends. It is the intention of the Corporation that this objective will be accomplished through the granting of incentive stock options and nonqualified stock options to certain officers, directors, service providers and key employees of the Corporation.

2. Definitions. As used herein, the following terms shall have the corresponding meanings.

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

2.2. "Corporation" shall mean Cohu, Inc. and any successor corporation thereto and/or its parent or subsidiaries, if any, as the context requires. The terms "parent" and "subsidiary" shall mean any existing or future corporation which would be a parent or subsidiary corporation of the Corporation, as those terms are defined in Section 424 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (the "Code").

2.3. "Date of Grant" shall mean the date of grant of a Stock Option granted hereunder as set forth in the Stock Option Agreement. In the event of a grant conditioned, among other things, upon stockholder ratification of this Plan, the date of such conditional grant shall be the Date of Grant for purposes of this Plan.

2.4. "Employee" shall mean any common-law employee of the Corporation. The determination of whether or not a person is an Employee of the Corporation with respect to the grant or exercise of an Incentive Stock Option shall be made in accordance with the rule of Income Tax Regulation Section 1.421-7(h) (or successor regulation).

2.5. "Fair Market Value" shall mean, with respect to the exercise of an option under the Plan, (a) if the Common Stock is listed on a national securities exchange or the NASDAQ National Market System, the closing price of the Common Stock for the business day immediately preceding the day for which the determination is being made, or (b) if the Common Stock is not then listed on an exchange, the average of the closing bid and asked prices per share for the Common Stock in the over-the-counter market as quoted on NASDAQ for the business day immediately preceding the day for which the determination is being made, or (c) if the Common Stock is not then listed on any exchange or quoted on NASDAQ, an amount determined in good faith by the Board of Directors to be the fair market value of the Common Stock, after consideration of all relevant factors.

2.6. "Holder" shall mean any person entitled to exercise a Stock Option pursuant to the terms of the Plan.

2.7. "Incentive Stock Option" shall mean a Stock Option which is intended to qualify for tax treatment as an incentive stock option under Section 422 of the Code. An Incentive Stock Option may only be granted to an Employee.

2.8. "Nonqualified Stock Option" shall mean a Stock Option which is not intended to qualify for tax treatment as an Incentive Stock Option under Section 422 of the Code.

2.9. "Plan" shall mean the Cohu, Inc. 1998 Stock Option Plan, as herein adopted and as may be amended from time to time.

2.10. "Purchase Price" shall mean the price paid for Shares upon the exercise of a Stock Option granted hereunder.

2.11. "Shares" shall mean those shares of Common Stock of the Corporation which are available for issuance pursuant to the terms of the Plan.

2.12. "Stock Option" shall mean a stock option giving a Holder the right to purchase Shares. A Stock Option may be an Incentive Stock Option or a Nonqualified Stock Option.

3. Term. All Stock Options shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board of Directors of the Corporation and the date the Plan is duly approved by the stockholders of the Corporation.

4. Eligibility. Stock Options may be granted only to employees (including officers and directors who are also employees) of the Corporation or its parent or subsidiaries or to individuals who are rendering services as directors, consultants, advisors, or other independent contractors to the Corporation or its parent or subsidiaries. For purposes of the foregoing sentence, "employees" shall include prospective employees to whom Stock Options are granted in connection with written offers of employment with the Corporation or its parent or subsidiaries and "consultants" or "advisors" shall include prospective consultants or advisors to whom Stock Options are granted in connection with written consulting or advising offers with the Corporation or its parent or subsidiaries. The Committee shall, in the Committee's sole discretion, determine which persons shall be granted Stock Options. An individual who is rendering services as a director (and who is not an employee), consultant, advisor, or other independent contractor or who is a prospective employee, consultant or advisor shall be eligible to be granted only a Nonqualified Stock Option. A Holder may, if otherwise eligible, be granted more than one Stock Option. In no event may a Stock Option be granted to an individual where such grant, together with all other Stock Options granted during that calendar year, would entitle the holder of the Stock Option to purchase more than 100,000 Shares.

5. Shares of Stock Subject to the Plan. Subject to the adjustments set forth in the Plan, the Shares which may be issued pursuant to the Plan shall not exceed in the aggregate 450,000 shares of the Corporation's Common Stock, $1.00 par value. Such Shares shall be authorized and unissued shares. Any Shares subject to a Stock Option granted under this Plan which for any reason expires or is terminated unexercised and/or Shares subject to repurchase which are repurchased by the Corporation shall again be subject to and be available for issuance pursuant to the terms of this Plan. Notwithstanding the foregoing, any such shares shall be made subject to a new Stock Option only if the grant of such new Stock Option and the issuance of such shares pursuant to such new Stock Option would not cause the Plan or any Stock Option granted under the Plan to contravene Rule 16b-3, as promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and as amended from time to time or any successor rule or regulation ("Rule 16b-3").

6. Administration of the Plan. Within the limitations described herein, the Committee shall administer the Plan, select the officers, directors, service providers and Employees of the Corporation to whom Stock Options shall be granted, determine the number of Shares to be subject to each grant, determine the method of payment upon exercise of each Stock Option, determine all other terms of Stock Options granted hereunder and interpret, construe and implement the provisions of the Plan. By the adoption of this Plan, the Board of Directors of the Corporation is delegating to the Committee plenary authority to administer the Plan. All questions of interpretation of the Plan

or any Stock Option granted under the Plan shall be determined by the Committee, and such decisions shall be binding upon all persons having an interest in the Plan and/or any Stock Option.

With respect to the participation of eligible participants who are subject to Section 16(b) of the Exchange Act, the Plan shall be administered in compliance with the requirements of Rule 16b-3. In the case of officers or other Employees or persons who are not directors of the Corporation, grants may be approved by the Committee or by a majority of the members of the Board of Directors. Notwithstanding the above, the Committee, in its sole discretion, may delegate its powers hereunder to grant Stock Options to persons who are not subject to Section 16(b) of the Exchange Act, to certain officers of the Corporation. Any such delegation shall be in writing and shall clearly describe any limitations to which such delegation of authority is subject.

In the event the Corporation is a "publicly held corporation" as defined in paragraph (2) of section 162(m) of the Code, as amended by the Revenue Reconciliation Act of 1993 (P.L. 103-66), and the regulations promulgated thereunder ("Section 162(m)"), the Corporation shall establish a committee of outside directors meeting the requirements of Section 162(m) to approve the grant of Stock Options which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m).

7. Indemnification. In addition to such other rights of indemnification as they may have as directors or as members of the Committee, members of the Board of Directors of the Corporation, members of the Committee and any officers to whom authority to act for the Committee is delegated shall be indemnified by the Corporation against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence or misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Corporation, in writing, the opportunity at its own expense to handle and defend the same.

8. Stock Options. The granting of a Stock Option shall be evidenced by a stock option agreement ("Stock Option Agreement"), in such form and not inconsistent with this Plan, as the Committee shall approve from time to time. The Committee shall determine for each Stock Option (which need not be identical), the exercise price of the Stock Option, the timing and terms of exercisability and vesting of the Stock Option, the time of expiration of the Stock Option, the effect of the Holder's termination of employment or service, whether the Stock Option is to be treated as an Incentive Stock Option or as a Nonqualified Stock Option, the method for satisfaction of any tax withholding obligation arising in connection with the Stock Option, including by the withholding or delivery of shares of Common Stock, and all other terms and conditions of the Stock Option not inconsistent with the Plan. Each Stock Option Agreement shall contain in substance the following terms and conditions:

8.1. Price. The Stock Option Agreement shall specify the Purchase Price per Share. The Purchase Price per Share deliverable upon the exercise of an Incentive Stock Option shall not be less than the Fair Market Value of a Share on the Date of Grant of the Incentive Stock Option. In the case of a grant of an Incentive Stock Option to an Employee who, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation, or of any parent or subsidiary corporation, the Purchase Price per Share deliverable upon the exercise of the Incentive Stock Option shall not be less than one hundred ten percent (110%) of the Fair Market Value of such Share on the Date of Grant of the Incentive Stock Option. Notwithstanding the foregoing, an Incentive Stock Option may be granted with a Purchase Price lower than the minimum price set forth above if such Stock Option is granted pursuant to an assumption or substitution for another Stock Option in a manner qualifying with the provisions of Section 424(a) of the Code. The Purchase Price per Share deliverable upon exercise of a Nonqualified Stock Option shall be not less than the Fair Market Value of a Share on the Date of Grant of the Nonqualified Stock Option except that the purchase price for no more than 5% of the shares under the plan can be determined by the Committee in its sole discretion.

8.2. Number of Shares. The Stock Option Agreement shall specify the number of Shares subject to the Stock Option.

8.3. Exercisability of Stock Options. A Stock Option may be exercisable, in part or in full, at any time and from time to time during an exercise period, and subject to such performance criteria, conditions and restrictions as determined by the Committee on a case-by-case basis for each Stock Option, and as set forth in the Stock Option Agreement; provided, however, that a Stock Option granted to a prospective employee, prospective consultant or prospective advisor shall not be exercisable prior to the date on which the person commences employment or service. In no event shall the exercise period of any Incentive Stock Option granted hereunder exceed ten (10) years from the Date of Grant of such Option; provided, however, that in the case of a grant of an Incentive Stock Option to an Employee, who, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting stock of the Corporation or of any parent or subsidiary corporation, such Incentive Stock Option shall not be exercisable after the expiration of five (5) years from its Date of Grant.

In the event that the aggregate Fair Market Value (determined as of the Date of Grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all stock option plans of the Corporation and its parent or subsidiary corporations) exceeds $100,000, the excess shall be treated as a Nonqualified Stock Option. This paragraph shall be applied by taking Incentive Stock Options into account in the order in which they were granted.

8.4. Payment of Purchase Price.

(a) Forms of Payment Authorized. Payment of the Purchase Price for the number of Shares being purchased pursuant to any Stock Option shall be made (1) in cash, by check, or cash equivalent, (2) by tender to the Corporation of shares of the Corporation's Common Stock owned by the Holder having a value, as determined by the Committee (but without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Corporation), not less than the option price, (3) if specifically permitted by the Committee and set forth in the Holder's Stock Option Agreement, by the Holder's recourse promissory note, (4) by the assignment of the proceeds of a sale of some or all of the shares being acquired upon the exercise of a Stock Option or the proceeds of a loan with respect to the shares acquired upon the exercise of a Stock Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System), or (5) by any combination thereof. The Committee may at any time or from time to time, grant Stock Options which do not permit all of the foregoing forms of consideration to be used in payment of the option price and/or which otherwise restrict one (1) or more forms of consideration.

(b) Tender of Corporation Stock. Notwithstanding the foregoing, a Stock Option may not be exercised by tender to the Corporation of shares of the Corporation's Common Stock to the extent such tender of stock would constitute a violation of the provisions of any law, regulation and/or agreement restricting the redemption of the Corporation's stock or result in the recognition of compensation expense to the Corporation under generally accepted accounting principles. Unless otherwise provided by the Committee, a Stock Option may not be exercised by tender to the Corporation of shares of the Corporation's Common Stock unless such shares of the Corporation's common stock either have been owned by the Holder for more than six (6) months or were not acquired, directly or indirectly, from the Corporation.

(c) Promissory Notes. No promissory note shall be permitted if an exercise using a promissory note would be a violation of any law. Any permitted promissory note shall be due and payable not more than five (5) years after the Stock Option is exercised, and interest shall be payable at least annually and be at least equal to the minimum interest rate necessary to avoid imputed interest pursuant to all applicable sections of the Code. The Committee shall have the authority to permit or require the Holder to secure any promissory note used to exercise a Stock Option with the Shares acquired on exercise of the Stock Option and/or with other collateral acceptable to the Corporation. Unless otherwise provided by the Committee, in the event the Corporation at any time becomes subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Corporation's securities, any promissory note shall comply with such applicable regulations, and the Holder shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

(d) Assignment of Proceeds of Sale. The Corporation reserves, at any and all times, the right, in the Corporation's sole and absolute discretion, to establish, decline to approve and/or terminate any program and/or procedures for the exercise of Stock Options by means of an assignment of the proceeds of a sale of some or all of the Shares to be acquired upon such exercise, or the assignment of the proceeds of a loan with respect to the Shares to be acquired upon such exercise.

9. Recapitalization. Appropriate adjustments shall be made in the number and class of Shares subject to the Plan, to the annual limit on Stock Options that may be granted to any individual, and to any outstanding Stock Options and in the Purchase Price per Share of any outstanding Stock Options in the event of a stock dividend, stock split, reverse stock split, combination, reclassification, or like change in the capital structure of the Corporation.

10. Reorganization. A "Reorganization" shall be deemed to have occurred in the event any of the following occurs with respect to the Corporation: (a) the direct or indirect sale or exchange by the stockholders of the Corporation of all or substantially all of the stock of the Corporation where the stockholders of the Corporation before such sale or exchange do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Corporation after such sale or exchange; (b) a merger or consolidation in which the Corporation is not the surviving corporation; (c) a merger or consolidation in which the Corporation is the surviving corporation where the stockholders of the Corporation before such merger or consolidation do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Corporation after such merger or consolidation; (d) the sale, exchange, or transfer of all or substantially all of the assets of the Corporation (other than a sale, exchange, or transfer to one (1) or more subsidiary corporations (as defined in paragraph 2.2 above) of the Corporation); or (e) a liquidation or dissolution of the Corporation.

In the event of a Reorganization, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "Acquiring Corporation"), may assume the Corporation's rights and obligations under outstanding Stock Options or substitute options for the Acquiring Corporation's stock for such outstanding Stock Options. In the event the Acquiring Corporation elects not to assume or substitute for such outstanding Stock Options in connection with the Reorganization, any unexercisable and/or unvested portion of the outstanding Stock Options shall be immediately exercisable and vested as of the date thirty (30) days prior to the date of the Reorganization. The exercise and/or vesting of any Stock Option that was permissible solely by reason of this paragraph 10 shall be conditioned upon the consummation of the Reorganization. Any Stock Options which are neither assumed or substituted for by the Acquiring Corporation in connection with the Reorganization nor exercised as of the date of the Reorganization shall terminate and cease to be outstanding effective as of the date of the Reorganization.

11. Investment Representations. The Committee may require a Holder to whom a Stock Option is granted, as a condition of receipt and/or exercise of the Stock Option, to give written assurances in substance and form satisfactory to the Committee to the effect that the Holder is acquiring the Stock Option granted hereunder or the Shares issuable upon exercise thereof for the Holder's own account and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Committee deems necessary or appropriate in order to comply with federal and applicable state securities laws. Appropriate legends may be placed on any Shares issued under the Plan evidencing such representations.

12. Compliance With Securities Laws. Each Stock Option granted hereunder shall be subject to the requirement that, if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the Shares subject to such Stock Option upon any securities exchange or under any state or federal law, or the consent or approval of any government or regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Stock Option granted hereunder or the issue of Shares, such Stock Option may not be granted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee. Nothing in

the Plan or related Stock Option Agreements shall be deemed to require the Corporation to apply for or obtain such listing, registration or qualification.

13. Rights as a Stockholder. A Holder shall have no rights as a stockholder of the Corporation with respect to any Shares covered by a Stock Option granted hereunder until said Holder tenders an effective and unconditional notice of exercise of the Stock Option to the Corporation, complies with all other terms and conditions of exercise and, if applicable, pays the Purchase Price. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date on which the Holder tenders notice of exercise, complies with all other terms and conditions of exercise, and pays any applicable Purchase Price. The Committee shall use its best efforts to secure prompt issuance of stock certificates following full performance of exercise by any Holder.

14. Non-Assignability of Options. No Incentive Stock Option shall be assignable or transferable by the Holder except by will or by the laws of descent and distribution. During the life of the Holder, an Incentive Stock Option shall be exercisable only by the Holder or by the duly appointed legal representative of an incompetent Holder. A Nonqualified Stock Option may be assignable or transferable to the extent set forth in the Stock Option Agreement governing such Stock Option.

15. Withholding Taxes. The Corporation shall have the right to deduct from amounts otherwise due Holder under a Stock Option granted hereunder or from any wages or other compensation to be paid to Holder any sums required by federal, state and local tax law to be withheld with respect to the exercise of any Stock Option or with respect to the disposition of Shares issued hereunder or, in the alternative, to require the Holder to pay such sums to the Corporation. The Corporation may also retain any certificate representing Shares issuable upon exercise of Stock Options until all such tax withholding requirements are satisfied. The Corporation may, in its discretion and upon request by Holder, withhold from the Shares to be issued to Holder under this Plan a number of Shares (based on the Fair Market Value of the Shares on the date of exercise of the Stock Option) necessary to satisfy any tax withholding requirements.

16. Termination or Amendment of the Plan and Stock Options. The Committee may terminate or amend the Plan or any Stock Option at any time; except that, without stockholder approval, the Committee may not increase the number of Shares which may be issued under the Plan (except by operation of paragraph 9) or modify the requirements as to eligibility to receive Incentive Stock Options under the Plan. In addition, the approval of the Corporation's stockholders shall be sought for any amendment to the Plan or a Stock Option for which the Committee deems stockholder approval necessary in order to comply with Rule 16b-3. In any event, no amendment may adversely affect any then outstanding Stock Option or any unexercised portion thereof, without the consent of the Holder, unless such amendment is required to enable a Stock Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option.

17. No Special Employment Rights. Nothing contained in this Plan or in any Stock Option granted hereunder shall confer upon any Holder any right with respect to continued employment or engagement with the Corporation or interfere in any way with the right of the Corporation, subject to the terms of any separate agreement with the Holder to the contrary, at any time to terminate such employment or engagement or to increase or decrease the compensation or other benefits paid to the Holder.

18. Governing Law. This Plan and any Stock Options issued hereunder shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the undersigned Secretary of the Corporation certifies that the foregoing Cohu, Inc. 1998 Stock Option Plan was duly adopted by the Board of Directors of the Corporation on January 29, 1998.

/s/ John H. Allen

John H. Allen

EXHIBIT 13

COMPANY PROFILE

Cohu, Inc. is the largest U.S. based and one of the world's largest suppliers of test handling equipment used by semiconductor manufacturers in final test operations. The Company, with sales and service facilities worldwide, also manufactures closed circuit television, metal detection and microwave equipment.

FINANCIAL HIGHLIGHTS
(in thousands, except per share data)

OPERATIONS:	1997	1996
ORDERS	$209,334	$147,857
NET SALES	187,756	159,353
NET INCOME	29,187	24,239
EARNINGS PER SHARE:		
BASIC	3.09	2.62
DILUTED	2.93	2.50
BALANCE SHEET:		
CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	53,550	52,986
WORKING CAPITAL	106,201	78,003
TOTAL ASSETS	162,892	117,926
STOCKHOLDERS' EQUITY	126,211	96,272

YEAR	ORDERS	NET SALES	NET INCOME (in millions)	STOCKHOLDERS' EQUITY
1993	$ 77.9	$ 75.3	$ 6.8	$ 33.6
1994	106.8	102.7	10.1	47.4
1995	189.4	178.8	23.6	72.0
1996	147.9	159.4	24.2	96.3
1997	209.3	187.8	29.2	126.2

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements 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. The words "plan", "forecast", "expect", "believe" and similar expressions are intended to identify such statements that are subject to certain risks and uncertainties, including but not limited to those discussed under the caption "Business Risks and Uncertainties" on page 16 of this Annual Report, that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

LETTER TO STOCKHOLDERS:

Sales for 1997 increased 18% to a record $187.8 million from $159.4 million in 1996. Net income for 1997 increased 20% to a record $29.2 million from $24.2 million in 1996. Diluted earnings per share increased to $2.93 per share in 1997 from $2.50 per share in 1996.

Orders for 1997 increased 42% to a record $209.3 million from $147.9 million in 1996. Backlog at the end of 1997 was $55.5 million compared to year end 1996 backlog of $33.9 million.

Sales of test handling equipment increased 21% and accounted for 81% of 1997 total sales. Sales of television cameras and related equipment accounted for 13% of 1997 sales and metal detection and microwave equipment contributed 6% of sales.

The new records were due to increased orders and sales of test handling equipment used by the worldwide semiconductor industry. Our commitment to the growth opportunities in this dynamic industry is evidenced by our investment in R & D which represented a record 9.3% of sales in 1997. This R & D spending included development work on two new semiconductor handler platforms discussed later in this Report.

Geographic distribution of 1997 sales of semiconductor handling equipment was Asia Pacific, 53%; North America, 42%; Japan and Korea, 4%; and Europe 1%. A significant percentage of the Asia Pacific sales were made to off-shore operations of large U.S. based semiconductor manufacturers. The largest segment of international sales is supported by our subsidiary located in Singapore with additional service personnel located throughout Asia.

In addition to our excellent financial results, 1997 was a year of significant accomplishments for Cohu. Our Delta Design subsidiary received the "Supplier Excellence Award" from Texas Instruments (TI) that honors organizations whose dedication to quality and service meets TI's high standards. Delta Design also received ISO 9001 certification joining the

(Photo)

Cohu Electronics Division as the second Cohu company to meet the rigorous requirements of this important international quality standard.

We believe our global market presence, record operating results and strong balance sheet place the Company in a position to benefit from the positive long-term outlook of the semiconductor industry.

Dividends of $2.3 million or $.24 per share were paid in 1997, the 19th consecutive year of cash dividend payments and the 11th year in a row in which dividends were increased.

We thank our customers and stockholders for their confidence and our employees and suppliers for their support and loyalty.

Sincerely,

Charles A. Schwan
President and Chief Executive Officer

January 29, 1998

SELECTED FINANCIAL DATA

(in thousands, except per share data)

	1997	1996	1995	1994	1993
FOR THE YEARS ENDED DECEMBER 31					
Net sales:					
Semiconductor test handling equipment	$ 152,668	$ 126,236	$ 146,093	$ 72,502	$ 47,827
Television and other equipment	35,088	33,117	32,666	30,224	27,451
	$ 187,756	$ 159,353	$ 178,759	$ 102,726	$ 75,278
Operating profit:					
Semiconductor test handling equipment	$ 40,339	$ 34,460	$ 36,490	$ 15,063	$ 9,261
Television and other equipment	3,065	2,826	1,964	1,829	1,821
	43,404	37,286	38,454	16,892	11,082
Other:					
Corporate administrative expense	(516)	(407)	(224)	(128)	(99)
Interest income	2,999	1,960	704	60	31
Interest expense	--	--	(12)	(206)	(4)
Income before income taxes	45,887	38,839	38,922	16,618	11,010
Provision for income taxes	16,700	14,600	15,300	6,500	4,200
Net income	$ 29,187	$ 24,239	$ 23,622	$ 10,118	$ 6,810
Earnings per share:					
Basic	$ 3.09	$ 2.62	$ 2.63	$ 1.19	$ 0.84
Diluted	2.93	2.50	2.46	1.15	0.81
Cash dividends per share, paid quarterly	0.24	0.20	0.16	0.12	0.10
Depreciation and amortization deducted in arriving at operating profit:					
Semiconductor test handling equipment	$ 1,478	$ 990	$ 1,051	$ 498	$ 260
Television and other equipment	670	663	833	683	692
	$ 2,148	$ 1,653	$ 1,884	$ 1,181	$ 952
Capital expenditures:					
Semiconductor test handling equipment	$ 3,513	$ 3,586	$ 4,932	$ 649	$ 409
Television and other equipment	616	1,550	355	371	328
	$ 4,129	$ 5,136	$ 5,287	$ 1,020	$ 737
AT DECEMBER 31					
Total assets by industry segment:					
Semiconductor test handling equipment	$ 79,978	$ 39,981	$ 48,708	$ 45,316	$ 19,733
Television and other equipment	19,003	18,022	19,126	18,730	18,313
Corporate	63,911	59,923	36,100	3,922	4,789
	$ 162,892	$ 117,926	$ 103,934	$ 67,968	$ 42,835
Working capital	$ 106,201	$ 78,003	$ 57,228	$ 37,680	$ 26,352
Long-term debt	--	--	--	1,400	--
Stockholders' equity	126,211	96,272	72,029	47,371	33,591

QUARTERLY FINANCIAL DATA (UNAUDITED)		FIRST	SECOND	THIRD	FOURTH	YEAR
Net sales:	1997	$ 34,762	$ 44,642	$ 52,769	$ 55,583	$187,756
	1996	50,232	45,864	34,763	28,494	159,353
Gross profit:	1997	14,854	19,542	23,245	24,124	81,765
	1996	22,884	21,066	14,876	11,949	70,775
Net income:	1997	4,714	6,926	8,527	9,020	29,187
	1996	7,894	7,582	5,191	3,572	24,239
Earnings per share:						
Basic	1997	0.50	0.74	0.90	0.95	3.09
	1996	0.86	0.82	0.56	0.38	2.62
Diluted	1997	0.48	0.70	0.85	0.90	2.93
	1996	0.81	0.78	0.54	0.37	2.50

SEMICONDUCTOR TEST HANDLING EQUIPMENT

Through its Delta Design and Daymarc subsidiaries, Cohu is the largest U.S. based and one of the world's largest suppliers of semiconductor test handling equipment. Test handlers are electromechanical systems designed to automatically handle, temperature condition, contact and sort integrated circuits (ICs) during the IC test process. Testers are specialized, computer controlled electronic systems that perform electronic evaluation of ICs, including proper functionality, voltage/current characteristics and critical timing parameters. Testing is used to determine the quality and performance of the packaged IC prior to shipment to customers. Testers are designed to test specific IC types, such as microprocessor, logic, DRAM or mixed signal, without regard to the package used to house the IC. On the other hand, the package, rather than the circuit type, is critical to the test handler, which is connected to the tester and automates the flow of ICs through the test process.

The Company designs, manufactures, markets and services IC test handling equipment from facilities in San Diego, California (Delta Design) and Littleton, Massachusetts (Daymarc). Sales, service and technical personnel are located throughout the U.S., Asia and Europe. Most test handlers use one of two handling technologies to transport ICs: gravity-feed or pick-and-place. Generally, the preferred handling approach is dictated by the IC package type. ICs with leads on only two sides, such as dual-in-line and Small Outline (SOIC), are usually handled in gravity-feed equipment. ICs with leads on all four sides, such as the Quad Flat Pack and certain ICs with leads on two sides, such as the TSOP, are typically run in pick-and-place systems. Historically, Delta Design's systems utilize pick-and-place handling approaches while Daymarc's equipment mainly employs gravity-feed techniques.

As a significant portion of IC test is performed at hot and/or cold temperatures, many of the Company's test handlers are designed to provide a controlled test environment over the range of -60 degrees C to +160 degrees C. Both Delta Design and Daymarc are recognized throughout the industry for their expertise in hot/cold test handling. In addition to temperature capability, other key factors in the design of test handlers are equipment speed, flexibility, parallel test capability and size.

Handlers are complex, electromechanical systems which are used continuously in high production environments and many are in service twenty-four hours per day, seven days a week. Handler "uptime" is a critically important issue to customers and the availability of trained technical support personnel is a key competitive factor in the marketplace. For these reasons, the Company employs direct sales and service engineers in most areas, including Asia, where over 50% of IC testing takes place.

The Company believes that the long-term prospects for the semiconductor industry are excellent. Dataquest forecasts that the semiconductor market will reach $300 billion in 2001 up from an estimated $150 billion in 1997. Equipment suppliers, like Delta Design and Daymarc, must be prepared for the volatility that characterizes the semiconductor business but should continue to have exciting business opportunities in a dynamic growth industry.

DELTA DESIGN

Through the use of IC package dedication kits, Delta Design's pick-and-place test handlers are capable of accommodating virtually any semiconductor package type. This flexibility is a key requirement of semiconductor manufacturers, who must continously produce new IC package types to meet the needs of their customers and the requirements of IC design engineers.

Delta has one of the largest installed base of pick-and-place test handlers, with more than 1,800 systems installed at over 125 locations worldwide.

Historically, most pick-and-place handlers have been used in logic test applications, where the transition in packaging technology first occurred. Because of the relatively short test times of logic devices, handler index time, or the idle time between test cycles, is critical. Two of Delta's pick-and-place handlers are believed to have index times among the fastest in the industry.

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Increasingly, the shift in packaging is taking place in memory packages, as well. Due to the longer test times associated with memory testing, simultaneous testing of multiple devices (parallel testing) is required. Delta has successfully adapted several of its handlers to test up to eight devices in parallel and is developing systems capable of testing 16 or more devices in parallel.

The Delta Turbo Flex(TM), available in three models with various levels of automation, provides hot/cold test capability and unmatched versatility in IC package and media (tray or tube) handling. The "Flex" is considered an industry workhorse and more Flexes have been sold than any other logic pick-and-place test handler. Through Delta's continuous product improvement process, the Flex has been successfully adapted to meet the evolving needs of IC manufacturers.

The Model 2040, or RFS(TM), is a fast-index time pick-and-place handler, designed for high production applications. The handler's large environmental storage capacity enables uninterrupted operation in short test applications and parallel testing of up to four devices. The RFS(TM) utilizes a patented contactor indexing mechanism to achieve an index time of approximately 500 milliseconds.

The Model 1688 is an ambient pick-and-place handler, which uses the same fast contactor indexing mechanism as the RFS(TM). The small size footprint of only eleven square feet, combined with the high speed and dependable operation of this handler, make it a highly-cost effective solution for test applications where environmental capability is not required.

Delta's newest handler, Castle, is offered in both memory and logic configurations. Castle Mx32 provides parallel testing of up to thirty-two devices and represents Delta's entry into the DRAM segment of the test handling market. Castle Logic, offers the same benchmark small footprint as the Mx32 and a fast index time to maximize test system utilization.

[PHOTO]

DELTA CASTLE MX32 TEST HANDLER

DAYMARC

Daymarc, acquired by Cohu in June 1994, was established in 1959. It was the first company to introduce fully automatic, gravity-feed test handlers.

Daymarc test handlers are designed for high throughput, maximum operator productivity and small footprint. Each model achieves superior semiconductor product yield through the use of proprietary, high performance contacting technology.

Daymarc manufactures four lines of test handlers; the 717 Series, 3000 Series and 4000 Series of gravity handlers and the newly introduced Enterprise test-in-tray handler line. The 717 Series test handlers are designed specifically for SOIC packages. The small dimensions and high-speed applications of the SOIC package require a handler with minimal transition distance, high performance contacting and automation features to reduce the need for operator intervention. The 717 ambient and tri-temperature handlers feature index times as low as 350 and 500 milliseconds, respectively. Changeover for a different device package requires less than 30 minutes.

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The 3000 Series, the most popular of Daymarc's models, is available in single, dual/quad and thirty-two site configurations. These handlers can be reconfigured with device dedication kits to accommodate a wide range of package types at throughput rates up to 4,200 units per hour (UPH). The 3000 Series handlers provide tri-temperature operation and input/output automation for increased productivity.

The 4000 Series handlers combine high speed SOIC handling with multi-site capability. The 4100 operates at speeds up to 18,000 UPH in dual or quad site configurations. The 4100 is a fully automated, PC-based, ambient only machine. The 4188 model, introduced in 1997, has added tri-temperature capability to the features of the 4000 Series.

The Enterprise is the first tray-based handler from Daymarc. It incorporates a new handling approach that improves efficiency by handling a device as a group rather than individually. By eliminating the transfer of individual devices within the handler, fewer interruptions occur. This increases the performance of the test cell and provides semiconductor manufacturers with higher utilization of capital equipment used in testing components.

[PHOTO]

DAYMARC ENTERPRISE TEST HANDLER

TELEVISION AND OTHER EQUIPMENT:

ELECTRONICS DIVISION

The Cohu Electronics Division (the "Division") has been a leading American designer and manufacturer of closed circuit television (CCTV) cameras and systems for more than 40 years. The customer base is broadly distributed between machine vision, scientific imaging and security/surveillance markets.

Sales reached new records for the fourth consecutive year, with gains in both original equipment manufacturing (OEM) and traffic surveillance products. Cohu's reputation of quality products, manufacturing capability and industry knowledge has made it an excellent choice in highway system surveillance cameras throughout the United States. The Division also designs and builds CCTV cameras and systems for custom security and operations monitoring applications.

The Division manufactures video cameras for a number of OEM companies that integrate Cohu cameras into their products. Other distribution channels for television products include direct sales to end users, contractors and value-added resellers. The Division is most readily differentiated from the competition by its willingness and ability to create quality products that solve a customer's unique requirements. Cohu's long established role in advanced CCTV technology is based on a continuing commitment to quality, product performance and competitiveness. The current product line represents a comprehensive array of indoor and outdoor CCTV cameras as well as camera control equipment.

Cohu cameras are well suited for assembly, test and measurement applications. Opportunities for Cohu cameras also exist in scientific industries using video technology. The Division manufactures cameras that are integrated into systems for fluorescing gel analysis, medical research and image cataloging.

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Cohu is among the leaders in video systems for traffic management in the U.S. and is an OEM provider to a key manufacturer of wide area detection products for intersection control. Cohu was selected by the State of Utah to supply cameras and camera controls to monitor the Interstate 15 corridor leading to popular ski resorts. These resorts will become venues for skiing competition in the 2002 Winter Olympics. In addition to sales of standard cameras to state and federal highway departments, the Division has successfully begun selling video systems into the emerging local municipality marketplace.

The Division continues to pursue opportunities in the international market through distributors, contractors and OEM accounts. Process monitoring, security and advanced imaging applications provide the majority of international sales.

The Division has been involved with a number of large-scale construction projects where specialized design expertise is provided to major engineering firms. Typical installations include process monitoring for waste handling, water works, hazardous material and facility security.

The Division is registered compliant to ISO-9001 standards, the most rigid of five levels of standards in the ISO 9000 series. ISO registration is a competitive advantage in market areas where ISO 9000 is heavily supported, such as Europe and the Middle East.

In 1998 key markets for Cohu CCTV products will include applications for transportation, machine vision, microscopy and surveillance.

FRL

Fisher Research Laboratory (FRL) designs, manufactures and sells metal detectors and other underground detection devices for industrial and consumer markets.

Industrial products include pipe and cable locators, water leak detectors, property marker locators and instruments for locating reinforcing bars in concrete. Fisher's XLT-20 water leak detector can detect the sound of escaping water and pinpoint small leaks in buried pipes to a depth of six feet.

Consumer metal detectors include models for prospectors, relic hunters, sport divers and weekend treasure hunters. As with the industrial line, Fisher's consumer products have a well earned reputation for quality, performance and durability. As a result, several of the models designed for hobby use are also used by law enforcement agencies, archaeologists and professional treasure salvors.

Fisher products are sold worldwide with major markets in the U.S., Western Europe, Canada and the Pacific Rim. Emerging markets include such countries as Russia, China and Mexico. Export sales were nearly 30% of sales in 1997.

BMS

Broadcast Microwave Services, Inc. (BMS) manufactures high quality microwave radio equipment, antenna systems and related support items. These products are used in the transmission of telemetry, data, video and audio signals. Customers include government test ranges, law enforcement agencies, unmanned air vehicle programs and television broadcasters.

BMS has seen an increase in business related to unmanned air vehicles and this trend may continue as government related projects consider switching from large development programs to available standard equipment. This application requires transmitters, receivers, airborne antennas and automatic tracking antenna and control systems. Similar products are also being sold for coastal surveillance applications.

We believe opportunities in the broadcast television market may exist as older point-to-point microwave links and electronic news gathering equipment is replaced. New product development has been directed at these markets. Additional growth opportunities may be created in the future as television stations add the capability to transmit high definition television signals.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

ASSETS	December 31, 1997	December 31, 1996
Current assets:		
Cash and cash equivalents	$ 39,736	$ 24,660
Short-term investments	13,814	28,326
Accounts receivable less allowance for doubtful accounts of $1,787 in 1997 and $1,827 in 1996	31,934	19,170
Inventories:		
Raw materials and purchased parts	21,224	7,175
Work in process	15,657	6,012
Finished goods	8,018	2,395
	44,899	15,582
Deferred income taxes	9,669	9,681
Prepaid expenses	1,478	1,166
Total current assets	141,530	98,585
Property, plant and equipment, at cost:		
Land and land improvements	2,114	2,114
Buildings and building improvements	12,293	11,932
Machinery and equipment	17,524	14,069
	31,931	28,115
Less accumulated depreciation and amortization	12,982	11,304
Net property, plant and equipment	18,949	16,811
Goodwill, net of accumulated amortization of $815 in 1997 and $658 in 1996	2,312	2,469
Other assets	101	61
	$162,892	$117,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,166	$ 4,464
Commissions payable	1,663	1,565
Income taxes payable	3,421	1,552
Accrued compensation and benefits	7,574	6,291
Accrued warranty	3,157	2,726
Other accrued liabilities	3,348	3,984
Total current liabilities	35,329	20,582
Accrued retiree medical benefits	1,004	916
Deferred income taxes	348	156
Stockholders' equity:		
Preferred stock, $1 par value; 1,000 shares authorized, none issued	--	--
Common stock, $1 par value; 25,000 shares authorized, 9,549 shares issued and outstanding in 1997 and 9,341 shares in 1996	9,549	9,341
Paid in excess of par	8,677	5,863
Retained earnings	107,985	81,068
Total stockholders' equity	126,211	96,272
	$162,892	$117,926

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Years ended December 31, 1997	1996	1995
Net sales	$ 187,756	$ 159,353	$ 178,759
Cost and expenses:			
Cost of sales	105,991	88,578	107,714
Research and development	17,513	13,968	10,192
Selling, general and administrative	21,364	19,928	22,623
	144,868	122,474	140,529
Income from operations	42,888	36,879	38,230
Interest income	2,999	1,960	704
Interest expense	--	--	(12)
Income before income taxes	45,887	38,839	38,922
Provision for income taxes	16,700	14,600	15,300
Net income	$ 29,187	$ 24,239	$ 23,622
Earnings per share:			
Basic	$ 3.09	$ 2.62	$ 2.63
Diluted	$ 2.93	$ 2.50	$ 2.46
Weighted average shares used in computing earnings per share:			
Basic	9,437	9,268	8,969
Diluted	9,950	9,677	9,584

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years ended December 31, 1997	1996	1995
Cash flows from operating activities:			
Net income	$ 29,187	$ 24,239	$ 23,622
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	2,148	1,653	1,884
Purchase consideration paid with stock	551	589	1,593
Deferred income taxes	204	(310)	(6,929)
Increase in accrued retiree medical benefits	88	57	58
Changes in assets and liabilities:			
Accounts receivable	(12,764)	8,402	(7,085)
Inventories	(29,317)	5,662	7,197
Prepaid expenses	(312)	(193)	(335)
Accounts payable	11,702	(2,989)	1,071
Commissions payable	98	(170)	(482)
Income taxes payable	2,669	(5,200)	5,132
Accrued compensation, warranty and other liabilities	1,078	(1,597)	7,295
Net cash provided from operating activities	5,332	30,143	33,021
Cash flows from investing activities:			
Purchases of short-term investments	(23,779)	(28,326)	--
Maturities of short-term investments	38,291	--	--
Purchases of property, plant and equipment	(4,129)	(5,136)	(5,287)
Other assets	(40)	--	1
Net cash provided from (used for) investing activities	10,343	(33,462)	(5,286)
Cash flows from financing activities:			
Reduction in line of credit and long-term borrowings	--	--	(1,400)
Issuance of stock, net	1,671	961	836
Dividends paid	(2,270)	(1,856)	(1,393)
Net cash used for financing activities	(599)	(895)	(1,957)
Net increase (decrease) in cash and cash equivalents	15,076	(4,214)	25,778
Cash and cash equivalents at beginning of year	24,660	28,874	3,096
Cash and cash equivalents at end of year	$ 39,736	$ 24,660	$ 28,874
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 13,827	$ 20,110	$ 17,097
Interest	--	--	12

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except par value and per share amounts)

	Years ended December 31, 1997, 1996 and 1995			
	Common Stock $1 par value	Paid in excess of par	Retained earnings	Total
Balance at December 31, 1994	$ 4,405	$ 6,510	$ 36,456	$ 47,371
Two-for-one stock split	4,405	(4,405)	--	--
Cash dividends - $.16 per share	--	--	(1,393)	(1,393)
Daymarc acquisition	62	1,531	--	1,593
Repurchase and retirement of stock	(6)	(114)	--	(120)
Exercise of stock options	226	730	--	956
Net income	--	--	23,622	23,622
Balance at December 31, 1995	9,092	4,252	58,685	72,029
Cash dividends - $.20 per share	--	--	(1,856)	(1,856)
Daymarc acquisition	29	560	--	589
Repurchase and retirement of stock	(1)	(30)	--	(31)
Exercise of stock options	221	771	--	992
Tax benefit from stock options	--	310	--	310
Net income	--	--	24,239	24,239
Balance at December 31, 1996	9,341	5,863	81,068	96,272
Cash dividends - $.24 per share	--	--	(2,270)	(2,270)
Daymarc acquisition	18	533	--	551
Repurchase and retirement of stock	(3)	(67)	--	(70)
Exercise of stock options	185	1,350	--	1,535
Shares issued under employee stock purchase plan	8	198	--	206
Tax benefit from stock options	--	800	--	800
Net income	--	--	29,187	29,187
Balance at December 31, 1997	$ 9,549	$ 8,677	$ 107,985	$ 126,211

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

PRESENTATION - The consolidated financial statements include the accounts of Cohu, Inc. (the "Company") and its wholly-owned subsidiaries. All significant intercompany accounts and balances have been eliminated in consolidation.

INVESTMENTS - Highly liquid investments with insignificant interest rate risk and original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months are classified as short-term investments. All of the Company's investments are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, recorded in stockholders' equity. Gross unrealized gains and losses were not significant at December 31, 1997 and 1996. The Company manages its cash equivalents and short-term investments as a single portfolio of highly marketable securities, all of which are intended to be available for the Company's current operations.

CONCENTRATION OF CREDIT RISK - Financial instruments that potentially subject the Company to significant credit risk consist principally of cash equivalents, short-term investments and trade accounts receivable. The Company invests in a variety of financial instruments and by policy limits the amount of credit exposure with any one issuer. The Company's customers include semiconductor manufacturers and others located throughout the world. The Company performs ongoing credit evaluations of its customers and generally requires no collateral.

DEPRECIATION AND AMORTIZATION - Depreciation and amortization of property, plant and equipment is calculated principally on the straight-line method based on estimated useful lives of five to forty years for buildings and building improvements and three to ten years for machinery and equipment. Goodwill is being amortized on the straight-line method over twenty years.

EARNINGS PER SHARE - Earnings per share are computed in accordance with FASB Statement No. 128, Earnings per Share. Basic earnings per share are computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share include the dilutive effect of common shares potentially issuable upon the exercise of stock options. Earnings per share data for prior periods have been restated to conform to the provisions of FASB Statement 128. The following table reconciles the denominators used in computing basic and diluted earnings per share:

(in thousands)	1997	1996	1995
Weighted average common shares outstanding....	9,437	9,268	8,969
Effect of dilutive stock options	513	409	615
	9,950	9,677	9,584

INVENTORIES - Inventories are stated at the lower of cost, determined on a current average or first-in, first-out basis, or market.

REVENUE RECOGNITION - Revenue is generally recognized upon shipment or, in instances where products are required to meet certain customer requirements, upon successful completion of such requirements. Product warranty costs are accrued in the period sales are recognized.

STOCK BASED COMPENSATION - The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option and employee stock purchase plans and, accordingly, does not recognize compensation expense.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about the future that effect the amounts reported in the consolidated financial statements. These estimates include assessing the collectibility of accounts receivable, the usage and recoverability of inventory and long-lived assets and the incurrence of warranty costs. Actual results could differ from those estimates.

2. ACQUISITION OF DAYMARC

In 1994 the Company acquired Daymarc Corporation. Pursuant to the merger, the Company is obligated to pay the former owners of Daymarc consideration and compensation based on Daymarc's financial results through June 1998. In 1997, 1996 and 1995 $1,376,000, $1,472,000 and $3,982,000, respectively, was earned and charged to operations. The Company paid a former owner of Daymarc $134,000, $363,000 and $363,000 in 1997, 1996 and 1995, respectively, under a facilities lease agreement that was terminated in September 1996.

3. INVESTMENTS

Investments at December 31, 1997 and 1996, all with maturities of one year or less, were as follows:

(in thousands)	1997	1996
U.S. Treasuries and obligations of U.S. Government Agencies	$ 1,000	$ 9,880
Corporate debt securities	48,852	26,322
Bankers Acceptances	--	5,847
Total investments	49,852	42,049
Less amounts classified as cash equivalents	(36,038)	(13,723)
Short-term investments	$ 13,814	$ 28,326

At December 31, 1997 and 1996 the estimated fair value of the Company's investments approximated amortized cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. LINE OF CREDIT

The Company maintains a $5,000,000 unsecured bank line-of-credit facility bearing interest at the bank's prime reference rate. The facility requires compliance with certain financial covenants and expires in May 1998. No borrowings were outstanding at December 31, 1997 or 1996.

5. INCOME TAXES

Significant components of the provision for income taxes are as follows:

(in thousands)	1997	1996	1995
Current:			
Federal	$ 14,131	$ 12,283	$ 18,154
State	2,365	2,627	4,075
Total current	16,496	14,910	22,229
Deferred:			
Federal	189	(256)	(5,627)
State	15	(54)	(1,302)
Total deferred	204	(310)	(6,929)
	$ 16,700	$ 14,600	$ 15,300

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

(in thousands)	December 31,	
Deferred tax assets:	1997	1996
Reserves and accrued warranty not currently deductible	$ 8,236	$ 8,634
Accrued state taxes	662	584
Accrued employee benefits	1,157	966
Other	608	421
Total deferred tax assets	10,663	10,605
Deferred tax liabilities:		
Tax over book depreciation	1,342	1,080
Net deferred tax assets	$ 9,321	$ 9,525

The reconciliation of income tax computed at the U.S. federal statutory tax rates to the provision for income taxes is as follows:

(in thousands)	1997	1996	1995
Tax at U.S. statutory rates	$ 16,060	$ 13,594	$ 13,623
State income taxes, net of federal tax benefit	1,547	1,672	1,827
FSC benefit	(1,477)	(1,100)	(1,278)
Nondeductible goodwill and performance-based consideration expense	248	261	799
Other - net	322	173	329
	$ 16,700	$ 14,600	$ 15,300

6. STOCKHOLDER RIGHTS PLAN

In November 1996 the Company adopted a Stockholder Rights Plan and declared a dividend distribution of one Right for each share of Common Stock, payable to holders of record on December 3, 1996. Under certain conditions, each Right may be exercised to purchase 1/100 of a share of Series A Preferred Stock at a purchase price of $90, subject to adjustment. The Rights are not presently exercisable and will only become exercisable following the occurrence of certain specified events. If these specified events occur, each Right will be adjusted to entitle its holder to receive upon exercise Common Stock having a value equal to two times the exercise price of the Right or each Right will be adjusted to entitle its holder to receive common stock of the acquiring company having a value equal to two times the exercise price of the Right, depending on the circumstances. The Rights expire on November 14, 2006 and may be redeemed by the Company for $0.001 per Right. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings per share of the Company.

7. INFORMATION ON INDUSTRY SEGMENTS

The Company operates in two industry segments. Semiconductor test handling equipment is designed, manufactured and sold to semiconductor manufacturers throughout the world and accounted for 81% of 1997 consolidated net sales. The television and other equipment segment includes electronic products used in electronic imaging, surveillance, detection and microwave communication that are manufactured and sold to government agencies, original equipment manufacturers, contractors, distributors and consumers throughout the world. Export sales, mainly to Asia, were approximately $96,900,000, $71,700,000, and $72,000,000 in 1997, 1996 and 1995, respectively. One customer of the test handling equipment segment accounted for 17%, 12% and 17% of net sales in 1997, 1996 and 1995, respectively. Another customer of the same segment accounted for 11%, 14%, and 17% of net sales in 1997, 1996 and 1995, respectively. A third customer of this segment accounted for 14% of net sales in 1997. Information regarding industry segments for 1997, 1996 and 1995 contained in the Selected Financial Data on page 3 is an integral part of these financial statements.

8. EMPLOYEE BENEFIT PLANS

RETIREMENT PLAN - The Company has voluntary defined contribution retirement 401(k) plans whereby it will match contributions up to 4% of employee compensation. Company contributions to the plans were $991,000 in 1997, $841,000 in 1996 and $737,000 in 1995.

RETIREE MEDICAL BENEFITS - The Company provides post-retirement health benefits under a noncontributory plan to certain executives and directors. The net periodic benefit cost was $95,000, $78,000 and $68,000 in 1997, 1996 and 1995, respectively. The accumulated post-retirement benefit obligation at December 31, 1997 consisted of $450,000 attributable to retired employees, $304,000 to active eligible employees and $250,000 attributable to other active employees. The weighted average discount rate used in determining the accumulated post-retirement benefit obligation was 7.5%. Annual rates of increase of the cost of health benefits were assumed to be approximately 9% in 1997. These rates were then assumed to decrease 0.25% per year to 6% in 2009 and remain level thereafter. A 1% increase in the rate would increase the net periodic benefit cost by approximately $15,000 and the accumulated post-retirement benefit obligation as of December 31, 1997 by approximately $170,000.

EMPLOYEE STOCK PURCHASE PLAN - In May 1997 the Company adopted the Cohu, Inc. 1997 Employee Stock Purchase Plan providing for the issuance of a maximum of 300,000 shares of the Company's Common Stock. Under the Plan, eligible employees may purchase shares of common stock through payroll deductions. The price paid for the common stock is equal to 85% of the fair market value of the Company's Common Stock on specified dates. In 1997, 7,890 shares were issued under the Plan.

The estimated weighted average fair value of purchase rights granted in 1997 was $10.51. The fair value of the purchase rights was estimated using the Black-Scholes option-pricing model with the following assumptions for 1997; risk-free interest rate of 5.3%; dividend yield of 1%; expected life of 6 months and volatility of 54%.

STOCK OPTIONS - Under the Company's stock option plans, options may be granted to key employees and outside directors to purchase a fixed number of shares of the Company's Common Stock at prices not less than 100% of the fair market value at the date of grant. The Cohu, Inc. 1996 Outside Directors Stock Option Plan was approved by the Company's stockholders in May 1997. All options become exercisable from one-third to one-fourth annually beginning one year after the grant date and expire 5 to 10 years from the grant date. In November 1996 options to purchase a total of 239,750 shares were granted to employees in exchange for an equal number of canceled options pursuant to an exchange plan approved by the Board of Directors. The newly granted options have exercise prices equal to the fair market value on the date of grant and become exercisable over the four year period ended November 2000. At December 31, 1997 124,950 and 70,000 shares were available for future grants under the employee and outside director plans, respectively.

The estimated weighted average fair value of options granted during 1997, 1996 and 1995 was $15.60, $9.24 and $11.48, respectively. The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions for 1997, 1996 and 1995: risk-free interest rates ranging from 5.5% to 6.8%; dividend yield of 1%; expected life of 5 years and volatility of 48% to 54%.

Had compensation cost for the Company's 1995, 1996 and 1997 stock option and purchase plan grants been determined based on the fair value at the date of grant accounting consistent with FASB Statement No. 123, Accounting for Stock-Based Compensation, the Company's pro forma net income and earnings per share would have been as follows:

(in thousands, except per share)	1997	1996	1995
Pro forma net income	$ 28,035	$ 24,178	$ 23,500
Pro forma earnings per share:			
Basic	2.97	2.61	2.62
Diluted	2.85	2.51	2.45

Stock option activity under all option plans was as follows:

(in thousands, except per share data)	1997 Shares	1997 Wt. Avg. Ex. Price	1996 Shares	1996 Wt. Avg. Ex. Price	1995 Shares	1995 Wt. Avg. Ex. Price
Outstanding, beginning of year	839	$ 11.28	878	$ 9.11	1,022	$ 6.20
Granted	234	31.28	471	20.17	114	24.97
Exercised	(185)	8.29	(221)	4.48	(226)	4.23
Canceled	(31)	18.71	(289)	24.41	(32)	6.86
Outstanding, end of year	857	17.13	839	11.28	878	9.11
Options exercisable at year end	341	9.53	378	7.74	399	5.80

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Information about stock options outstanding at December 31, 1997 is as follows:

(options in thousands)

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/97	Approximate Wt. Avg. Remaining Life	Wt. Avg. Ex. Price	Number Exercisable at 12/31/97	Wt. Avg. Ex. Price
$ 1.65	8	1 year	$ 1.65	8	$ 1.65
7.60 to 9.69	343	5 years	7.96	268	7.91
17.00 to 27.00	392	9 years	20.06	65	17.26
30.75 to 37.44	114	9.5 years	35.87	--	--
	857			341	

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cohu, Inc.

We have audited the accompanying consolidated balance sheets of Cohu, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cohu, Inc. at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
January 29, 1998

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

1997 COMPARED TO 1996

Net sales increased 18% to $187.8 million in 1997 compared to net sales of $159.4 million in 1996. Sales of semiconductor test handling equipment increased 21% and accounted for 81% of consolidated net sales in 1997 versus 79% in 1996. Sales of television cameras and other equipment increased 6%. Export sales accounted for 52% of net sales in 1997 compared to 45% in 1996.

Gross margin as a percentage of net sales was 43.5% in 1997 versus 44.4% in 1996 as a result of lower margins in the semiconductor equipment business. Within the semiconductor equipment segment, margins decreased in 1997 as a result of changes in product mix and certain cost increases. Research and development expense as a percentage of net sales was 9.3% in 1997 up from 8.8% in 1996 and reflected the Company's increased investment in new product development, particularly in the semiconductor equipment business. Selling, general and administrative expense ("SG & A") as a percentage of net sales declined to 11.4% in 1997 from 12.5% in 1996 as the percentage increase in net sales exceeded the percentage increase in SG & A. Interest income in 1997 increased 53% to $3 million due to the significant increase in average cash equivalents and short-term investments during 1997.

The provision for income taxes expressed as a percentage of pre-tax income was 36.4% in 1997 vs. 37.6% in 1996. The decrease in the effective tax rate was largely attributable to a decline in state income taxes.

1996 COMPARED TO 1995

Net sales decreased 11% to $159.4 million in 1996 compared to net sales of $178.8 million in 1995. Sales of semiconductor test handling equipment declined 14% in 1996 and accounted for 79% of consolidated net sales in 1996 versus 82% in 1995. The decline in semiconductor equipment sales reflected the semiconductor industry downturn experienced in 1996. Sales of television cameras and other equipment increased 1%. Export sales accounted for 45% of net sales in 1996 compared to 40% in 1995.

Gross margin as a percentage of net sales was 44.4% in 1996 versus 39.7% in 1995 as a result of increased margins in the semiconductor equipment business. Within the semiconductor equipment segment, margins increased in 1996 as a result of a significant reduction in provisions for excess and obsolete inventories and warranty from 1995 levels. These provisions were recorded due to the risks and uncertainties in the semiconductor equipment industry (see "Business Risks and Uncertainties"). The gross margin in 1995 would have been higher than the 1996 margin absent such provisions. Research and development expense as a percentage of net sales was 8.8% in 1996 up from 5.7% in 1995 and reflected the Company's increased investment in new product development, particularly in the semiconductor equipment business. Selling, general and administrative expense as a percentage of net sales was 12.5% in 1996 versus 12.7% in 1995 as a reduction in certain performance based compensation charges was offset by an increase in other selling and administrative expenses in the 1996 period. Interest income in 1996 increased 178% to $2 million due to the significant increase in cash equivalents and short-term investments.

The provision for income taxes expressed as a percentage of pre-tax income was 37.6% in 1996 and 39.3% in 1995. The decrease in the effective tax rate was largely attributable to a decline in nondeductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash flows generated from operating activities in 1997 totaled $5.3 million. The major components of cash flows from operating activities were net income of $29.2 million and increases in accounts payable of $11.7 million and other liabilities of $3.8 million offset by increases in accounts receivable of $12.8 million and inventories of $29.3 million. The increases in accounts payable, accounts receivable and inventories were attributable to the increase in sales volume between December 1996 and 1997. Net cash provided from investing activities was $10.3 million in 1997. Cash provided by investing activities included a decrease in short-term investments of $14.5 million offset by purchases of property, plant and equipment totaling $4.1 million. Net cash used for financing activities was $.6 million. Cash used for financing activities included $2.3 million for the payment of dividends offset by $1.7 million received from the issuance of stock under the Company's stock option and purchase plans. The Company had $5 million available under its bank line of credit and working capital of $106.2 million at December 31, 1997. The Company believes that present working capital and cash generated from operations will be sufficient to meet the Company's 1998 operating requirements including estimated capital expenditures during 1998 of approximately $6 million.

BUSINESS RISKS AND UNCERTAINTIES

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

In 1997, 52% of the Company's total net sales were exported to foreign countries, including 60% of the sales in the semiconductor equipment segment. The majority of the Company's export sales are made to destinations in Asia. Currency fluctuations and instability in global financial markets, particularly in Asia, may adversely impact the demand for capital equipment, including equipment of the type manufactured and marketed by the Company. In addition, changes in the amount or price of semiconductors produced in Asia could impact the profitability or capital equipment spending programs of the Company's customers.

As is common in the semiconductor equipment industry, the Company relies on a limited number of customers for a substantial percentage of its net sales. In 1997, three customers of the semiconductor equipment business accounted for 42% of the Company's net sales. The loss of or a significant reduction in orders by these or other significant customers would adversely impact the Company's results of operations. Furthermore, the concentration of the Company's revenues in a limited number of large customers may cause significant fluctuations in the Company's future annual and quarterly operating results.

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

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

The Company has commenced a "Year 2000 Computer Problem" analysis to address the necessary changes that will need to be made to the Company's information systems. The Year 2000 Computer Problem creates risk to the Company for unforeseen problems in its own computer systems and from third parties throughout the world with whom the Company conducts business. Failures in the Company's and/or third parties computer systems could have a material impact on the Company's ability to conduct its business, particularly as it relates to the electronic transfer of funds. Management has not yet estimated the Year 2000 Computer Problem compliance expense and related potential impact on the Company's earnings.

Due to these and other factors, historical results may not be indicative of results of operations for any future period. In addition, certain matters discussed above are forward-looking statements that are subject to the risks and uncertainties noted herein and the other risks and uncertainties listed from time to time in the Company's filings with the Securities and Exchange Commission, including but not limited to the 1997 Annual Report on Form 10-K, that could cause actual results to differ materially from those projected or forecasted. The Company undertakes no obligation to update the information, including the forward-looking statements, in this Annual Report.

BOARD OF DIRECTORS	CORPORATE OFFICERS
WILLIAM S. IVANS Chairman of the Board	CHARLES A. SCHWAN President and Chief Executive Officer
JAMES W. BARNES Retired President and Chief Executive Officer of the Company	JOHN H. ALLEN Vice President, Finance and Chief Financial Officer, Secretary
HARRY L. CASARI Retired Partner Ernst & Young LLP	TRANSFER AGENT AND REGISTRAR ChaseMellon Shareholder Services, L.L.C. Overpeck Centre 85 Challenger Road Ridgefield Park, NJ 07660 (800) 356-2017
FRANK W. DAVIS Retired President of Convair Aerospace Division of General Dynamics	INDEPENDENT AUDITORS Ernst & Young LLP San Diego, California
GENE E. LEARY Retired Executive at Honeywell, Inc. and Control Data Corporation	LEGAL COUNSEL Gray Cary Ware & Freidenrich LLP San Diego, California
CHARLES A. SCHWAN President and Chief Executive Officer of the Company	COHU STOCK INFORMATION Cohu, Inc. stock is traded on the NASDAQ National Market System under the symbol "COHU." Cohu declared cash dividends at the rate of $0.06 per share per quarter in 1997 and $0.05 per share per quarter in 1996.

The following table sets forth the high and low sales prices as reported on the NASDAQ National Market System during the last two years.

	1997		1996	
	High	Low	High	Low
First Quarter	$28.50	$22.25	$36.25	$20.75
Second Quarter	36.38	21.50	26.75	17.75
Third Quarter	57.50	30.75	21.00	14.75
Fourth Quarter	57.75	29.00	24.13	14.75

At December 31, 1997 the Company had approximately 10,000 total stockholders including 1,460 holders of record.

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR 1997 AND OTHER INFORMATION ABOUT COHU IS AVAILABLE WITHOUT CHARGE BY CONTACTING:

Investor Relations
Cohu, Inc.
5755 Kearny Villa Road
San Diego, CA 92123-1111
(619) 514-6203

or visit our website at www.cohu.com

ANNUAL MEETING

The annual meeting of stockholders will be held at 2:00 p.m. on Tuesday, May 12, 1998 at the Company's corporate headquarters.

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Cohu, Inc. of our report dated January 29, 1998, included in the 1997 Annual Report to Stockholders of Cohu, Inc.

Our audit also included the financial statement schedule of Cohu, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8) and in the related Prospectuses pertaining to the Cohu, Inc. 1988, 1992, 1994 and 1996 Stock Option Plans, 1996 Outside Directors Stock Option Plan and 1997 Employee Stock Purchase Plan of our report dated January 29, 1998, with respect to the consolidated financial statements of Cohu, Inc., incorporated herein by reference and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Cohu, Inc.

/s/ ERNST & YOUNG LLP

San Diego, California
March 13, 1998

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

1,000

YEAR
DEC-31-1997
JAN-01-1997
DEC-31-1997
39,736
13,814
31,934
0
44,899
141,530
31,931
12,982
162,892
35,329
0
9,549
0
0
116,662
162,892
187,756
187,756
105,991
105,991
0
0
0
45,887
16,700
29,187
0
0
0
29,187
3.09
2.93