

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of AXT, Inc. (the "Company"). This Charter shall be posted on the Company's website or included as an appendix to the proxy statement for the Company's annual meeting of stockholders at least once every three years.

The primary functions of the Committee are to assist the Board in fulfilling its oversight responsibilities with respect to the Company. These functions include: (i) reviewing and reporting to the Board on financial reports and financial information to be disclosed by the Company and the Company's compliance with legal and regulatory requirements; and (ii) reviewing the qualifications, independence and performance, and approving the terms of engagement, of the Company's independent auditors. Consistent with this role, the Committee should encourage continuous improvement of, and should foster adherence to, the Company's financial policies, procedures and practices at all levels within the Company. In performing these functions, the Committee shall:

- Retain the independent auditors of the Company, evaluate their independence, qualifications and performance, and approve the terms of engagement of the independent auditors for audit services and non-audit services.
- Establish and observe complaint procedures regarding accounting, internal auditing controls or auditing matters.

The Committee should conduct an annual evaluation of its performance and the adequacy of its charter. The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter and to compensate its advisors. The Committee, at its discretion, has the authority to initiate special investigations, and, if appropriate, hire special legal, accounting or other outside advisors or experts to assist the Committee, to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

The Committee shall review this Charter at least annually and recommend to the Board any appropriate changes.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence and experience requirements of NASDAQ. In addition, the Committee shall not include any member who:

- Accepts any consulting, advisory, or other compensatory fee from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board, or
- Is an affiliated person of the Company or any subsidiary of the Company.

Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. In addition, at least one member shall have past employment experience in finance or accounting, professional certification in

accounting, or other comparable experience or background resulting in the individual being financially sophisticated, including being or having been a chief executive, chief financial, or other senior officer with financial oversight responsibilities. At least one member shall be a financial expert as determined in accordance with the rules and regulations of the Securities and Exchange Commission and NASDAQ. No Committee member may have participated in the preparation of the financial statements of the Company or any of the Company's current subsidiaries at any time during the past three years. No Committee member shall simultaneously serve on the audit committee of more than three public companies.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board on the recommendation of the Nominating and Corporate Governance Committee. Unless a chairman is elected by the full Board, the members of the Committee may designate a chairman by majority vote of the full Committee membership.

A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee.

III. MEETINGS

The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee may form and delegate authority to subcommittees when appropriate, or to one or more members of the Committee. The Committee shall meet with management, internal auditors and the independent auditor in separate executive sessions as appropriate, but at least quarterly. The Committee shall meet with the independent auditor and management on a quarterly basis to review the Company's financial statements and financial reports. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record its summaries of recommendations to the Board in written form, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

a. Oversight of the Company's Independent Auditor

The Committee shall be directly and solely responsible for the engagement and oversight of any independent auditor employed by the Company for the purpose of preparing or issuing an audit report or related work. Each independent auditor shall report directly to the Committee. The Committee shall:

- i. Obtain periodically from the independent auditor a formal written statement of the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, and, in particular, describing all relationships between the auditor and the Company, and discuss with the auditor any disclosed relationships or services that may impact audit or objectivity and independence.
- ii. Adopt a policy assuring the rotation, as required by law, of the lead audit partner every five years, assess the firm independence, and report to the Board on its conclusions.

- iii. Recommend the appointment of the independent auditor to the Board. Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement.
- iv. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- v. Approve as necessary the termination of the engagement of the independent auditor and select a replacement independent auditor.
- vi. Establish policies for the hiring of employees or former employees of the independent auditor, taking into account the impact of such policies on auditor independence.
- vii. Review any auditing or accounting issues presented by the independent auditor and any "management" or "internal control" letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent auditors.
- viii. Review with the independent auditors on a quarterly basis the critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles that the independent auditor have discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors.
- ix. Discuss with the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Discuss with management and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs.
- x. Meet separately on a periodic basis with management and the independent auditors to discuss issues and concerns warranting the attention of the Committee. Provide sufficient opportunity for the internal auditors and independent auditors to meet privately with the members of the Committee. Review with the independent auditor any audit problems or difficulties and the response of management.

b. Review of Financial Reporting, Policies and Processes

To fulfill its responsibilities and duties, the Committee shall, to the extent that it deems necessary or appropriate, and in addition to the items described above:

- i. Conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditor.
- ii. Review and discuss with management and the independent auditors the Company's annual audited financial statements, any certification, report, opinion or review rendered by the independent auditors, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.
- iii. Oversee the internal audit function of the Company, including the appointment, replacement, reassignment or dismissal of the director of internal audit.

iv. Review and discuss earnings press releases and other information provided to analysts and rating agencies, including "pro forma" or adjusted financial information.

v. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of each of the Company's quarterly report on Form 10-Q.

vi. Review with management the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to the filing of reports on Form 10-K and 10-Q with the Securities and Exchange Commission.

vii. Review annually with management its assessment of the adequacy of the Company's internal controls and procedures for financial reporting ("Internal Controls"), and review annually with the independent auditor the attestation to and report on, the assessment made by management, and consider whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's report.

viii. Review quarterly with management its evaluation of the Company's procedures and controls ("Disclosure Controls") designed to assure that information required to be disclosed in its periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the Securities and Exchange Commission for the filing of such reports, and consider whether any changes are appropriate in light of management's evaluation of effectiveness.

ix. Review and discuss with management and the independent auditors any off-balance sheet transactions or structures and their effect on the Company's financial results and operations.

x. Review with management and independent tax advisors the company's tax position and adherence to tax regulations in the jurisdictions in which it operates,

xi. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

To further fulfill its responsibilities and duties, the Committee shall, to the extent that it deems necessary or appropriate, and in addition to the items described above:

i. Review with the principal executive and financial officers of the Company any report on significant deficiencies in the design or operation of the Internal Controls which could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls.

ii. Review and approve all related-party transactions after reviewing each such transaction for potential conflicts of interests and other improprieties.

iii. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

iv. Adopt a Code of Ethics for senior financial officers and provide for and review prompt disclosure to the public of any change in, or waiver of, such Code of Ethics. Review conduct alleged to be in violation of such Code of Ethics and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct. Take such actions, including review of conduct alleged to be in violation of the Company's Code of Business Conduct and Ethics, and adoption of remedial, disciplinary, or other measures with regard to such actions, as may be necessary or appropriate under the Code of Business Conduct and Ethics.

v. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

vi. Review management's and internal audit's monitoring of compliance with the Foreign Corrupt Practices Act.

vii. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

viii. Review with legal counsel, any legal matters that could have a significant impact on the Company's financial statements.

ix. Review with the Company's legal counsel and accounting advisors and report to the Board on legal compliance matters, including insider trading policies and disclosure of insider and related-party transactions. Meet with legal counsel and discuss any report provided by such counsel concerning evidence of a material violation of securities laws or breach of fiduciary duty or similar violation by the Company or any agent, and adopt, as necessary, appropriate remedial measures or sanctions with respect to the violation.

x. Prepare the Committee's report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.