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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
January 1, 2022 and January 2, 2021
(In thousands)
(Unaudited)

	January 1, 2022	January 2, 2021
Current assets:		
Cash and cash equivalents	\$ 1,088,940	\$ 928,432
Receivables, net	337,596	338,487
Inventories	115,721	75,956
Prepaid expenses and other	173,512	135,712
Total current assets	1,715,769	1,478,587
Property, plant and equipment, net	305,911	311,125
Goodwill	928,358	782,087
Acquired intangibles, net	233,265	210,590
Deferred taxes	763,770	732,290
Other assets	439,226	436,106
Total assets	\$ 4,386,299	\$ 3,950,785
Current liabilities:		
Accounts payable and accrued liabilities	\$ 417,283	\$ 349,951
Current portion of deferred revenue	553,942	446,857
Total current liabilities	971,225	796,808
Long-term liabilities:		
Long-term portion of deferred revenue	101,148	107,064
Long-term debt	347,588	346,793
Other long-term liabilities	225,663	207,102
Total long-term liabilities	674,399	660,959
Stockholders' equity	2,740,675	2,493,018
Total liabilities and stockholders' equity	\$ 4,386,299	\$ 3,950,785

Cadence Design Systems, Inc.
Trended Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	January 2, 2021	April 3, 2021	July 3, 2021	October 2, 2021	January 1, 2022
Current assets:					
Cash and cash equivalents	\$ 928,432	\$ 742,981	\$ 847,160	\$ 1,013,819	\$ 1,088,940
Receivables, net	338,487	388,666	389,986	327,191	337,596
Inventories	75,956	76,592	90,479	101,575	115,721
Prepaid expenses and other	135,712	141,490	129,442	100,428	173,512
Total current assets	1,478,587	1,349,729	1,457,067	1,543,013	1,715,769
Property, plant and equipment, net	311,125	305,089	301,979	303,313	305,911
Goodwill	782,087	912,603	929,525	925,949	928,358
Acquired intangibles, net	210,590	264,671	264,789	247,628	233,265
Deferred taxes	732,290	729,296	729,790	766,036	763,770
Other assets	436,106	437,571	439,398	427,936	439,226
Total assets	\$ 3,950,785	\$ 3,998,959	\$ 4,122,548	\$ 4,213,875	\$ 4,386,299
Current liabilities:					
Accounts payable and accrued liabilities	\$ 349,951	\$ 271,241	\$ 340,607	\$ 363,835	\$ 417,283
Current portion of deferred revenue	446,857	521,100	586,109	543,361	553,942
Total current liabilities	796,808	792,341	926,716	907,196	971,225
Long-term liabilities:					
Long-term portion of deferred revenue	107,064	92,574	98,408	95,991	101,148
Long-term debt	346,793	346,988	347,186	347,385	347,588
Other long-term liabilities	207,102	224,624	233,495	232,041	225,663
Total long-term liabilities	660,959	664,186	679,089	675,417	674,399
Stockholders' equity:					
Common stock and capital in excess of par value	2,217,939	2,307,965	2,354,801	2,411,791	2,467,701
Treasury stock, at cost	(2,057,829)	(2,275,998)	(2,509,668)	(2,622,675)	(2,740,003)
Retained earnings	2,350,333	2,537,502	2,693,402	2,869,709	3,046,288
Accumulated other comprehensive loss	(17,425)	(27,037)	(21,792)	(27,563)	(33,311)
Total stockholders' equity	2,493,018	2,542,432	2,516,743	2,631,262	2,740,675
Total liabilities and stockholders' equity	\$ 3,950,785	\$ 3,998,959	\$ 4,122,548	\$ 4,213,875	\$ 4,386,299

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended January 1, 2022 and January 2, 2021
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
Revenue:				
Product and maintenance	\$ 719,849	\$ 723,233	\$ 2,812,947	\$ 2,536,617
Services	53,187	36,676	175,297	146,274
Total revenue	773,036	759,909	2,988,244	2,682,891
Costs and expenses:				
Cost of product and maintenance	47,714	55,111	222,647	231,026
Cost of services	21,979	18,425	84,359	74,472
Marketing and sales	148,068	146,502	560,262	516,460
Research and development	288,953	290,309	1,134,277	1,033,732
General and administrative	65,743	49,264	189,018	154,425
Amortization of acquired intangibles	4,979	4,775	19,640	18,009
Restructuring	(80)	10,544	(1,048)	9,215
Total costs and expenses	577,356	574,930	2,209,155	2,037,339
Income from operations	195,680	184,979	779,089	645,552
Interest expense	(4,251)	(4,873)	(16,980)	(20,749)
Other income, net	2,625	6,083	6,326	7,945
Income before provision for income taxes	194,054	186,189	768,435	632,748
Provision for income taxes	17,475	12,451	72,480	42,104
Net income	\$ 176,579	\$ 173,738	\$ 695,955	\$ 590,644
Net income per share - basic	\$ 0.65	\$ 0.63	\$ 2.54	\$ 2.16
Net income per share - diluted	\$ 0.63	\$ 0.62	\$ 2.50	\$ 2.11
Weighted average common shares outstanding - basic	273,066	273,985	273,504	273,728
Weighted average common shares outstanding - diluted	278,253	280,173	278,858	279,641

Cadence Design Systems, Inc.
Trended Condensed Income Statements
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended				
	January 2, 2021	April 3, 2021	July 3, 2021	October 2, 2021	January 1, 2022
Revenue:					
Product and maintenance	\$ 723,233	\$ 699,054	\$ 687,884	\$ 706,160	\$ 719,849
Services	36,676	36,974	40,401	44,735	53,187
Total revenue	<u>759,909</u>	<u>736,028</u>	<u>728,285</u>	<u>750,895</u>	<u>773,036</u>
Costs and expenses:					
Cost of product and maintenance	55,111	64,906	55,842	54,185	47,714
Cost of services	18,425	19,061	20,917	22,402	21,979
Marketing and sales	146,502	132,826	135,967	143,401	148,068
Research and development	290,309	270,992	285,227	289,105	288,953
General and administrative	49,264	39,952	40,333	42,990	65,743
Amortization of acquired intangibles	4,775	4,631	5,030	5,000	4,979
Restructuring	10,544	(277)	(469)	(222)	(80)
Total costs and expenses	<u>574,930</u>	<u>532,091</u>	<u>542,847</u>	<u>556,861</u>	<u>577,356</u>
Income from operations	184,979	203,937	185,438	194,034	195,680
Interest expense	(4,873)	(4,217)	(4,316)	(4,196)	(4,251)
Other income (expense), net	6,083	2,701	2,143	(1,143)	2,625
Income before provision for income taxes	186,189	202,421	183,265	188,695	194,054
Provision for income taxes	12,451	15,252	27,365	12,388	17,475
Net income	<u>\$ 173,738</u>	<u>\$ 187,169</u>	<u>\$ 155,900</u>	<u>\$ 176,307</u>	<u>\$ 176,579</u>
Net income per share - basic	<u>\$ 0.63</u>	<u>\$ 0.68</u>	<u>\$ 0.57</u>	<u>\$ 0.65</u>	<u>\$ 0.65</u>
Net income per share - diluted	<u>\$ 0.62</u>	<u>\$ 0.67</u>	<u>\$ 0.56</u>	<u>\$ 0.63</u>	<u>\$ 0.63</u>
Weighted average common shares outstanding - basic	<u>273,985</u>	<u>274,021</u>	<u>273,565</u>	<u>273,194</u>	<u>273,066</u>
Weighted average common shares outstanding - diluted	<u>280,173</u>	<u>280,140</u>	<u>278,558</u>	<u>278,311</u>	<u>278,253</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended January 1, 2022 and January 2, 2021
(In thousands)
(Unaudited)

	Years Ended	
	January 1, 2022	January 2, 2021
Cash and cash equivalents at beginning of year	\$ 928,432	\$ 705,210
Cash flows from operating activities:		
Net income	695,955	590,644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,308	145,653
Amortization of debt discount and fees	1,219	1,053
Stock-based compensation	210,090	197,268
(Gain) loss on investments, net	(580)	4,954
Deferred income taxes	(43,178)	(26,117)
Provisions for losses on receivables	525	1,628
ROU asset amortization and change in operating lease liabilities	(11,606)	4,483
Other non-cash items	427	773
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	2,014	(25,934)
Inventories	(39,027)	(25,685)
Prepaid expenses and other	(34,342)	(31,167)
Other assets	(7,133)	(71,606)
Accounts payable and accrued liabilities	67,356	18,394
Deferred revenue	100,731	110,173
Other long-term liabilities	16,199	10,408
Net cash provided by operating activities	<u>1,100,958</u>	<u>904,922</u>
Cash flows from investing activities:		
Proceeds from the sale of non-marketable investments	128	217
Purchases of property, plant and equipment	(65,298)	(94,813)
Purchases of intangible assets	(1,583)	-
Cash paid in business combinations, net of cash acquired	(226,201)	(197,562)
Net cash used for investing activities	<u>(292,954)</u>	<u>(292,158)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	-	350,000
Payment on revolving credit facility	-	(350,000)
Payment of debt issuance costs	(1,285)	-
Proceeds from issuance of common stock	87,772	74,803
Stock received for payment of employee taxes on vesting of restricted stock	(117,982)	(110,028)
Payments for repurchases of common stock	(612,297)	(380,064)
Net cash used for financing activities	<u>(643,792)</u>	<u>(415,289)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,704)</u>	<u>25,747</u>
Increase in cash and cash equivalents	<u>160,508</u>	<u>223,222</u>
Cash and cash equivalents at end of year	<u>\$ 1,088,940</u>	<u>\$ 928,432</u>

Cadence Design Systems, Inc.
Trended Consolidated Statements of Cash Flows
For the Five Quarters Ended January 1, 2022
(In thousands)
(Unaudited)

	<u>Q4 2020</u>	<u>Q1 2021</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q4 2021</u>
Cash and cash equivalents at beginning of period	\$ 1,306,564	\$ 928,432	\$ 742,981	\$ 847,160	\$ 1,013,819
Cash flows from operating activities:					
Net income	173,738	187,169	155,900	176,307	176,579
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	38,634	36,218	35,581	35,163	35,346
Amortization of debt discount and fees	283	264	423	265	267
Stock-based compensation	58,545	52,596	50,518	52,746	54,230
(Gain) loss on investments, net	(164)	(1,433)	638	465	(250)
Deferred income taxes	(7,151)	2,710	(1,000)	(36,276)	(8,612)
Provisions for losses (recoveries) on receivables	541	77	165	(8)	291
ROU asset amortization and change in operating lease liabilities	2,419	(2,136)	(347)	(434)	(8,689)
Other non-cash items	363	302	(119)	(37)	281
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(35,879)	(45,927)	(2,089)	63,148	(13,118)
Inventories	(32,061)	(669)	(13,858)	(11,081)	(13,419)
Prepaid expenses and other	(53,936)	(3,014)	10,704	28,942	(70,974)
Other assets	(50,319)	6,260	731	1,136	(15,260)
Accounts payable and accrued liabilities	48,849	(80,769)	65,998	25,272	56,855
Deferred revenue	(14,318)	59,166	68,120	(43,103)	16,548
Other long-term liabilities	5,978	(2,372)	9,011	3,778	5,782
Net cash provided by operating activities	<u>135,522</u>	<u>208,442</u>	<u>380,376</u>	<u>296,283</u>	<u>215,857</u>
Cash flows from investing activities:					
Proceeds from the sale of non-marketable investments	217	-	-	128	-
Purchases of property, plant and equipment	(31,068)	(16,968)	(14,171)	(18,838)	(15,321)
Purchases of intangible assets	-	-	-	-	(1,583)
Cash paid in business combinations, net of cash acquired	-	(189,262)	(31,398)	634	(6,175)
Net cash used for investing activities	<u>(30,851)</u>	<u>(206,230)</u>	<u>(45,569)</u>	<u>(18,076)</u>	<u>(23,079)</u>
Cash flows from financing activities:					
Payment on revolving credit facility	(350,000)	-	-	-	-
Payment of debt issuance costs	-	-	(1,285)	-	-
Proceeds from issuance of common stock	3,352	46,384	5,868	31,380	4,140
Stock received for payment of employee taxes on vesting of restricted stock	(24,513)	(56,385)	(21,668)	(30,132)	(9,797)
Payments for repurchases of common stock	(130,017)	(172,267)	(220,023)	(110,011)	(109,996)
Net cash used for financing activities	<u>(501,178)</u>	<u>(182,268)</u>	<u>(237,108)</u>	<u>(108,763)</u>	<u>(115,653)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>18,375</u>	<u>(5,395)</u>	<u>6,480</u>	<u>(2,785)</u>	<u>(2,004)</u>
Increase (decrease) in cash and cash equivalents	<u>(378,132)</u>	<u>(185,451)</u>	<u>104,179</u>	<u>166,659</u>	<u>75,121</u>
Cash and cash equivalents at end of period	<u>\$ 928,432</u>	<u>\$ 742,981</u>	<u>\$ 847,160</u>	<u>\$ 1,013,819</u>	<u>\$ 1,088,940</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

GEOGRAPHY	2020					2021				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	43%	44%	42%	41%	42%	46%	44%	46%	43%	45%
China	13%	12%	17%	17%	15%	12%	14%	13%	12%	13%
Other Asia	18%	19%	19%	18%	18%	18%	19%	18%	21%	19%
Europe, Middle East and Africa	19%	18%	16%	17%	18%	18%	17%	17%	18%	17%
Japan	7%	7%	6%	7%	7%	6%	6%	6%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

PRODUCT CATEGORY	2020					2021				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Custom IC Design and Simulation	25%	24%	24%	26%	25%	23%	23%	23%	24%	23%
Digital IC Design and Signoff	29%	28%	27%	31%	29%	27%	28%	29%	29%	29%
Functional Verification, including Emulation and Prototyping Hardware	23%	24%	23%	19%	22%	26%	25%	23%	21%	24%
IP	14%	14%	15%	13%	14%	14%	13%	14%	14%	13%
System Design and Analysis	9%	10%	11%	11%	10%	10%	11%	11%	12%	11%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Operating Margin
As of February 22, 2022
(Unaudited)

	Three Months Ending	Year Ending
	April 2, 2022	December 31, 2022
	Forecast	Forecast
GAAP operating margin as a percent of total revenue	30% - 31%	27.5% - 29%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	7%	8%
Amortization of acquired intangibles	2%	2%
Acquisition and integration-related costs	1%	0%
Non-GAAP operating margin as a percent of total revenue†	40% - 41%	37.5% - 39%

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of February 22, 2022
(Unaudited)

	Three Months Ending April 2, 2022 Forecast	Year Ending December 31, 2022 Forecast
Diluted net income per share on a GAAP basis	\$0.70 to \$0.74	\$2.46 to \$2.56
Stock-based compensation expense	0.22	0.97
Amortization of acquired intangibles	0.06	0.19
Acquisition and integration-related costs	0.01	0.03
Income tax effect of non-GAAP adjustments	0.01	0.05
Diluted net income per share on a non-GAAP basis†	\$1.00 to \$1.04	\$3.70 to \$3.80

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 22, 2022
(Unaudited)

(\$ in millions)	Three Months Ending April 2, 2022 Forecast	Year Ending December 31, 2022 Forecast
Net income on a GAAP basis	\$193 to \$204	\$685 to \$713
Stock-based compensation expense	61	268
Amortization of acquired intangibles	17	52
Acquisition and integration-related costs	4	8
Income tax effect of non-GAAP adjustments	3	15
Net income on a non-GAAP basis†	\$278 to \$289	\$1,028 to \$1,056

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended January 1, 2022 and January 2, 2021
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Net income on a GAAP basis	\$ 176,579	\$ 173,738	\$ 695,955
Stock-based compensation expense*	54,230	58,545	210,090	197,268
Amortization of acquired intangibles**	16,781	17,168	67,216	64,193
Acquisition and integration-related costs***	5,946	6,556	22,413	22,580
Restructuring	(80)	10,544	(1,048)	9,215
Non-qualified deferred compensation expenses****	2,205	4,280	6,163	4,881
Special charges *****	-	-	26,832	394
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,454)	(4,860)	(6,745)	(522)
Income tax effect of non-GAAP adjustments	(25,834)	(32,097)	(102,456)	(106,817)
Net income on a non-GAAP basis +	<u>\$ 227,373</u>	<u>\$ 233,874</u>	<u>\$ 918,420</u>	<u>\$ 781,836</u>

+ The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

† Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

* Total stock-based compensation expense is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Cost of product and maintenance	\$ 774	\$ 880	\$ 3,375
Cost of services	984	1,121	4,161	3,720
Marketing and sales	10,980	12,270	43,264	42,096
Research and development	34,146	37,311	131,247	124,999
General and administrative	7,346	6,963	28,043	23,531
Total stock-based compensation expense	<u>\$ 54,230</u>	<u>\$ 58,545</u>	<u>\$ 210,090</u>	<u>\$ 197,268</u>

** Total amortization of acquired intangibles is reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Cost of product and maintenance	\$ 11,802	\$ 12,393	\$ 47,576
Amortization of acquired intangibles	4,979	4,775	19,640	18,009
Total amortization of acquired intangibles	<u>\$ 16,781</u>	<u>\$ 17,168</u>	<u>\$ 67,216</u>	<u>\$ 64,193</u>

*** Total acquisition and integration-related costs are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Marketing and sales	\$ 355	\$ 15	\$ 1,031
Research and development	4,819	5,011	18,276	18,663
General and administrative	772	1,530	3,106	3,859
Total acquisition and integration-related costs	<u>\$ 5,946</u>	<u>\$ 6,556</u>	<u>\$ 22,413</u>	<u>\$ 22,580</u>

**** Cadence records operating expenses (credits) related to its non-qualified deferred compensation plan assets as those assets increase or decrease in value. An offsetting gain or loss is recorded in other income or expense, such that the net impact on Cadence's net income is not significant. The operating expenses (credits) are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Cost of product and maintenance	\$ 15	\$ 49	\$ 47
Cost of services	23	72	67	91
Marketing and sales	332	730	1,006	786
Research and development	1,302	2,405	3,528	2,829
General and administrative	533	1,024	1,515	1,114
Total non-qualified deferred compensation expenses	<u>\$ 2,205</u>	<u>\$ 4,280</u>	<u>\$ 6,163</u>	<u>\$ 4,881</u>

***** Total special charges are reported in the Condensed Consolidated Income Statements as follows:

(In thousands)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
	Cost of product and maintenance	\$ -	\$ -	\$ 522
Cost of services	-	-	2,344	-
Marketing and sales	-	-	6,697	-
Research and development	-	-	14,711	-
General and administrative	-	-	2,558	394
Total special charges	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,832</u>	<u>\$ 394</u>

Cadence Design Systems, Inc.
Reconciliation of GAAP Diluted Net Income Per Share to Non-GAAP Diluted Net Income Per Share
For the Three Months and Years Ended January 1, 2022 and January 2, 2021
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	January 1, 2022	January 2, 2021	January 1, 2022	January 2, 2021
Diluted net income per share on a GAAP basis	\$ 0.63	\$ 0.62	\$ 2.50	\$ 2.11
Stock-based compensation expense	0.20	0.21	0.75	0.71
Amortization of acquired intangibles	0.06	0.06	0.24	0.23
Acquisition and integration-related costs	0.02	0.02	0.08	0.08
Restructuring	-	0.04	-	0.03
Non-qualified deferred compensation expenses	0.01	0.01	0.02	0.02
Special charges	-	-	0.10	-
Other income or expense related to investments and non-qualified deferred compensation plan assets *	(0.01)	(0.02)	(0.03)	-
Income tax effect of non-GAAP adjustments	(0.09)	(0.11)	(0.37)	(0.38)
Diluted net income per share on a non-GAAP basis +	\$ 0.82	\$ 0.83	\$ 3.29	\$ 2.80
Shares used in calculation of diluted net income per share	278,253	280,173	278,858	279,641

+ **The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.**

* Includes, as applicable, equity in losses or income from investments, write-down of investments, gains or losses on investments and gains or losses on non-qualified deferred compensation plan assets recorded in other income or expense.

Cadence Design Systems, Inc.
Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures
(Unaudited)

	<u>Three Months Ended</u> <u>January 1, 2022</u>	<u>Three Months Ended</u> <u>January 2, 2021</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 577,356	\$ 574,930
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(54,230)	(58,545)
Amortization of acquired intangibles	(16,781)	(17,168)
Acquisition and integration-related costs	(5,946)	(6,556)
Restructuring	80	(10,544)
Non-qualified deferred compensation expenses	(2,205)	(4,280)
Non-GAAP total costs and expenses†	<u>\$ 498,274</u>	<u>\$ 477,837</u>

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Reconciliation of Selected GAAP Operating Expenses to Non-GAAP Operating Expenses
(Unaudited)

(In thousands)

	<u>For the three months ended January 1, 2022</u>					
<u>Operating expenses on a GAAP basis†</u>	<u>Stock-based compensation expense</u>	<u>Amortization of acquired intangibles</u>	<u>Acquisition and integration-related costs</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Operating expenses on a non-GAAP basis</u>	
Cost of product and maintenance	47,714	(774)	(11,802)	-	(15)	35,123
Cost of services	21,979	(984)	-	-	(23)	20,972
Marketing and sales	148,068	(10,980)	-	(355)	(332)	136,401
Research and development	288,953	(34,146)	-	(4,819)	(1,302)	248,686
General and administrative	65,743	(7,346)	-	(772)	(533)	57,092
Amortization of acquired intangibles	4,979	-	(4,979)	-	-	-
	<u>(54,230)</u>	<u>(16,781)</u>	<u>(5,946)</u>	<u>(2,205)</u>		
	<u>For the year ended January 1, 2022</u>					
<u>Operating expenses on a GAAP basis†</u>	<u>Stock-based compensation expense</u>	<u>Amortization of acquired intangibles</u>	<u>Acquisition and integration-related costs</u>	<u>Non-qualified deferred compensation expenses</u>	<u>Special charges*</u>	<u>Operating expenses on a non-GAAP basis</u>
Cost of product and maintenance	222,647	(3,375)	(47,576)	-	(47)	171,127
Cost of services	84,359	(4,161)	-	-	(67)	77,787
Marketing and sales	560,262	(43,264)	-	(1,031)	(1,006)	508,264
Research and development	1,134,277	(131,247)	-	(18,276)	(3,528)	966,515
General and administrative	189,018	(28,043)	-	(3,106)	(1,515)	153,796
Amortization of acquired intangibles	19,640	-	(19,640)	-	-	-
	<u>(210,090)</u>	<u>(67,216)</u>	<u>(22,413)</u>	<u>(6,163)</u>	<u>(26,832)</u>	

*Comprised of costs related to a voluntary retirement program in the second quarter of 2021.

†The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP financial measures.

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended January 1, 2022
(In thousands)
(Unaudited)

	Three Months Ended January 1, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 719,849	\$ -	\$ 719,849
Services	<u>53,187</u>	<u>-</u>	<u>53,187</u>
Total revenue	<u>773,036</u>	<u>-</u>	<u>773,036</u>
Costs and expenses:			
Cost of product and maintenance	47,714	(12,591) (A)	35,123
Cost of services	21,979	(1,007) (A)	20,972
Marketing and sales	148,068	(11,667) (A)	136,401
Research and development	288,953	(40,267) (A)	248,686
General and administrative	65,743	(8,651) (A)	57,092
Amortization of acquired intangibles	4,979	(4,979) (A)	-
Restructuring	(80)	80	-
Total costs and expenses	<u>577,356</u>	<u>(79,082)</u>	<u>498,274</u>
Income from operations	195,680	79,082	274,762
Interest expense	(4,251)	-	(4,251)
Other income, net	<u>2,625</u>	<u>(2,454) (B)</u>	<u>171</u>
Income before provision for income taxes	194,054	76,628	270,682
Provision for income taxes	<u>17,475</u>	<u>25,834 (C)</u>	<u>43,309</u>
Net income	<u>\$ 176,579</u>	<u>\$ 50,794</u>	<u>\$ 227,373</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended January 1, 2022, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 774	\$ 11,802	\$ -	\$ 15	\$ 12,591
Cost of services	984	-	-	23	1,007
Marketing and sales	10,980	-	355	332	11,667
Research and development	34,146	-	4,819	1,302	40,267
General and administrative	7,346	-	772	533	8,651
Amortization of acquired intangibles	-	4,979	-	-	4,979
Total	<u>\$ 54,230</u>	<u>\$ 16,781</u>	<u>\$ 5,946</u>	<u>\$ 2,205</u>	<u>\$ 79,162</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Three Months Ended January 2, 2021
(In thousands)
(Unaudited)

	Three Months Ended January 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 723,233	\$ -	\$ 723,233
Services	36,676	-	36,676
Total revenue	759,909	-	759,909
Costs and expenses:			
Cost of product and maintenance	55,111	(13,322) (A)	41,789
Cost of services	18,425	(1,193) (A)	17,232
Marketing and sales	146,502	(13,015) (A)	133,487
Research and development	290,309	(44,727) (A)	245,582
General and administrative	49,264	(9,517) (A)	39,747
Amortization of acquired intangibles	4,775	(4,775) (A)	-
Restructuring	10,544	(10,544)	-
Total costs and expenses	574,930	(97,093)	477,837
Income from operations	184,979	97,093	282,072
Interest expense	(4,873)	-	(4,873)
Other income, net	6,083	(4,860) (B)	1,223
Income before provision for income taxes	186,189	92,233	278,422
Provision for income taxes	12,451	32,097 (C)	44,548
Net income	\$ 173,738	\$ 60,136	\$ 233,874

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended January 2, 2021, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration-related costs	Non-qualified deferred compensation expenses	Total adjustments
Cost of product and maintenance	\$ 880	\$ 12,393	\$ -	\$ 49	\$ 13,322
Cost of services	1,121	-	-	72	1,193
Marketing and sales	12,270	-	15	730	13,015
Research and development	37,311	-	5,011	2,405	44,727
General and administrative	6,963	-	1,530	1,024	9,517
Amortization of acquired intangibles	-	4,775	-	-	4,775
Total	\$ 58,545	\$ 17,168	\$ 6,556	\$ 4,280	\$ 86,549

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended January 1, 2022
(In thousands)
(Unaudited)

	Year Ended January 1, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,812,947	\$ -	\$ 2,812,947
Services	175,297	-	175,297
Total revenue	2,988,244	-	2,988,244
Costs and expenses:			
Cost of product and maintenance	222,647	(51,520) (A)	171,127
Cost of services	84,359	(6,572) (A)	77,787
Marketing and sales	560,262	(51,998) (A)	508,264
Research and development	1,134,277	(167,762) (A)	966,515
General and administrative	189,018	(35,222) (A)	153,796
Amortization of acquired intangibles	19,640	(19,640) (A)	-
Restructuring	(1,048)	1,048	-
Total costs and expenses	2,209,155	(331,666)	1,877,489
Income from operations	779,089	331,666	1,110,755
Interest expense	(16,980)	-	(16,980)
Other income (expense), net	6,326	(6,745) (B)	(419)
Income before provision for income taxes	768,435	324,921	1,093,356
Provision for income taxes	72,480	102,456 (C)	174,936
Net income	\$ 695,955	\$ 222,465	\$ 918,420

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended January 1, 2022, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges (D)	Total adjustments
Cost of product and maintenance	\$ 3,375	\$ 47,576	\$ -	\$ 47	\$ 522	\$ 51,520
Cost of services	4,161	-	-	67	2,344	6,572
Marketing and sales	43,264	-	1,031	1,006	6,697	51,998
Research and development	131,247	-	18,276	3,528	14,711	167,762
General and administrative	28,043	-	3,106	1,515	2,558	35,222
Amortization of acquired intangibles	-	19,640	-	-	-	19,640
Total	\$ 210,090	\$ 67,216	\$ 22,413	\$ 6,163	\$ 26,832	\$ 332,714

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments

(D) Comprised of costs related to a voluntary retirement program in the second quarter of 2021

Cadence Design Systems, Inc.
Supplemental Reconciliation of Certain GAAP to Non-GAAP Measures
For the Year Ended January 2, 2021
(In thousands)
(Unaudited)

	Year Ended January 2, 2021		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 2,536,617	\$ -	\$ 2,536,617
Services	146,274	-	146,274
Total revenue	<u>2,682,891</u>	<u>-</u>	<u>2,682,891</u>
Costs and expenses:			
Cost of product and maintenance	231,026	(49,167) (A)	181,859
Cost of services	74,472	(3,811) (A)	70,661
Marketing and sales	516,460	(42,940) (A)	473,520
Research and development	1,033,732	(146,491) (A)	887,241
General and administrative	154,425	(28,898) (A)	125,527
Amortization of acquired intangibles	18,009	(18,009) (A)	-
Restructuring	9,215	(9,215)	-
Total costs and expenses	<u>2,037,339</u>	<u>(298,531)</u>	<u>1,738,808</u>
Income from operations	645,552	298,531	944,083
Interest expense	(20,749)	-	(20,749)
Other income, net	7,945	(522) (B)	7,423
Income before provision for income taxes	632,748	298,009	930,757
Provision for income taxes	42,104	106,817 (C)	148,921
Net income	<u>\$ 590,644</u>	<u>\$ 191,192</u>	<u>\$ 781,836</u>

*The non-GAAP measures presented in the table above should not be considered a substitute for financial results and measures determined or calculated in accordance with GAAP. See the earnings press release of Cadence Design Systems, Inc. for its fourth quarter and fiscal year 2021 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended January 2, 2021, adjustments to GAAP are as follows for the line items specified:

	Stock-based compensation expense	Amortization of acquired intangibles	Acquisition and integration- related costs	Non-qualified deferred compensation expenses	Special charges	Total adjustments
Cost of product and maintenance	\$ 2,922	\$ 46,184	\$ -	\$ 61	\$ -	\$ 49,167
Cost of services	3,720	-	-	91	-	3,811
Marketing and sales	42,096	-	58	786	-	42,940
Research and development	124,999	-	18,663	2,829	-	146,491
General and administrative	23,531	-	3,859	1,114	394	28,898
Amortization of acquired intangibles	-	18,009	-	-	-	18,009
Total	<u>\$ 197,268</u>	<u>\$ 64,193</u>	<u>\$ 22,580</u>	<u>\$ 4,881</u>	<u>\$ 394</u>	<u>\$ 289,316</u>

(B) Other income or expense related to investments and non-qualified deferred compensation plan assets

(C) Income tax effect of non-GAAP adjustments