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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)

| | <u>Three Months Ended</u> | | <u>Years Ended</u> | |
|------------------------------------------------------|---------------------------|------------------------|------------------------|------------------------|
| | <u>January 1, 2022</u> | <u>January 2, 2021</u> | <u>January 1, 2022</u> | <u>January 2, 2021</u> |
| 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 | <u>773,036</u> | <u>759,909</u> | <u>2,988,244</u> | <u>2,682,891</u> |
| 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 | <u>577,356</u> | <u>574,930</u> | <u>2,209,155</u> | <u>2,037,339</u> |
| 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 | <u>\$ 176,579</u> | <u>\$ 173,738</u> | <u>\$ 695,955</u> | <u>\$ 590,644</u> |
| Net income per share - basic | <u>\$ 0.65</u> | <u>\$ 0.63</u> | <u>\$ 2.54</u> | <u>\$ 2.16</u> |
| Net income per share - diluted | <u>\$ 0.63</u> | <u>\$ 0.62</u> | <u>\$ 2.50</u> | <u>\$ 2.11</u> |
| Weighted average common shares outstanding - basic | <u>273,066</u> | <u>273,985</u> | <u>273,504</u> | <u>273,728</u> |
| Weighted average common shares outstanding - diluted | <u>278,253</u> | <u>280,173</u> | <u>278,858</u> | <u>279,641</u> |

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)

| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| 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)

| <u>GEOGRAPHY</u> | 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)

| <u>PRODUCT CATEGORY</u> | 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)

| | <u>Three Months Ending</u> <u>April 2, 2022</u> <u>Forecast</u> | <u>Year Ending</u> <u>December 31, 2022</u> <u>Forecast</u> |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------|
| 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† | <u>40% - 41%</u> | <u>37.5% - 39%</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 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 | \$ 590,644 |
| 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 + | \$ 227,373 | \$ 233,874 | \$ 918,420 | \$ 781,836 |

+ 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 | \$ 2,922 |
| 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 | \$ 54,230 | \$ 58,545 | \$ 210,090 | \$ 197,268 |

** 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 | \$ 46,184 |
| Amortization of acquired intangibles | 4,979 | 4,775 | 19,640 | 18,009 |
| Total amortization of acquired intangibles | \$ 16,781 | \$ 17,168 | \$ 67,216 | \$ 64,193 |

*** 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 | \$ 58 |
| 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 | \$ 5,946 | \$ 6,556 | \$ 22,413 | \$ 22,580 |

**** 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 | \$ 61 |
| 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 | \$ 2,205 | \$ 4,280 | \$ 6,163 | \$ 4,881 |

***** 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 | \$ - | \$ - | \$ 26,832 | \$ 394 |

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)

| | Three Months Ended January 1, 2022 | Three Months Ended January 2, 2021 |
|--------------------------------------------------------|---------------------------------------|---------------------------------------|
| | Actual | Actual |
| | (In thousands) | (In thousands) |
| 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)

| | For the three months ended January 1, 2022 | | | | | | |
|--------------------------------------|--------------------------------------------|----------------------------------------|--------------------------------------------|--------------------------------------------------|----------------------------------------------------|----------------------------------------------|----------------------------------------------|
| | Operating expenses on a GAAP basis† | Stock-based compensation expense | Amortization of acquired intangibles | Acquisition and integration- related costs | Non-qualified deferred compensation expenses | Operating expenses on a non-GAAP basis | |
| 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> | | |
| | For the year ended January 1, 2022 | | | | | | |
| | Operating expenses on a GAAP basis† | Stock-based compensation expense | Amortization of acquired intangibles | Acquisition and integration- related costs | Non-qualified deferred compensation expenses | Special charges* | Operating expenses on a non-GAAP basis |
| Cost of product and maintenance | 222,647 | (3,375) | (47,576) | - | (47) | (522) | 171,127 |
| Cost of services | 84,359 | (4,161) | - | - | (67) | (2,344) | 77,787 |
| Marketing and sales | 560,262 | (43,264) | - | (1,031) | (1,006) | (6,697) | 508,264 |
| Research and development | 1,134,277 | (131,247) | - | (18,276) | (3,528) | (14,711) | 966,515 |
| General and administrative | 189,018 | (28,043) | - | (3,106) | (1,515) | (2,558) | 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 | 53,187 | - | 53,187 |
| Total revenue | 773,036 | - | 773,036 |
| 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 | 577,356 | (79,082) | 498,274 |
| Income from operations | 195,680 | 79,082 | 274,762 |
| Interest expense | (4,251) | - | (4,251) |
| Other income, net | 2,625 | (2,454) (B) | 171 |
| Income before provision for income taxes | 194,054 | 76,628 | 270,682 |
| Provision for income taxes | 17,475 | 25,834 (C) | 43,309 |
| Net income | \$ 176,579 | \$ 50,794 | \$ 227,373 |

*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 | \$ 54,230 | \$ 16,781 | \$ 5,946 | \$ 2,205 | \$ 79,162 |

(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