

ELECTRO SCIENTIFIC INDUSTRIES, INC.
COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER
January 25, 2005

I. PURPOSES

The Compensation Committee of Electro Scientific Industries, Inc. (the “Company”) is appointed by the Board of Directors to discharge the Board’s responsibilities relating to the compensation of the Company’s executives in accordance with this Charter and the Company’s Corporate Governance Guidelines. The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s annual proxy statement, in accordance with applicable laws, rules and regulations.

II. COMPOSITION

The Committee shall be comprised of at least three members of the Board, each of whom shall be an independent director under the standards for independence set forth in the Company’s Corporate Governance Guidelines.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board on the recommendation of the Nominating and Governance Committee. Unless a Chair is designated by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. Members may be removed by the Board at any time.

III. AUTHORITY AND RESPONSIBILITY

1. The Compensation Committee shall meet at least semi-annually and periodically as the Committee deems necessary to fulfill its responsibilities. The Committee will record and maintain minutes of each of its meetings and make regular reports to the Board.

2. The Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO’s performance in light of those goals and objectives, and set the CEO’s compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee should consider the Company’s performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company’s CEO in past years. The CEO shall not attend the portion of any Committee meeting when the CEO’s compensation is determined.

3. The Committee shall annually review and set the compensation of all officers and other key executives, including awards under all incentive-compensation plans and equity-based plans.

4. Consistent with the Corporate Governance Guidelines, the Committee will annually review and recommend to the Board the compensation of all directors and committee members, with such recommended compensation to be consistent with the compensation levels received by directors of the Company's peer group of companies.

5. The Committee has the authority to (a) establish, implement and administer all incentive compensation plans, equity-based plans and employee benefit plans for directors, officers and employees of the Company, (b) determine the individuals eligible for participation consistent with the eligibility provisions of the respective programs and set performance milestones under each of those programs, and (c) make grants and awards of all types permitted under the Company's stock option and stock incentive plans to eligible individuals in accordance with the plans approved by shareholders of the Company.

6. The Compensation Committee shall have sole authority to retain and terminate compensation consultants to assist it in the evaluation of director, CEO and key executive compensation, and sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from legal, accounting or other advisers.

7. The Committee is authorized to form and delegate authority to subcommittees as appropriate.

8. The Committee shall annually review its own performance and this Charter and recommend to the Board any proposed changes to this Charter or to the Committee.

9. The Committee shall prepare a report to the shareholders regarding the Company's executive compensation practices and policies for inclusion in the Company's annual proxy statement.