

ELECTRO SCIENTIFIC INDUSTRIES, INC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

July 15, 2004

I. PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Electro Scientific Industries, Inc. (the “Company”) to assist the Board in fulfilling its oversight responsibilities with respect to:

- the financial reports and other financial information provided by the Company to its shareholders and others;
- the Company’s financial policies and procedures;
- the Company’s system of internal controls;
- the Company’s accounting and financial reporting processes;
- the independence, qualifications and performance of the Company’s independent accountants; and
- the Company’s tax, legal, regulatory and ethical compliance.

II. COMPOSITION

The Committee shall be comprised of three or more directors appointed by the Board, each of whom shall be independent as determined under the standards for independence set forth in the Company’s Corporate Governance Guidelines. All members of the Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement, and meet such other standard required by applicable law (including SEC and Nasdaq rules). At least one member of the Committee shall be an “audit committee financial expert” as defined by SEC and Nasdaq rules.

III. MEETINGS

The Committee shall meet at least four times annually or more frequently as the Committee may deem appropriate.

The Committee will meet separately with members of management and with the Company’s independent accountants to review the financial affairs of the Company and other matters. The Committee may create subcommittees or designate Committee members for special purposes who shall report to the Committee. The Committee shall report on a regular basis its activities to the Board and shall make such recommendations to the Board as it deems appropriate. The Committee will maintain written minutes of its meetings.

IV. RESPONSIBILITIES AND DUTIES

The Committee's role is one of oversight. Company management is responsible for maintaining the Company's books of account and preparing periodic financial statements and the independent accountants are responsible for auditing the Company's annual financial statements.

To fulfill its responsibilities, the Committee will:

Documents/Reports Review

- Discuss earnings press releases, and financial information and earnings guidance provided to analysts and rating agencies. The Committee may limit its discussion to the types of information to be disclosed and the type of presentation to be made, and it need not discuss these matters in advance of each disclosure.
- Discuss and review with senior financial management and the independent accountants before filing the financial information contained in the Company's quarterly reports on Form 10-Q, including: (1) disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; (2) the selection, application and disclosure of the critical accounting policies and practices used; and (3) the management certifications.
- Review with management and the independent accountants at the completion of the annual audit of the Company's consolidated financial statements and before filing of the Annual Report on Form 10-K:
 - The Company's annual consolidated financial statements and related footnotes;
 - Disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
 - The independent accountants' audit of the financial statements and their report;
 - Any significant changes required in the independent accountants' audit plan;
 - Any difficulties or disputes with management encountered during the course of the audit;
 - The selection, application and disclosure of the critical accounting policies and practices used;
 - Management certifications; and
 - Any additional matters related to the conduct of the audit required to be communicated to the Committee under generally accepted auditing standards, including the independent accountants' judgment about such matters as the quality (not just the acceptability), of the Company's accounting practices, as well as other items set forth in SAS 61.
- Resolve any disputes between management and the independent accountants regarding financial reporting.
- Prepare the report required to be included in the Company's proxy statement for each annual shareholders meeting that discloses whether the Committee has reviewed and discussed the audited financial statements with management, has discussed the matters required by SAS 61 and Independence Standards Board Standard No. 1 with the independent accountants, and has recommended to the Board that the consolidated financial statements be included in the Annual Report on Form 10-K.
- Review any reports submitted by the independent accountants, including reports relating to: (1) all

critical accounting policies and practices used; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent accountants; and (3) other material written communications between the independent accountants and management, such as any management letter or schedule of unadjusted differences.

- At least annually, obtain and review a report by the independent accountants describing: (1) the independent accountants' internal quality control procedures; (2) any material issues raised by the most recent internal quality control review, or peer review, of the independent accountants, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent accountants, and any steps taken to deal with any such issues; and (3) all relationships between the independent accountants and the Company (to assess the independent accountants' independence).
- Review and assess the adequacy of this Charter at least annually and recommend to the Board appropriate changes to the Charter.

Control Processes

- Review with management and the independent accountants on a continuing basis: the adequacy and integrity of the Company's system of accounting procedures; the Company's financial reporting processes, both internal and external; the Company's system of internal controls; and the disclosures regarding internal controls required by SEC rules to be contained in the Company's periodic reports and the attestations or reports relating to such disclosure.
- Review with the independent accountants and management the appropriateness of accounting principles followed by the Company, as well as proposed and adopted changes in accounting principles and their impact on the financial statements.

Independent Accountants

The Committee is directly responsible for the appointment, compensation, oversight, evaluation and, where appropriate, replacement of the Company's independent accountants. The Committee has the sole authority to engage and remove the independent accountants, to approve all audit and permissible non-audit engagements, and to determine the fees to be paid. The independent accountants will report directly to the Committee.

The Committee will:

- Pre-approve in accordance with SEC and Nasdaq rules all audit and permissible non-audit services provided to the Company by the independent accountants. The Committee may delegate this responsibility to one or more members of the Committee.
- Obtain annually from the independent accountants a formal written statement delineating all relationships with the Company, including all non-audit services and associated fees.
- Review and discuss with the independent accountants any disclosed relationships or services that might impact the accountants' objectivity or independence.
- Take appropriate action, if any, to ensure the independence of the independent accountants.
- Conduct other reviews, as appropriate, to assist in the Committee's oversight of the performance of the independent accountants, including, for example, reviewing the proposed audit plan each year, reviewing the proposed work plans of the independent accountants and reviewing comments from prior periods.

- Review any reports submitted to the Committee by the independent accountants.

Legal and Ethical Compliance

- Oversee and review periodically with management, outside counsel, and other experts, as appropriate, the programs and policies of the Company designed to ensure compliance with applicable laws and regulations, and the results of these compliance efforts.
- Review and approve, where appropriate, all related-party transactions.
- Oversee the process for receiving, retaining and treating complaints or concerns, including confidential and anonymous submissions by employees, regarding accounting and auditing matters and internal controls.
- Review periodically with management, outside counsel and other experts, as appropriate, any legal and regulatory matters that may have a material impact on the financial statements.

Other Responsibilities

- Oversee and review periodically with management the Company's policies relating to finance, capital expenditures, investment, borrowings, currency exposures, share issuance and repurchases, risk management, asset management, information management, and the security of its intellectual and physical assets.
- Review and discuss with the independent accountants and management any material financial or non-financial arrangements of the Company that do not appear on the financial statements of the Company.
- Review with management funding policies and investment performance of the Company's benefit plans.
- Review with management other finance, tax, legal and administrative issues as directed by the Board.
- Create and monitor policies for hiring employees or former employees of the independent accountants to avoid independence impairment.
- Make reports and recommendations to the Board of Directors on matters within the scope of it's the Committee's functions.
- Perform a review and evaluation, at least annually, of the performance of the Committee. The Committee shall conduct such review in such manner as it deems appropriate.
- Engage independent counsel and other advisors as it deems necessary or appropriate to carry out its duties, with funding provided by the Company.
- In addition to the activities described above, perform such other functions as necessary or appropriate under law, the Company's articles of incorporation, bylaws and/or audit committee charter, and the resolutions and other directives of the Board.