Risk Factors Comparison 2024-02-15 to 2023-02-16 Form: 10-K

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The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect our company in the future. If any of these risks were to occur, our business, financial condition, or results of operations could be materially and adversely affected. This section includes or refers to certain forward- looking statements. We refer you to the explanation of the qualifications and limitations ~~on~~ **of** such forward- looking statements, appearing under the heading" Forward- Looking Statements" in Part II- Item 7 of this Annual Report on Form 10- K. Risks Related to **Execution of** our ~~Supply Chain The~~ **Business Strategy Our** failure ~~of key suppliers~~ to **introduce new** ~~manufacture and deliver product~~ **products** in a **successful and** timely manner could ~~negatively affect customer satisfaction and our operating results~~ - **result in the loss** ~~. A significant portion~~ of **our market share and a decrease in our revenues and profits. The market for** our products is **characterized** ~~presently manufactured~~ by ~~a third~~ **rapidly changing technology and increasingly capable competitors. Accordingly, we believe that our future success will depend on our ability to accelerate time** - **to- market** ~~party contractor located in Indonesia. The loss of this key supplier, or~~ **for new** ~~failure of this contract manufacturer to timely supply~~ products **with improved functionality** , **ease- of- use** ~~access necessary credit to operate its business~~ , **performance** ~~or otherwise remain in business~~ , **and price** ~~could have a material adverse impact on our operating results~~ . **This includes continuing** ~~Although our primary contract manufacturer has the ability~~ to ~~shift~~ **introduce** ~~production~~ **products embedded with artificial intelligence technology** ~~to plants in other regions when operations in its Indonesia plant are disrupted, production and test equipment located at the Indonesia plant~~ that **augments rule** is unique to the manufacture of Cognex...... which destroyed a significant amount of Cognex - **based machine vision with image** owned consigned inventories, as well as...... fire destroyed a significant amount of Cognex - ~~owned consigned inventories as well as component inventories owned by the contract manufacturer that were designated for Cognex products, limiting our ability to fulfill certain orders during the second half of the year. We have worked with the contract manufacturer to assess the damage, resume production, maintain standards of product quality, and replenish inventories destroyed by the fire, which included component purchases at higher- than- normal prices. In 2022, the Company recorded a net loss related to the fire of $ 20, 779, 000, consisting primarily of losses from inventories and other assets of $ 48, 339, 000, offset by insurance recoveries of $ 27, 560, 000. We can provide no assurance that additional insurance coverage and / or recoveries from the contract manufacturer will be available to cover the net loss from the fire. Our assessment of the impact of the fire on our business and our work with the contract manufacturer remains ongoing as of the date of this report and, as a result, we cannot predict the full extent of the impact that the fire may have on our business, results of operations, and financial condition. Our inability to obtain components for our products could adversely affect our operating results. Certain key electronic and mechanical components, such as integrated circuit chips, are fundamental to the design of Cognex products. Due to the impact of global supply chain challenges and other factors, we have experienced, and may continue to experience, disruptions to the supply of components for our products that have resulted, and may continue to result, in higher purchase costs, higher delivery costs, and manufacturing delays. Cognex sources components from preferred vendors that are selected~~ based **analysis** ~~on price and performance considerations~~ . In the event of a supply disruption...... the supply of many components, there **There** can be no assurance that ~~Cognex~~ **we** will be able to extend or renew these agreements on similar...... by rapid technological changes, we frequently introduce new products **in accordance** with **scheduled release dates** ~~improved functionality, ease- of- use, and performance,~~ or ~~lower cost~~ that ~~may replace existing products. Among the risks associated with the introduction of~~ new products **will achieve market acceptance** ~~are difficulty predicting customer demand and effectively managing inventory levels to ensure adequate supply of the new product and avoid excess supply of the legacy product~~ . Our ~~failure~~ **inability** to **keep pace** ~~effectively manage product transitions or accurately forecast customer demand, in terms of both volume and configuration may lead to an increased risk of excess or obsolete inventory and resulting charges. We strategically may enter into non- cancelable and / or non- refundable commitments~~ with ~~vendors to purchase materials for our products in advance of demand to address concerns about the availability of future supplies, build safety stock to help ensure customer shipments are not delayed should we experience higher than anticipated demand for materials with long lead times, or take advantage of favorable pricing. Disruptions in both the supply of materials for our products and delivery of products from our contract manufacturers, such as those caused by the impact of global supply chain challenges or other factors, have resulted, and may continue to result, in the Company purchasing a significant amount of inventory in response to these disruptions and in advance of demand. These measures to purchase inventory may expose us to an increased risk of excess or obsolete inventory and resulting charges if actual demand is lower than anticipated. If components purchased by our primary contract manufacturer have not been consumed in the production of our finished goods within a certain period of time, we have been required, and may continue to be required, to purchase these components from our contract manufacturer and later sell them~~ - **the rapid** back when they are needed to meet...... to occur, we could experience a rate of **technological change** ~~failure in our products that could result in significant delays in shipment~~ and ~~material repair or replacement costs. Due, in part, to our focus on releasing new products as quickly as possible to satisfy~~ customer demands ~~, our release- to- market process may not be robust enough to detect significant design flaws or software bugs. While we engage~~ in ~~product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers and contract manufacturers, these~~ -- **the** ~~actions may not be sufficient to avoid a product failure rate that results in: • substantial delays in shipment, • significant repair or replacement costs, • product liability claims or lawsuits, particularly in connection with life sciences customers or other~~ high- **technology**

marketplace ~~risk end- user industries • customer dissatisfaction and / or loss of sales, or • potential damage to our reputation. Any of these results~~ could have a material adverse effect on our operating results. ~~Risks Related to the COVID~~ **Product development is often a complex, time** - ~~19 Pandemic marketplace could have a material adverse effect on our operating results.Product development is often a complex,time-~~consuming,and costly process involving significant investment in research and development with no assurance of return on investment.Our strong balance sheet allows us to continue to make significant investments in research,development,and marketing for new products and technologies.Research is by its nature speculative,and the ultimate commercial success of a product depends on various factors,many of which are not under our control.We may not achieve significant revenue from new product investments for **several** ~~a number of~~ years,if at all.Moreover,new products,if introduced,may not generate the gross margins that we have experienced **historically.Increased competition may result in decreased demand or prices for our products and services and may harm our operating results.** The **machine vision market** ~~extent to which the COVID- 19 pandemic may impact our business is uncertain and it could adversely affect our results of operations and financial condition. The COVID- 19 pandemic~~ continues to **be fragmented** ~~have a significant impact around the world, particularly in China, prompting governments~~ and **competitive** ~~businesses to take certain measures in response, such as the imposition of travel restrictions, temporary closures of businesses, quarantine and shelter- in- place orders, and adoption of remote working~~ . **Our competitors** ~~COVID- 19 continues to impact global economic activity and create macroeconomic uncertainty. Although the impact of the pandemic has lessened in most locations, we continue to face several risks and uncertainties related to the impact of COVID- 19 on our business. It is difficult for us to quantify the duration and severity of this impact due to many factors beyond our control and knowledge, including the timing, extent, trajectory, and duration of the pandemic, the emergence of new variants, the imposition of protective public safety measures, and the impact of the pandemic on the global economy. These risks and uncertainties~~ include **primarily** ~~, among others~~ - **other** ~~:~~ **• vendors of machine vision systems, controllers, and components; manufacturers of image processing systems, sensors, and components; and system integrators. We also compete with internal engineering departments of current** ~~our~~ - **or prospective** customers ~~may delay or cancel orders for our products and services, • our global facilities, offices, and / or operations~~ , as well as **open- source tools available** ~~those of our distribution and integration partners or~~ **for** ~~customers~~ **free from various companies** , **including tools using artificial intelligence. In recent years, we have encountered increased competition from low- cost vision providers in China, as well as from large technology companies that** may **offer free open- source solutions. Any of these competitors may have greater financial or other resources than we do or may develop more compelling technologies. We may not** be ~~temporarily shut down at various times,~~ **able to compete successfully in the future and** ~~or~~ **our investments in research** ~~subject to operating restrictions to protect public health~~ and **development** ~~the health and safety of employees and customers~~ , **sales** ~~• our vendors~~ and ~~contract manufacturers~~ **marketing, and support activities** may be **insufficient to** ~~unable~~ **enable** ~~to fulfill their delivery obligations to~~ us ~~within acceptable~~ **to maintain our competitive advantage. In addition, competitive pressures could** lead ~~times for extended periods of time, which may force us~~ to **price erosion** ~~seek alternative sources of supply at higher costs or redesign our products, • challenges involved in remote working may cause disruptions in our business and operations, including an increased risk of delays in new product introductions, information security breaches, and personnel- related challenges, and • our online sales and marketing efforts may be less effective than~~ **that** ~~face- to- face activities, resulting in fewer new customers and lower sales from new products and services. These risks and uncertainties~~ could have a material adverse effect on ~~the continuity of~~ our ~~business,~~ **gross margins and operating** results **. Further, in recent years, we have seen some examples** of **industry consolidation in our markets. This trend may continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue** operations ~~,~~ **. We believe that industry consolidation may result in stronger competition** and ~~financial condition~~ **may be accompanied by pressure from customers for lower prices** . This ~~situation is continuously changing and additional impacts on our business may arise of which we are not currently aware. Risks Related to Revenue Concentrations The loss of, or significant curtailment of purchases by, large customers~~ could **lead** ~~have an adverse effect on our business. In 2022, we had two~~ - **to** ~~large customers, one in the logistics industry and one in the consumer electronics industry, that each represented~~ more **variability** ~~than 10 % of our total revenue. Large customers may divert management' s attention from other operational matters and pull resources from other areas of the business, resulting~~ in ~~potential loss of sales from other customers. In addition, large customers may receive preferred pricing and a higher level of support, which may lower our gross margin percentage. Furthermore, in certain instances, due to long supplier lead times, we may purchase inventory in advance of receipt of a large customer purchase order, which exposes us to an increased risk of excess or~~ **our operating** ~~obsolete inventory and resulting~~ **results** ~~charges. The loss of, or curtailment of purchases by, any one or more of our large customers, has had,~~ and could ~~in the future~~ have a material adverse effect on our **business,** operating results ~~. Risks Related to Information Technology and Intellectual Property Information security breaches may adversely affect our business. We rely on our information technology systems~~ , including third- party services, to...... our cash or other assets, an **and** ~~interruption in our operations, the unauthorized publication of our confidential business or proprietary information, the unauthorized release of customer, vendor, or employee data, and the exposure to litigation or regulatory penalties, any of which could harm our business and operating results. We have experienced cybersecurity incidents in the past; however, to date, these incidents have not had a material impact on our operations or financial results. Future cybersecurity incidents could have a material adverse effect on our business, reputation,~~ financial condition , or operating results. Changes in...... inhibit sales, and harm our business . If we fail to ~~successfully protect~~ **attract and retain key talent and maintain** our ~~intellectual property~~ **unique corporate culture** , our **business** ~~competitive position~~ and operating results could suffer. We rely on our proprietary software technology...... business and operating results could suffer. To support our growth and execute ~~on~~ our operating plans and strategic initiatives, we must effectively attract, train, develop, motivate, and retain skilled employees, while maintaining our unique corporate culture. Technical personnel with experience in machine vision **,** and **more recently** artificial intelligence **and transformer- based**

models, are in high demand and competition for their talents is intense **. We rely on attracting and retaining talent with these skills to execute our product development plans** . We use time- based and performance- based equity awards, including stock options and restricted stock units (" RSUs") as a key component of compensation for our more senior employees ~~in order~~ to align employee interests with the interests of our shareholders, provide competitive compensation packages, and encourage employee retention. Our stock price volatility may cause periods of time during which option exercise prices might be less than the sale price of our common stock or the value of RSUs might be less competitive, which may lessen the retentive attributes of these awards. We are limited as to the number of stock options and RSUs that we may grant under our stock plans, and we are unsure how effective different stock- based awards with different vesting schedules will be to retain key talent. Accordingly, we may find it difficult to attract ~~,~~ **and** retain ~~, and motivate~~ employees, and any such ~~difficulties~~ **difficulty** could materially adversely affect our business . Beginning with the COVID- 19...... gross margins that we have experienced historically . Our failure to properly manage the distribution of our products and services could result in the loss of revenues and profits. We utilize a direct sales force, as well as a network of distribution and integration partners, to sell our products and services. We are continually reviewing our go- to- market strategy to help ensure that we are reaching the most customers that we can and with the highest level of service. At times, this may require strategic changes to our sales organization or enlisting or dropping various ~~distributors~~ **partners** in certain regions, which could result in additional costs or operational challenges. **In connection with our " Emerging Customer " sales initiative, we are expanding our sales force to reach customers who may be newer to factory automation and have yet to fully benefit from all that machine vision can offer, which has resulted, and is expected to continue to result, in increased sales and marketing expenses. In addition,** ~~Successfully~~ **successfully** managing the interaction of our direct and indirect sales channels **, including the newly- added Emerging Customer sales force,** to reach various potential customers for our products and services is a complex process. **Many of our indirect selling arrangements are non- exclusive, and our distributors are not obligated to buy our products. Thus, they may be unwilling or unable to dedicate the resources necessary to promote our products or remain sufficiently trained to provide integration support.** In addition, **failure of our distributors to adhere to our policies designed to promote compliance with global anti- corruption laws, export controls, and local laws, could subject us to criminal** ~~our~~ - **or** ~~reliance on~~ **civil penalties and stockholder litigation. In addition, when we use** indirect selling methods **, it** may reduce visibility to demand and pricing ~~issues~~ . To support the expansion of our business internationally, we may decide to make changes to our operating structure in other countries when we believe these changes will make us more competitive by reaching additional customers, offering faster delivery, importation services, and / or local currency sales. These new operating models may require changes in legal structures, business systems, and business processes that may result in significant business disruption and negatively impact our customers' experience, resulting in loss of sales. Furthermore, as we assume more responsibility for the importation of our products into other countries, we face higher compliance risk to ~~adhering~~ **adhere** to local regulatory and trade requirements. Finally, the local stocking of finished products in countries outside of our primary distribution centers may result in higher costs and increased risk of excess or obsolete inventory associated with maintaining the appropriate level and mix of ~~stock~~ **products** in multiple inventory locations, resulting in lower gross margins. Our go- to- market strategy has distinct risks and costs, and therefore, our failure to implement the most advantageous balance in the sales and operating model for our products and services could have a material adverse effect on our revenue and profitability. ~~Increased competition may result in decreased demand~~ **Economic, political, and other risks associated with international sales and operations could adversely affect** ~~or~~ **our business** ~~prices for our products~~ and ~~services, and may harm our~~ operating results. ~~The machine vision market continues to be fragmented and competitive. Our competitors include primarily~~ **In 2023, approximately 66 % of our revenue was derived from customers located outside of** ~~other~~ -- **the United States** ~~vendors of machine vision systems, controllers, and components; manufacturers of image processing systems, sensors, and components; and system integrators~~ . We **anticipate that** ~~also compete with internal~~ **international** ~~engineering departments~~ **sales will represent a more significant portion** of ~~current or~~ **our** ~~prospective customers, as well as open~~ **revenue in 2024 due to the acquisition of Japan** - **based Moritex Corporation** ~~source tools available for free by various companies. In recent years, we have encountered increased competition from low- cost vision providers~~ in ~~China, as well as from large technology companies that may offer free open- source solutions. Any of these~~ -- **the fourth quarter of 2023** ~~competitors may have greater financial or other resources than we do, or may develop more compelling technologies. We may not be able to compete successfully in the future and our investments in research and development, sales and marketing, and support activities may be insufficient to enable us to maintain our competitive advantage~~ . In addition, ~~competitive pressures could lead~~ **we source components from suppliers located outside of the United States, including China, utilize third- party contract manufacturers, primarily located in Indonesia and Malaysia,** to ~~price erosion that addition,we source components from suppliers located outside of the United States,including China,and utilize third- party contract manufacturers,primarily located in Indonesia,to~~ assemble certain of our products **,and beginning in the fourth quarter of 2023 with the acquisition of Moritex Corporation,manufacture optical components at production plans located in Vietnam and China** .We intend to continue to expand our sales and operations outside of the United States and expand our presence in international emerging markets.As a result,our business is subject to the risks inherent in international sales and operations,including,among other things:• various regulatory and statutory requirements,• difficulties in injecting and repatriating cash,• export and import restrictions,• trade tariffs,• transportation delays,• product certification requirements,• employment regulations and local labor conditions,• difficulties in staffing and managing foreign operations,particularly as we expand our presence globally • corruption,• instability in economic or political conditions,• political or trade sanctions,• difficulties protecting intellectual property,• uncertainties surrounding the interpretation and application of regulatory and statutory requirements,• **varying data protection and privacy laws,•** business systems connectivity issues,and • potentially adverse tax consequences.Any of these factors ~~could have a material~~ could have a material adverse effect on our **business,** ~~gross margins and~~ operating results **or financial condition** . ~~Further, over the past~~ **We face several risks related to conducting**

business in China. In recent ~~year~~ **years** , ~~we~~ **trade tariffs imposed by the United States on certain components imported from Chinese suppliers resulted in higher costs for our products, which, to date,** have **not** ~~seen~~ **been** ~~some examples~~ **material to our total cost** of **goods. In addition to trade tariffs, U. S. export controls that place restrictions on the exportation of our products or a subset of our products, including applicable regulations promulgated by the U. S. Commerce Department' s Bureau of** ~~industry~~ **Industry** ~~consolidation~~ **and Security, have had a negative impact on our revenue from customers based** in **China. Trade tariffs and export controls also have had an indirect impact on the economic climate in China, which in turn, has had a negative impact on the Company' s revenue from customers based in China who see risk in doing business with a U. S. company. The imposition of additional tariffs** ~~our~~ - **or other trade barriers could increase our costs in certain** markets ~~. This trend may continue as companies attempt to strengthen or hold their market positions in an~~ **and may cause** ~~evolving industry and as companies are acquired or~~ **our customers** ~~are unable~~ to **find alternative providers** ~~continue operations. For example, some~~ of ~~our current and potential competitors in the~~ machine vision ~~industry have made acquisitions~~ **products and services. To date** , **the impact of these restrictions has been immaterial to** ~~or~~ **our total revenue** ~~announced new strategic alliances, with other current~~ and **costs; however, if disputes** ~~potential competitors in the machine vision industry. We believe that industry consolidation may result in stronger competition~~ and ~~may~~ **conflicts continue or further escalate, actions by governments in response could** be ~~accompanied by pressure from customers for lower prices~~ **significantly more severe and restrictive and could materially adversely affect our operating results** . ~~This~~ **An escalation of the China- Taiwan conflict** could lead to ~~more variability~~ **challenges procuring integrated circuit chips from Taiwan- based vendors that are fundamental to the design of our products. Although we are taking steps to mitigate this risk, including purchasing chips** in **advance of demand, there can be no assurance that these steps will be successful in securing an adequate supply of chips at our current cost structure. Geopolitical tensions, trade disputes, and concerns about supply chain resilience have prompted some multinational companies to reassess their operations in China. Rising labor costs, intellectual property concerns, and uncertainties around regulatory environments have contributed to a trend where certain industries, particularly in manufacturing, are exploring diversification of their production bases to other countries** ~~our~~ - **or reshoring to their home country. These trends may adversely affect our revenue in China and** operating results **. To date, the Russia- Ukraine war that has been ongoing since the first quarter of 2022** and ~~could~~ **the Israel- Hamas war that began in the fourth quarter of 2023** have **not had** a material adverse effect on our business **. Economic sanctions and export controls imposed by the United States and other countries targeting specific industries** , ~~conflict~~ **entities** , ~~including resulting sanctions~~ and **individuals in Russia,** ~~export controls imposed by the U.S.and other countries~~ as well as the impact on the supply of energy resources in Europe,have not materially adversely affected our business to date **.** ~~;however,further~~ **Further** escalation of these geopolitical tensions **,however,** could have a broader impact ~~that expands into~~ **which could adversely affect our business and / or our supply chain,distribution and integration partners,or customers in** ~~other~~ -- **the broader region** ~~markets where we do business~~ , **including** ~~such as~~ the European Union **.Furthermore** , **instability may lead to increased market volatility** ~~which could adversely affect our business and / or our supply chain~~ , **negatively impacting** ~~distribution and integration partners,or customers~~ - **customer confidence and spending** ~~in the broader region~~ .We also are subject to applicable anti- corruption laws,such as the U.S.Foreign Corrupt Practices Act and the U.K.Bribery Act,and similar anti- corruption and anti- kickback laws in the jurisdictions in which we operate.These laws generally prohibit offering,promising,giving,or authorizing others to provide anything of value,either directly or indirectly,to a government official or private party in order to influence official action or otherwise gain an unfair business advantage,such as to obtain or retain business.Particularly as a result of our global operations,including in developing countries,and our growing international sales force,our relationships with our customers and resellers could expose us to liability under these laws.Violations of anti- corruption laws may result in severe civil and criminal penalties for noncompliance.Even an unsuccessful challenge or investigation into our practices is costly to defend,and could cause adverse publicity,and thus could have a material adverse effect on our business, **financial condition,or** operating results ~~, and financial condition~~ . Implementation of our acquisition strategy may not be successful, which could affect our ability to increase our revenue or profitability and may otherwise adversely affect our business. We have acquired, and may continue to acquire, new businesses and technologies. **During the fourth quarter of 2023, we completed our largest acquisition to date by acquiring Moritex Corporation, a global provider of premium optical components based in Japan, for an enterprise value of approximately $ 270 million.** ~~These~~ -- **The Moritex acquisition, and** acquisitions **in general,** may involve significant risks and uncertainties, which could include, among others: • the diversion of management' s attention from other operational matters, • ~~difficulties or delays integrating personnel, operations, technologies, products, and systems of the acquired business, particularly in locations far from the company' s headquarters, •~~ the inability to realize expected synergies or other benefits resulting from the acquisition, **including the failure to achieve projected sales of acquired products, • difficulties or delays integrating personnel, operations, technologies, products, processes, and systems of the acquired business, particularly in locations far from the Company' s headquarters,** • the failure to retain key talent **and difficulties integrating corporate cultures, • entry into markets in which we may have limited prior experience and where competitors have stronger market positions, • the inability to protect and secure acquired intellectual property or confidential information, • difficulties or delays completing the development of acquired in- process technology, • the failure to retain key customers** , • the impairment of acquired intangible assets resulting from lower- than- expected cash flows from the acquired assets, • acquisition- related charges, which could adversely impact operating results and cash flows in any given period and could be substantially different from period to period, • difficulties with **implementing internal controls and accounting systems necessary to be compliant with requirements applicable to public companies subject to SEC reporting, and • difficulties with** closing a transaction due to regulatory approvals, employment matters, required consents, litigation, or other challenges, which could increase costs and prevent the acquisition from being completed within the expected timeframe, or from being completed at all ~~,~~

~~• the inability to protect and secure acquired intellectual property or confidential information, • difficulties or delays completing the development of acquired in- process technology, • the failure to retain key customers, and • the failure to achieve projected sales of acquired products~~ . Acquisitions are inherently risky and the inability to effectively manage these risks could have a material adverse effect on our operating results. ~~Business system disruptions~~ **Risks Related to Information Technology and Intellectual Property Information security breaches** may adversely affect our business. **We rely on our information technology systems, including third- party services, to effectively run our business. We may be subject to information security failures or breaches caused by hacking, malicious software, acts of vandalism or terrorism, or other events.** The ~~could suffer.~~ We rely on our proprietary software technology and hardware designs,as well as the technical expertise,creativity,and knowledge of our personnel to maintain our position as a leading provider of machine vision products.Software piracy and reverse engineering may result in counterfeit products that are misrepresented in the market as Cognex products or pirated products that contain stolen technology ~~,~~ such as software.Although we use a variety of methods to protect our intellectual property,we rely most heavily on patent,trademark,copyright,and trade secret protection,as well as non-disclosure agreements with customers,suppliers,employees,and consultants.We also attempt to protect our intellectual property by restricting access to our proprietary information by a combination of technical and internal security measures.These measures,however,may not be adequate to:• protect our proprietary technology,• protect our patents from challenge,invalidation,or circumvention,or • ensure that our intellectual property will provide us with competitive advantages.Our pending and future patent applications may not issue as patents or,if issued,may not issue in a form that will provide us with any meaningful protection or any competitive advantage.Even if issued,existing or future patents may be challenged,narrowed,invalidated,or circumvented,which could limit our ability to stop competitors from developing and marketing similar products,increase costs,or limit the length of patent protection we may have for our products.Furthermore,other companies may design around technologies we have patented,licensed,or developed.Moreover,changes in patent laws or their interpretation in the United States and other countries could also diminish the value of our intellectual property or narrow the scope of our patent protection.In addition,the legal systems of certain countries do not favor the aggressive enforcement of patents,and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States.As a result,our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar to ours.Any of these adverse circumstances could have a material adverse effect on our operating results.Risks Related to **Execution of** our ~~Supply Chain The failure~~ **Business Strategy If we fail** to ~~manufacture~~ **attract** and **retain key talent** ~~deliver products in a timely manner could negatively affect customer satisfaction~~ and **maintain** our **unique corporate culture,our business and** operating results **could suffer** . ~~A~~ Company **purchasing a significant amount of inventory in advance of demand. These measures to purchase inventory may expose us to an increased risk of excess or obsolete inventory and resulting charges if actual demand** is ~~making we have been required,and may continue to be required,to purchase these components from our primary contract manufacturer and later sell them~~ back when they are needed to meet our demand.While we typically expect these components to be consumed in the production of our finished goods,this arrangement may expose us to an increased risk of excess or obsolete inventory and resulting charges.Disruptions to one of our distribution centers could adversely affect our operating results. ~~We~~ **Cognex** ~~ship~~ **ships** finished products for customers located in the Americas from our Southborough,Massachusetts distribution center, **and finished products** for customers located ~~in Europe~~ **outside of the Americas** from our Cork,Ireland distribution center ~~,and for customers located in Asia from our Singapore distribution center that became operational during the fourth quarter of 2023~~ .Following the COVID **- 19** pandemic, ~~we~~ **Cognex has** experienced,and may **continue to** experience ~~again~~ , **increased** labor shortages or working restrictions due to factors such as health and safety concerns or governmental regulations.Although we have the ability to shift operations from one distribution center to another,there are practical challenges to doing so in a timely,cost- effective manner,and we may experience delays in shipping customer orders.These delays could negatively impact customer satisfaction and,in turn,cause loss of sales,which could adversely affect our operating results.Our products may contain design or manufacturing defects,which could result in reduced demand **,significant delays,substantial costs,or customer dissatisfaction and / or loss of sales.If flaws in either the design or manufacture of our products were to occur,we could experience a** significant ~~investments~~ **delays, substantial costs, or customer dissatisfaction and / or loss of sales. If flaws** in **either the design or manufacture of our products were to occur, we could experience a rate of failure in our products that could result in significant delays in shipment and material repair or replacement costs. Due, in part, to our focus on releasing new products as quickly as possible to satisfy customer demands, our release- to- market process may not be robust enough to detect significant design flaws or software bugs. While we engage in product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers and contract manufacturers, these actions may not be sufficient to avoid a product failure rate that results in: • substantial delays in shipment, • significant repair or replacement costs, • product liability claims or lawsuits, particularly in connection with life sciences customers, electric vehicle battery manufacturers, or other high- risk end- user industries, • customer dissatisfaction and / or loss of sales, or • potential damage to our reputation. Any of these results could have a material adverse effect on our operating results. Risks Related to Revenue Concentrations The loss of, or significant curtailment of purchases by, large customers could have an adverse effect on our** business **. In 2023** ~~systems related to our sales processes~~ , **no single customer represented** ~~including systems to help our sales team~~ more ~~efficiently manage~~ **than 10 % of our total revenue. However, we have had** ~~customer~~ **customers** ~~relationships and sales opportunities. Implementing new business systems requires a significant investment~~ of ~~time and money~~ **this size in the past** , **particularly in the logistics** and **consumer electronics industries. Large customers** may divert management' s attention from other operational matters **and pull resources from other areas of the business, resulting in potential loss of sales from other customers. In addition, large customers may receive preferred pricing and a higher level of support, which may lower our gross margin percentage. Furthermore, in certain instances,**

due to long supplier lead times, we may purchase inventory in advance of receipt of a large customer purchase order, which exposes us to an increased risk of excess or obsolete inventory and resulting charges . The ~~implementation~~ **loss** of ~~new business systems and changes to associated business processes~~ , ~~particularly those that are customer- facing, may result in significant business disruption and negatively impact our~~ **or curtailment of purchases by, any one or more of our large** customers ~~' experience~~ , **has had** ~~resulting in loss of sales. The Company intends to continue to make IT- related investments to improve its management information systems~~ , ~~support new business models,~~ and ~~support~~ **could in** the **future** ~~expansion of our business internationally. Any disruption occurring with our business systems may~~ have a material adverse effect on our operating results. Risks Related to Financial Matters We are at risk for impairment charges with respect to our investments or acquired intangible assets, which could have a material adverse effect on our operating results. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~673~~ **374** million of debt securities in our investment portfolio. These debt securities are reported at fair value, with unrealized gains and losses, net of tax, included in shareholders' equity as other comprehensive income (loss) since these securities are designated as available- for- sale securities. As of December 31, ~~2022~~ **2023** , our portfolio of debt securities had a net unrealized loss of $ ~~26~~ **9** , ~~817~~ **967** , 000. Included in this net loss, were gross unrealized losses totaling $ ~~27~~ **10** , ~~560~~ **555** , 000, of which $ ~~12~~ **1** , ~~718~~ **561** , 000 were in a loss position for less than twelve months and $ ~~14~~ **8** , ~~842~~ **994** , 000 were in a loss position for greater than twelve months. Management monitors its debt securities that are in an unrealized loss position to determine whether a loss exists related to the credit quality of the issuer that would be reported in current operations. **While** ~~Management~~ **management** currently intends to hold these securities to full value recovery at maturity **, we may determine to sell these securities prior to maturity to fund our operations, make acquisitions, or for other purposes, which may result in a loss** . It is our policy to invest in investment- grade debt securities that minimize our exposure to credit losses **; however, no assurances can be made that we will not incur credit losses with respect to our securities portfolio** . No credit losses were recorded in ~~2022~~ **2023** . As of December 31, ~~2022~~ **2023** , we had approximately $ ~~12~~ **113** million in acquired intangible assets, consisting primarily of acquired technologies and customer relationships **. The majority of these intangible assets were recorded in the fourth quarter of 2023 when Cognex acquired Moritex Corporation** . These assets are susceptible to changes in fair value due to a decrease in the historical or projected cash flows from the use of these assets, which may be negatively impacted by economic trends. We evaluate long- lived assets for impairment annually each fourth quarter and whenever events or changes in circumstances, referred to as" triggering events," indicate the carrying value may not be recoverable. ~~In 2020, deteriorating global economic conditions from the COVID- 19 pandemic triggered a review of long- lived assets for potential impairment, which resulted in intangible asset impairment charges totaling $ 19, 571, 000. A further decline in the cash flows generated by these or other intangible assets may result in future impairment charges.~~ If we determine that any of these investments or intangible assets are impaired, we will be required to take a related charge to earnings that could have a material adverse effect on our operating results. We may have additional tax liabilities and our effective tax rate may increase or fluctuate, which could adversely affect our operating results and financial condition. As a multinational corporation, we are subject to income taxes, as well as non- income based taxes, in the United States and numerous foreign jurisdictions. Our effective income tax rate is dependent on the geographic distribution of our worldwide earnings or losses and the tax laws and regulations in each geographic region in which we operate. Significant judgment is required in determining our worldwide provision for income and other taxes. The application of tax laws and regulations is subject to legal and factual interpretation, judgment, and uncertainty, and tax laws themselves are subject to change. For example, many countries have recently adopted, or are considering the adoption of, revisions to their respective tax laws based on the Organization for Economic Co- operation and Development **' s** (" OECD ") ~~' s~~ Inclusive Framework, which could impact our tax liability due to our organizational structure and significant operations outside of the United States. Furthermore, we are subject to regular review and audit by both domestic and foreign tax authorities and may be assessed additional taxes, penalties, fees, or interest, which could have a material adverse effect on our financial position, liquidity, or results of operations. Although we believe our tax positions are reasonable, the final determination of tax audits or any related litigation could be different from what is reflected in our financial statements and could have a material adverse effect on our income tax provision, net income, or cash flows in the period in which the determination is made. Fluctuations in foreign currency exchange rates and the use of derivative instruments to hedge these exposures could adversely affect our reported results, liquidity, and competitive position. We face exposure to foreign currency exchange rate fluctuations, as a significant portion of our revenues, expenses, assets, and liabilities are denominated in currencies other than the functional currencies of our subsidiaries or the reporting currency of our company, which is the U. S. Dollar. In certain instances, we utilize forward contracts to hedge against foreign currency fluctuations. These contracts are used to minimize foreign currency gains or losses, as the gains or losses on the derivative are intended to offset the losses or gains on the underlying exposure. We do not engage in foreign currency speculation. If the counterparty to any of our hedging arrangements experiences financial difficulties, or is otherwise unable to honor the terms of the contract, we may experience material losses. The success of our foreign currency risk management program depends on forecasts of transaction activity denominated in various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, we could experience unanticipated foreign currency gains or losses that could have a material impact on our results of operations. In addition, our failure to identify new exposures and hedge them in an effective manner may result in material foreign currency gains or losses. In addition to the U. S. Dollar, a significant portion of our revenues and expenses are denominated in the Euro and Chinese Renminbi, and to a lesser extent the **Korean Won,** Japanese Yen, ~~Korean Won, and~~ Mexican Peso **, and Indian Rupee** . We estimate that approximately 52 % of our sales in ~~2022~~ **2023** were invoiced in currencies other than the U. S. Dollar, and we expect sales denominated in foreign currencies to ~~continue to~~ represent a **more** significant portion of our total revenue **in 2024 due to the acquisition of Japan- based Moritex Corporation in the fourth quarter of 2023** . While we also have expenses denominated in these same foreign currencies, the impact on revenues has historically been, and is expected to continue to be, greater than the offsetting impact on expenses. Therefore, in times when the U. S.

Dollar strengthens in relation to these foreign currencies, we would expect to report a net decrease in operating income. Conversely, in times when the U. S. Dollar weakens in relation to these foreign currencies, we would expect to report a net increase in operating income. Thus, changes in the relative strength of the U. S. Dollar may have a material impact on our operating results. General Risk Factors Unfavorable global economic conditions may negatively impact our operating results. Our revenue levels are impacted by global economic conditions, as we have a significant business presence in many countries throughout the world. Unfavorable economic conditions, such as inflation, slower growth or recession, higher interest rates, tighter credit, and labor shortages **,** may cause companies to delay or reduce spending for automation projects, including those with machine vision, amid weaker general manufacturing confidence and heightened uncertainty around global trade. ~~Further~~ **Furthermore** , customer confidence and capital investment can be materially adversely impacted as a result of financial market volatility, negative financial news, declines in income or asset values, energy shortages and cost increases, labor and healthcare costs, and other global economic conditions. When global economic conditions are unfavorable, our revenue and our ability to generate operating profits could be materially adversely affected. As a result of global economic conditions, our business is subject to the following risks, among others: • our customers may not have sufficient cash flow or access to financing to purchase our products and services, • our customers may not pay us within agreed upon terms or may default on their payments altogether, • our ~~vendors~~ **suppliers** may be unable to fulfill their delivery obligations to us in a timely manner, • lower demand for our products may result in charges for excess and obsolete inventory if we are unable to sell inventory that is either already on hand or **that we are** committed to purchase, • lower cash flows may result in impairment charges for acquired intangible assets or goodwill, • a decline in our stock price may make stock- based awards a less attractive form of compensation and a less effective **incentive** ~~form~~ - **for** ~~of~~ retention for our employees, and • the trading price of our common stock may be volatile. As of December 31, ~~2022~~ **2023** , **we** ~~the Company~~ had approximately $ ~~854~~ **576** million in cash and investments. In addition, ~~Cognex has~~ **we have** no long- term debt. We believe that our strong cash position puts us in a relatively good position to weather economic downturns. Nevertheless, our operating results have been materially adversely affected in the past, and could be materially adversely affected in the future, as a result of unfavorable economic conditions and reduced capital spending by manufacturers and logistics companies worldwide. Natural disasters, fires, energy shortages, widespread public health issues, or man- made disasters could result in business disruptions that may adversely affect our business and operating results. Our business, and the businesses of our customers, suppliers, and third- party service providers, could be disrupted by natural disasters, fires, energy shortages, public health crises, such as pandemics and epidemics, man- made disasters, such as **cyberattacks** ~~cyber- attacks~~ , terrorism or industrial accidents, or other events outside of our control. Certain of our business operations, such as our third- party primary contractor ~~manufacturer~~ **manufacturers** in Indonesia **and Malaysia** , are in locations that may be more prone to earthquakes and other natural disasters, and global climate change may result in certain types of natural disasters occurring more frequently or with more intense effects. Following a business disruption, the Company could be subject to production downtimes, operational delays, substantial recovery time, customer claims, significant expenditures to resume operations, the diversion of management' s attention and resources, or loss of business, any of which could have a material adverse effect on our competitive position, operating results, or financial condition. Because **we rely** ~~the Company relies~~ on single or limited sources for the supply of certain components and manufacture of our products, a business disruption affecting such sources would worsen any adverse consequences to ~~the Company~~ **our business** . While **we** ~~the Company maintains~~ - **maintain** insurance coverage for certain types of losses, such insurance coverage may be insufficient to cover all losses that may arise. The impact of any such business disruption is difficult to predict. Economic, political, and other risks...... financial condition, or operating results. Expectations relating to environmental, social, and governance considerations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on our business. Many governments, regulators, investors, employees, customers **,** and other stakeholders are increasingly focused on environmental, social, and governance considerations relating to businesses, including climate change and greenhouse gas emissions, human and civil rights, and diversity, equity, and inclusion. In addition, **we** ~~the Company makes~~ - **make** statements about ~~its~~ **our** environmental, social, and governance goals and initiatives through ~~its~~ **our** Sustainability Reports, information provided on ~~its~~ **our** website, and other communications **. In addition, future environmental laws and regulations have the potential to affect our operations, increase our costs, decrease our revenue, or change the way we design or manufacture our products** . Responding to these environmental, social, and governance considerations and implementation of these goals and initiatives involves risks and uncertainties, requires investments, and depends in part on third- party performance or data that is outside of **our** ~~the Company' s~~ control. **We** ~~The Company~~ cannot guarantee that ~~it~~ **we** will achieve **our** ~~its announced~~ environmental, social, and governance goals and initiatives. In addition, some stakeholders may disagree with **our** ~~the Company' s~~ goals and initiatives. Any failure, or perceived failure, ~~by the Company~~ to achieve ~~its~~ **our** goals, further ~~its~~ **our** initiatives, adhere to ~~its~~ **our** public statements, comply with federal, state, or international environmental, social, and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against the Company and adversely affect **our** ~~the Company' s~~ business, reputation, results of operations, financial condition, and stock price. The price of the Company' s stock is subject to volatility. **We have** ~~The Company has~~ experienced substantial stock price volatility in the past and may continue to do so in the future. The price of **our** ~~the Company' s~~ stock may be affected by factors such as **our** ~~the Company' s~~ financial performance, announcements of technological innovations or new products by us or our competitors, market conditions, and other factors. Additionally, the Company, the technology industry, and the overall stock market have, from time to time, experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance. Price volatility may cause the average price at which we repurchase our stock in a given period to exceed the stock' s price at a given point in time. We believe the price of our stock should reflect expectations of future growth and profitability. If **we** ~~the Company fails~~ - **fail** to meet expectations related to future growth, profitability, dividends, share repurchases **,** or other market expectations, the price of

our ~~the Cognex' s~~ stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention. Our Company may be subject to time- consuming and costly litigation or activist shareholder activities. From time to time, we may be subject to various claims, demands, and lawsuits by competitors, shareholders, customers, distributors, patent trolls, former employees, or other parties arising in the ordinary course of business, including lawsuits charging patent infringement, or claims and lawsuits instituted by us to protect our intellectual property and confidential information **,** or for other reasons. These matters can be time consuming, divert management' s attention and resources, and cause us to incur significant expenses. Furthermore, the results of any of these actions may have a material adverse effect on our operating results.