

AUDIT COMMITTEE CHARTER

1. Members. The Audit Committee (the "Audit Committee") of Cadence Design Systems, Inc. (the "Company") shall consist of at least three members, all of whom shall be "independent" directors, as determined by the Board. The Board of Directors of the Company (the "Board") shall appoint the members and the Chairman of the Audit Committee in accordance with the Corporate Governance Guidelines of the Board.

For purposes hereof, "independent" shall mean a director who meets the independence requirements specified for audit committee members by the Nasdaq National Market ("Nasdaq").

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement, and at least one member of the Audit Committee shall be financially sophisticated, in each case as determined by the Board. Each year, prior to filing the Company's Annual Report on Form 10-K, the Board shall determine whether one or more members of the Audit Committee is an "audit committee financial expert" within the meaning of Item 401(h)(2) of Regulation S-K promulgated under the Securities Act of 1933, as amended. In addition, no member of the Committee shall have participated in preparing the financial statements of the Company or any of its current subsidiaries in the last three years.

2. Purposes. The Audit Committee's purposes shall be to (a) assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence, and (iv) the performance of the Company's internal audit function, independent auditors and the Company's accounting and financial reporting processes and the audits of the Company's financial statements; and (b) prepare the report that Securities and Exchange Commission rules require be included in the Company's annual proxy statement.

3. Duties and Responsibilities. The Audit Committee's duties and responsibilities shall be to:

(i) Directly appoint and retain the Company's independent auditors, submit the selection of the independent auditors for ratification by the Company's stockholders, and compensate, evaluate, oversee and terminate the independent auditors;

(ii) Maintain and periodically review policies and procedures for the engagement of the Company's independent auditors, which shall include pre-approval by the Audit Committee of audit and permissible non-audit services to be provided by the independent auditors;

(iii) Maintain, as required by applicable law, including the listing standards of Nasdaq, and periodically review procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, which procedures shall include a

system for the confidential, anonymous submission by Cadence employees regarding questionable accounting or auditing matters;

(iv) At least annually, obtain and review a report by the Company's independent auditors, which report shall describe: the matters required to be included in a letter from the independent auditor pursuant to Independence Standards Board Standard No. 1;

(v) Evaluate, at least annually, the independent auditors' qualifications, performance and independence, which evaluation shall include a review and evaluation of the lead partner of the independent auditors and consideration of whether there should be rotation of the auditing firm. In making its evaluation, the Audit Committee should take into account the opinions of management and the Company's internal auditors and the report delivered pursuant to clause (iv) above;

(vi) Review with the independent auditors their audit procedures, including the scope and timing of the audit, the results of the annual audit examination and any accompanying management letters, any audit problems or difficulties and management's response to such problems or difficulties. Such review shall include a review of any restrictions on the scope of the independent auditors' activities or on access to requested information, and any significant disagreements with management;

(vii) Review and discuss with Company management and the independent auditors the Company's annual and quarterly financial statements and annual and quarterly reports on Forms 10-K and 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and discuss with the independent auditors any matters required to be discussed by Statement on Auditing Standards 61;

(viii) Recommend to the Board, based on the review and discussion described in clauses (v), (vi) and (vii) above, whether the financial statements should be included in the Company's annual report on Form 10-K;

(ix) Review with Company management and the independent auditors any significant matters identified as a result of the independent auditors' interim review procedures prior to the filing of each Form 10-Q;

(x) Review material pending legal proceedings involving the Company and other contingent liabilities;

(xi) Review with the independent auditor the responsibilities, budget and staffing of Cadence's internal audit function;

(xii) Review and discuss the adequacy and effectiveness of the Company's internal controls and special audit steps adopted in light of any material control deficiencies, and review and discuss the Company's disclosure controls and procedures;

(xiii) Review major issues regarding accounting principles and financial statement presentations, including any significant changes in Cadence's selection or application of accounting principles;

(xiv) Review analyses prepared by Cadence management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of Cadence's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;

(xv) Review the potential effects of regulatory and accounting initiatives and proposals, as well as off-balance sheet structures, on the financial statements of Cadence;

(xvi) Review with the Chief Executive Officer and the Chief Financial Officer the procedures conducted in preparation of such officers' certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 or any other certifications required by applicable law or regulation; and

(xvii) Consider the results of the annual performance evaluation of the Audit Committee.

4. Outside Advisors. The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Audit Committee in the performance of its functions. The Company shall provide the Audit Committee with appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent auditors of the Company and the outside counsel, accountants, experts or other advisors employed by the Audit Committee.

5. Meetings. The Audit Committee shall meet as often as its Chairman may deem necessary or appropriate, but not less than four times each year, either in person or by telephone. The Audit Committee shall meet periodically in separate sessions with the independent auditors, with management and with the internal auditors. The Audit Committee shall report to the full Board at the next regular Board meeting with respect to the Audit Committee's meetings since the previous regular Board meeting. A majority of the members of the Audit Committee shall constitute a quorum.

6. Revisions to Charter. The Audit Committee shall review the adequacy of this Audit Committee Charter at least annually. The Audit Committee may amend or modify this Audit Committee Charter at any time in accordance with applicable law and regulations.