

COMPENSATION COMMITTEE CHARTER

1. Members. The Compensation Committee (the "Committee") of Cadence Design Systems, Inc. (the "Company") shall consist of at least two directors, which directors shall have been determined by the Board of Directors of the Company (the "Board") to be "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and "independent directors" within the meaning of the listing standards of the Nasdaq National Market. The Board shall appoint the members and the Chairman of the Committee in accordance with the Corporate Governance Guidelines of the Board.

2. Purposes. The Committee's purposes shall be to discharge the Board's responsibilities relating to compensation of the Company's executives.

3. Duties and Responsibilities. The duties and responsibilities of the Committee shall be to:

- Review and approve corporate goals and objectives relevant to compensation of the Chief Executive Officer of the Company and any person who is an employee of the Company and also a member of the Board (an "Employee Director"), evaluate the performance of the Chief Executive Officer and any Employee Director in light of those goals and objectives, and, either as a committee or together with the other independent directors of the Board, to determine and approve the compensation level (including, without limitation, salary, bonus, stock options or rights and benefits programs) of the Chief Executive Officer and any Employee Director based on this evaluation;
- Make recommendations to the Board with respect to incentive compensation plans and equity-based compensation plans for all employees of the Company other than the Chief Executive Officer and any Employee Director, including the total number of shares authorized for grant under such plans;
- Produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations;
- Retain, terminate and approve the fees and retention terms with respect to any compensation consultant or other professional employed to assist in evaluating director, Chief Executive Officer or senior executive compensation;
- Oversee the evaluation of the management of the Company;
- Report to the Board, at least annually, on Chief Executive Officer succession planning;
- Review compensation programs (including, without limitation, salary, bonus, stock options or rights and benefits programs) and determine the compensation (including salary, bonus, stock options or rights and benefits) of the Company's "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986,

as amended (that is, the four highest compensated executive officers on the last day of the Company's taxable year in addition to the Chief Executive Officer);

- Administer and, if deemed necessary, amend the Cadence Senior Executive Bonus Plan;
- Administer and, if deemed necessary, amend the Cadence Employee Stock Purchase Plan, the Cadence 401(K) Plan, the Cadence 1994 Deferred Compensation Plan and the 1996 Deferred Compensation Venture Investment Plan and the 2002 Deferred Compensation Venture Investment Plan (collectively, the "Designated Plans");
- Delegate the routine administration of the Designated Plans to an administrative committee consisting of employees of the Company named by the Committee;
- Review, administer and, if deemed necessary, amend, the Company's stock option programs; provided, however, that increases in the total number of shares authorized for grant under such plans shall require approval of the full Board;
- Grant awards of compensation, benefits and bonus to specific officers, employees and consultants, as permitted under applicable law or regulation, including the rules of the Nasdaq National Market;
- Review, study and approve proposals for Company-wide benefit programs;
- Review the Company's compliance program relating to restrictions on and reporting of securities transactions by the Company and its officers and directors;
- Approve option or restricted stock awards of more than 50,000 shares to any one individual;
- Approve any delegation of authority to the Chief Executive Officer and his or her designees, to approve compensation, benefits, bonuses and option and restricted stock awards of 50,000 or fewer shares, to all employees other than "covered employees";
- Perform such other compensation-related functions as the Board may delegate to the Committee; and
- Consider the results of the annual performance evaluation of the Committee.

4. Meetings. The Committee shall meet as often as its Chairman may deem necessary or appropriate, but at least twice annually, either in person or by telephone. The Committee shall report to the full Board at the next regular Board meeting with respect to the Committee's meetings since the previous regular Board meeting. A majority of the members of the Committee shall constitute a quorum unless there are only two members of the Committee, in which case a quorum shall require the presence of both members. Neither the Chief Executive Officer nor any Employee Director may be present during any deliberation or voting by the Compensation Committee with respect to compensation of the Chief Executive Officer or any Employee Director.

5. Revisions to Charter. The Committee may amend or modify this Charter at any time in accordance with applicable law and regulations.