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 Global Select Market (“Nasdaq”) and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

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 have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a CEO, CFO or other senior officer with financial oversight responsibilities, 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 407(d) of Regulation S-K promulgated under the Securities Act of 1933, as amended. It is the intention of the Audit Committee to have at least one “audit committee financial expert” on the Committee. 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) oversee the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements; (b) 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, independence and performance, and (iv) the performance of the Company’s internal audit function; and (c) oversee the preparation of 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:

Independent Auditors

(i) Be directly responsible for the appointment, compensation, retention and oversight of the work of any accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services
for the Company (subject, if applicable, to shareholder ratification). Each such accounting firm shall report directly to the Audit Committee.

(ii) Pre-approve the audit services and non-audit services to be provided by the Company’s independent auditors pursuant to pre-approval policies and procedures established by the Audit Committee. The Audit Committee may delegate its authority to pre-approve services to one or more Audit Committee members, provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.

(iii) At least annually, obtain and review a formal written statement by the Company’s independent auditors, which report shall delineate all relationships between the auditor and the Company consistent with applicable requirements of the Public Company Accounting Oversight Board; actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors; and take, or recommend that the Board take, appropriate action to oversee the independence of the independent auditors.

(iv) 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 statement delivered pursuant to clause (iii) above.

(v) Review with the independent auditors their audit procedures, including the scope and timing of the audit, responsibilities under GAAP standards, 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.

(vi) Oversee resolution of disagreements between management and the independent auditors and oversight of any matters raised by independent auditors pursuant to Rule 10A-3(b)(2) of the Exchange Act regarding the Company’s financial reporting.

Financial Statements; Disclosure and Other Risk Management and Compliance Matters

(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”.

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

(ix) Review material pending legal proceedings involving the Company and other contingent liabilities.

(x) In conjunction with the Chief Executive Officer and Chief Financial Officer of the Company, review the Company’s disclosure controls and procedures and internal control over financial reporting. The review of internal control over financial reporting shall include whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Company’s ability to record, process, summarize and report financial information and any fraud involving management or other employees with a significant role in internal control over financial reporting. The Audit Committee shall also review any special audit steps adopted in light of material control deficiencies.

(xi) Review major issues regarding accounting principles and financial statement presentations, including any significant changes in Cadence’s selection or application of accounting principles and the critical accounting policies and practices of the Company.

(xii) Review analyses prepared by Company 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.

(xiii) Establish, 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, auditing or violations of federal securities law matters, which procedures shall include a system for the confidential, anonymous submission by Cadence employees regarding questionable accounting, auditing or violations of federal securities law matters. Periodically review the complaints received pursuant to such procedures.

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

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

(xvii) Review and discuss the Company’s practices with respect to risk assessment and risk management as they relate to the Company’s financial condition, financial statements, financial reporting process and accounting matters.

Internal Auditors

(xviii) Review with the independent auditor the responsibilities, budget and staffing of Cadence’s internal audit function.

4. Outside Advisors; Funding; Delegations. The Audit Committee (without seeking Board approval) shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate, and may request any officer or employee of the Company or the Company’s outside counsel or independent auditors to meet with any members of, or advisors to, the Audit Committee, 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, the outside counsel, accountants, experts or other advisors employed by the Audit Committee and for ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

In accordance with applicable law, the Committee may delegate its authority to management, subcommittees or the Chair of the Committee when it deems appropriate and in the best interests of the Company.

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, with the General Counsel 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 and reassess 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.