

NEXTEST SYSTEMS CORPORATION

CHARTER OF THE COMPENSATION COMMITTEE

Adopted by the Board of Directors on October 22, 2003

Amended on May 3, 2004, February 22, 2006

1. PURPOSE

The purpose of the Compensation Committee (the “*Committee*”) of the board of directors (the “*Board*”) of Nextest Systems Corporation, a Delaware corporation (the “*Company*”) is to assist the Board in the discharge of its responsibilities relating to executive compensation, and to oversee incentive, equity-based and other compensatory plans in which executive officers and key employees of the Company and its subsidiaries participate and take or cause to be taken such other actions and address such other matters as the Board may from time to time authorize or permit the Committee to undertake or assume responsibility for.

2. COMPOSITION

The Committee shall be composed of three or more directors, as determined by the Board, each of whom shall (i) satisfy the requirements of Nasdaq, (ii) qualify as a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (iii) qualify as an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

3. RESPONSIBILITIES

The Committee is charged by the Board with the responsibility to:

3.1 Periodically review compensation policies and practices applicable to executive officers, including the criteria upon which executive compensation is based, the specific relationship of corporate performance to executive compensation and the composition in terms of base salary, deferred compensation and incentive or equity-based compensation and other benefits.

3.2 Review and approve corporate goals and objectives relevant to officer compensation, evaluate the performance of officers in light of these goals and objectives, and, based on these evaluations, determine the Chief Executive Officer's compensation and determine the compensation of other officers.

3.3 Review bases for and determine the compensation for other executive officers.

3.4 Supervise, administer and evaluate incentive, equity-based and other compensatory plans of the Company in which executive officers and key employees

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participate, including approving guidelines and size of grants and awards, making grants and awards, interpreting and promulgating rules relating to the plans, modifying or canceling grants or awards, designating employees eligible to participate and imposing limitations and conditions on grants or awards.

3.5 Review and approve, subject to stockholder or Board approval as required, the creation or amendment of any incentive, equity-based and other compensatory plans of the Company in which executive officers and key employees participate (other than amendments to tax-qualified employee benefit plans and trusts, and any supplemental plans thereunder, that do not substantially alter the costs of such plans to the Company or are simply to conform such plans to applicable laws or regulations).

3.6 Review and approve any employment agreements, severance arrangements, change-in-control arrangements or special or supplemental employee benefits, and any material amendments to any of the foregoing, applicable to executive officers.

3.7 Review periodically the compensation and benefits offered to nonemployee directors and recommend changes to the Board as appropriate.

3.8 Review and approve reports on executive compensation as required for inclusion in the Company's information statements or annual proxy statement.

3.9 Provide minutes of Committee meetings to the Board, and report to the Board on any significant matters arising from the Committee's work.

3.10 At least annually, review and reassess this charter and, if appropriate, recommend changes to the Board.

3.11 Perform such other duties and responsibilities as may be assigned to the Committee by the Board or as designated in plan documents adopted or approved by the Board.

3.12 Record its actions and determinations in written form, which will be incorporated as a part of the minutes and actions of the Board.

4. AUTHORITY

By adopting this Charter, the Board delegates to the Committee full authority in its discretion to:

4.1 Perform each of the responsibilities of the Compensation Committee described above.

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4.2 Delegate such of its authority and responsibilities as the Committee deems proper to members of the Committee or a subcommittee.

4.3 Authorize one or more officers of the Company to designate non-officer employees to be recipients of rights or options created by the Company or to determine the number of such rights or options to be received by such officers or employees, subject to such limitations as the Committee deems appropriate.

4.4 Appoint a chair of the Committee, unless a chair is designated by the Board.

4.5 Engage and terminate compensation consultants, independent counsel and such other advisers as the Committee determines necessary to carry out its responsibilities, and approve the fees and other terms of retention of any such consultants and other advisers.

4.6 Cause the officers of the Company to provide such funding as the Committee shall determine to be appropriate for payment of compensation to any compensation consultants, independent counsel or other advisers engaged by the Committee.

4.7 Prepare an annual report to the Company's stockholders on executive compensation that will be included in the Company's proxy statement for its annual stockholders' meeting in accordance with the rules and regulations of the Securities and Exchange Commission.

4.8 Perform such other activities and functions as are required by law, applicable Nasdaq rules or provisions in the Company's charter documents, or as are otherwise necessary and advisable, in its or the Board's discretion, to the efficient discharge of its duties hereunder.