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Cadence Design Systems, Inc.
Condensed Consolidated Balance Sheets
December 31, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	December 31, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	\$ 882,325	\$ 1,088,940
Receivables, net	486,710	337,596
Inventories	128,005	115,721
Prepaid expenses and other	209,727	173,512
Total current assets	1,706,767	1,715,769
Property, plant and equipment, net	371,451	305,911
Goodwill	1,374,268	928,358
Acquired intangibles, net	354,617	233,265
Deferred taxes	853,691	763,770
Other assets	476,277	439,226
Total assets	\$ 5,137,071	\$ 4,386,299
Current liabilities:		
Revolving credit facility	\$ 100,000	\$ -
Accounts payable and accrued liabilities	557,158	417,283
Current portion of deferred revenue	690,538	553,942
Total current liabilities	1,347,696	971,225
Long-term liabilities:		
Long-term portion of deferred revenue	91,524	101,148
Long-term debt	648,078	347,588
Other long-term liabilities	304,660	225,663
Total long-term liabilities	1,044,262	674,399
Stockholders' equity	2,745,113	2,740,675
Total liabilities and stockholders' equity	\$ 5,137,071	\$ 4,386,299

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

	January 1, 2022	April 2, 2022	July 2, 2022	October 1, 2022	December 31, 2022
Current assets:					
Cash and cash equivalents	\$ 1,088,940	\$ 1,134,752	\$ 1,029,544	\$ 1,026,051	\$ 882,325
Receivables, net	337,596	361,789	391,738	391,181	486,710
Inventories	115,721	110,213	106,372	114,283	128,005
Prepaid expenses and other	173,512	128,143	129,966	138,968	209,727
Total current assets	<u>1,715,769</u>	<u>1,734,897</u>	<u>1,657,620</u>	<u>1,670,483</u>	<u>1,706,767</u>
Property, plant and equipment, net	305,911	310,690	316,741	348,238	371,451
Goodwill	928,358	923,719	924,460	1,348,494	1,374,268
Acquired intangibles, net	233,265	219,110	215,781	353,912	354,617
Deferred taxes	763,770	787,111	802,886	783,315	853,691
Other assets	439,226	419,540	443,786	463,645	476,277
Total assets	<u>\$ 4,386,299</u>	<u>\$ 4,395,067</u>	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>
Current liabilities:					
Revolving credit facility	\$ -	\$ -	\$ -	\$ 150,000	\$ 100,000
Accounts payable and accrued liabilities	417,283	360,547	437,195	454,688	557,158
Current portion of deferred revenue	553,942	600,279	605,296	652,306	690,538
Total current liabilities	<u>971,225</u>	<u>960,826</u>	<u>1,042,491</u>	<u>1,256,994</u>	<u>1,347,696</u>
Long-term liabilities:					
Long-term portion of deferred revenue	101,148	106,838	114,573	102,167	91,524
Long-term debt	347,588	347,792	347,999	647,799	648,078
Other long-term liabilities	225,663	219,428	230,982	252,999	304,660
Total long-term liabilities	<u>674,399</u>	<u>674,058</u>	<u>693,554</u>	<u>1,002,965</u>	<u>1,044,262</u>
Stockholders' equity:					
Common stock and capital in excess of par value	2,467,701	2,552,207	2,590,893	2,697,632	2,765,673
Treasury stock, at cost	(2,740,003)	(3,025,728)	(3,352,827)	(3,522,219)	(3,824,163)
Retained earnings	3,046,288	3,281,623	3,468,543	3,654,848	3,895,240
Accumulated other comprehensive loss	(33,311)	(47,919)	(81,380)	(122,133)	(91,637)
Total stockholders' equity	<u>2,740,675</u>	<u>2,760,183</u>	<u>2,625,229</u>	<u>2,708,128</u>	<u>2,745,113</u>
Total liabilities and stockholders' equity	<u>\$ 4,386,299</u>	<u>\$ 4,395,067</u>	<u>\$ 4,361,274</u>	<u>\$ 4,968,087</u>	<u>\$ 5,137,071</u>

Cadence Design Systems, Inc.
Condensed Consolidated Income Statements
For the Three Months and Years Ended December 31, 2022 and January 1, 2022
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Years Ended</u>	
	<u>December 31, 2022</u>	<u>January 1, 2022</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Revenue:				
Product and maintenance	\$ 845,880	\$ 719,849	\$ 3,340,197	\$ 2,812,947
Services	53,997	53,187	221,521	175,297
Total revenue	<u>899,877</u>	<u>773,036</u>	<u>3,561,718</u>	<u>2,988,244</u>
Costs and expenses:				
Cost of product and maintenance	69,702	47,714	273,565	222,647
Cost of services	23,813	21,979	98,058	84,359
Marketing and sales	171,817	148,068	604,224	560,262
Research and development	350,423	288,953	1,251,544	1,134,277
General and administrative	68,065	65,743	242,116	189,018
Amortization of acquired intangibles	4,927	4,979	18,470	19,640
Restructuring	13	(80)	55	(1,048)
Total costs and expenses	<u>688,760</u>	<u>577,356</u>	<u>2,488,032</u>	<u>2,209,155</u>
Income from operations	211,117	195,680	1,073,686	779,089
Interest expense	(9,082)	(4,251)	(22,934)	(16,980)
Other income (expense), net	8,490	2,625	(5,389)	6,326
Income before provision (benefit) for income taxes	210,525	194,054	1,045,363	768,435
Provision (benefit) for income taxes	<u>(29,867)</u>	<u>17,475</u>	<u>196,411</u>	<u>72,480</u>
Net income	<u>\$ 240,392</u>	<u>\$ 176,579</u>	<u>\$ 848,952</u>	<u>\$ 695,955</u>
Net income per share - basic	<u>\$ 0.89</u>	<u>\$ 0.65</u>	<u>\$ 3.13</u>	<u>\$ 2.54</u>
Net income per share - diluted	<u>\$ 0.88</u>	<u>\$ 0.63</u>	<u>\$ 3.09</u>	<u>\$ 2.50</u>
Weighted average common shares outstanding - basic	<u>269,709</u>	<u>273,066</u>	<u>271,198</u>	<u>273,504</u>
Weighted average common shares outstanding - diluted	<u>272,997</u>	<u>278,253</u>	<u>275,011</u>	<u>278,858</u>

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

	Three Months Ended				
	January 1, 2022	April 2, 2022	July 2, 2022	October 1, 2022	December 31, 2022
Revenue:					
Product and maintenance	\$ 719,849	\$ 846,244	\$ 802,285	\$ 845,788	\$ 845,880
Services	53,187	55,522	55,236	56,766	53,997
Total revenue	<u>773,036</u>	<u>901,766</u>	<u>857,521</u>	<u>902,554</u>	<u>899,877</u>
Costs and expenses:					
Cost of product and maintenance	47,714	72,795	68,717	62,351	69,702
Cost of services	21,979	25,048	23,948	25,249	23,813
Marketing and sales	148,068	140,186	139,296	152,925	171,817
Research and development	288,953	290,895	286,597	323,629	350,423
General and administrative	65,743	48,937	51,426	73,688	68,065
Amortization of acquired intangibles	4,979	4,964	4,633	3,946	4,927
Restructuring	(80)	12	16	14	13
Total costs and expenses	<u>577,356</u>	<u>582,837</u>	<u>574,633</u>	<u>641,802</u>	<u>688,760</u>
Income from operations	195,680	318,929	282,888	260,752	211,117
Interest expense	(4,251)	(4,108)	(4,281)	(5,463)	(9,082)
Other income (expense), net	2,625	(4,900)	(5,962)	(3,017)	8,490
Income before provision (benefit) for income taxes	194,054	309,921	272,645	252,272	210,525
Provision (benefit) for income taxes	17,475	74,586	85,725	65,967	(29,867)
Net income	<u>\$ 176,579</u>	<u>\$ 235,335</u>	<u>\$ 186,920</u>	<u>\$ 186,305</u>	<u>\$ 240,392</u>
Net income per share - basic	<u>\$ 0.65</u>	<u>\$ 0.86</u>	<u>\$ 0.69</u>	<u>\$ 0.69</u>	<u>\$ 0.89</u>
Net income per share - diluted	<u>\$ 0.63</u>	<u>\$ 0.85</u>	<u>\$ 0.68</u>	<u>\$ 0.68</u>	<u>\$ 0.88</u>
Weighted average common shares outstanding - basic	<u>273,066</u>	<u>272,431</u>	<u>271,520</u>	<u>271,131</u>	<u>269,709</u>
Weighted average common shares outstanding - diluted	<u>278,253</u>	<u>276,918</u>	<u>275,172</u>	<u>274,957</u>	<u>272,997</u>

Cadence Design Systems, Inc.
Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and January 1, 2022
(In thousands)
(Unaudited)

	Years Ended	
	December 31, 2022	January 1, 2022
Cash and cash equivalents at beginning of year	\$ 1,088,940	\$ 928,432
Cash flows from operating activities:		
Net income	848,952	695,955
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132,088	142,308
Amortization of debt discount and fees	1,134	1,219
Stock-based compensation	270,439	210,090
(Gain) loss on investments, net	5,425	(580)
Deferred income taxes	(107,606)	(43,178)
Provisions for losses on receivables	204	525
ROU asset amortization and change in operating lease liabilities	3,342	(11,606)
Other non-cash items	371	427
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Receivables	(138,471)	2,014
Inventories	(23,073)	(39,027)
Prepaid expenses and other	(38,927)	(34,342)
Other assets	(933)	(7,133)
Accounts payable and accrued liabilities	113,945	67,356
Deferred revenue	131,462	100,731
Other long-term liabilities	43,542	16,199
Net cash provided by operating activities	<u>1,241,894</u>	<u>1,100,958</u>
Cash flows from investing activities:		
Purchases of non-marketable investments	(1,000)	-
Proceeds from the sale of non-marketable investments	366	128
Purchases of property, plant and equipment	(123,215)	(65,298)
Purchases of intangible assets	(1,000)	(1,583)
Cash paid in business combinations, net of cash acquired	(613,785)	(226,201)
Net cash used for investing activities	<u>(738,634)</u>	<u>(292,954)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	585,000	-
Payments on revolving credit facility	(485,000)	-
Proceeds from term loan	300,000	-
Payment of debt issuance costs	(425)	(1,285)
Proceeds from issuance of common stock	105,331	87,772
Stock received for payment of employee taxes on vesting of restricted stock	(111,864)	(117,982)
Payments for repurchases of common stock	(1,050,091)	(612,297)
Net cash used for financing activities	<u>(657,049)</u>	<u>(643,792)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(52,826)</u>	<u>(3,704)</u>
Increase (decrease) in cash and cash equivalents	<u>(206,615)</u>	<u>160,508</u>
Cash and cash equivalents at end of year	<u>\$ 882,325</u>	<u>\$ 1,088,940</u>

Cadence Design Systems, Inc.
Trended Condensed Consolidated Statements of Cash Flows
For the Five Quarters Ended December 31, 2022
(In thousands)
(Unaudited)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Cash and cash equivalents at beginning of period	\$ 1,013,819	\$ 1,088,940	\$ 1,134,752	\$ 1,029,544	\$ 1,026,051
Cash flows from operating activities:					
Net income	176,579	235,335	186,920	186,305	240,392
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	35,346	34,825	32,865	30,488	33,910
Amortization of debt discount and fees	267	268	271	271	324
Stock-based compensation	54,230	59,469	64,270	73,451	73,249
(Gain) loss on investments, net	(250)	2,038	1,086	1,653	648
Deferred income taxes	(8,612)	(24,920)	(16,677)	(8,237)	(57,772)
Provisions for losses (recoveries) on receivables	291	(344)	477	338	(267)
ROU asset amortization and change in operating lease liabilities	(8,689)	926	816	(2,625)	4,225
Other non-cash items	281	88	-	70	213
Changes in operating assets and liabilities, net of effect of acquired businesses:					
Receivables	(13,118)	(28,426)	(35,610)	6,727	(81,162)
Inventories	(13,419)	4,580	(4,213)	(8,387)	(15,053)
Prepaid expenses and other	(70,974)	44,419	(3,848)	(9,975)	(69,523)
Other assets	(15,260)	11,588	2,888	3,168	(18,577)
Accounts payable and accrued liabilities	56,855	(58,203)	75,673	7,044	89,431
Deferred revenue	16,548	56,225	24,235	33,252	17,750
Other long-term liabilities	5,782	(1,260)	(4,612)	3,567	45,847
Net cash provided by operating activities	<u>215,857</u>	<u>336,608</u>	<u>324,541</u>	<u>317,110</u>	<u>263,635</u>
Cash flows from investing activities:					
Purchases of non-marketable investments	-	(1,000)	-	-	-
Proceeds from the sale of non-marketable investments	-	-	-	-	366
Purchases of property, plant and equipment	(15,321)	(18,130)	(24,072)	(44,093)	(36,920)
Purchases of intangible assets	(1,583)	(750)	-	(250)	-
Cash paid in business combinations, net of cash acquired	(6,175)	-	(25,000)	(561,163)	(27,622)
Net cash used for investing activities	<u>(23,079)</u>	<u>(19,880)</u>	<u>(49,072)</u>	<u>(605,506)</u>	<u>(64,176)</u>
Cash flows from financing activities:					
Proceeds from revolving credit facility	-	-	-	450,000	135,000
Payments on revolving credit facility	-	-	-	(300,000)	(185,000)
Proceeds from term loan	-	-	-	300,000	-
Payment of debt issuance costs	-	-	-	(425)	-
Proceeds from issuance of common stock	4,140	45,673	4,551	53,458	1,649
Stock received for payment of employee taxes on vesting of restricted stock	(9,797)	(56,343)	(7,201)	(39,549)	(8,771)
Payments for repurchases of common stock	(109,996)	(250,016)	(350,033)	(150,013)	(300,029)
Net cash provided by (used for) financing activities	<u>(115,653)</u>	<u>(260,686)</u>	<u>(352,683)</u>	<u>313,471</u>	<u>(357,151)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,004)</u>	<u>(10,230)</u>	<u>(27,994)</u>	<u>(28,568)</u>	<u>13,966</u>
Increase (decrease) in cash and cash equivalents	<u>75,121</u>	<u>45,812</u>	<u>(105,208)</u>	<u>(3,493)</u>	<u>(143,726)</u>
Cash and cash equivalents at end of period	<u>\$ 1,088,940</u>	<u>\$ 1,134,752</u>	<u>\$ 1,029,544</u>	<u>\$ 1,026,051</u>	<u>\$ 882,325</u>

Cadence Design Systems, Inc.
(Unaudited)

Revenue Mix by Geography (% of Total Revenue)

<u>GEOGRAPHY</u>	2021					2022				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Americas	46%	44%	46%	43%	45%	47%	45%	45%	46%	46%
China	12%	14%	13%	12%	13%	16%	13%	17%	13%	15%
Other Asia	18%	19%	18%	21%	19%	18%	18%	17%	18%	18%
Europe, Middle East and Africa	18%	17%	17%	18%	17%	14%	18%	16%	17%	16%
Japan	6%	6%	6%	6%	6%	5%	6%	5%	6%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Mix by Product Category (% of Total Revenue)

<u>PRODUCT CATEGORY</u>	2021					2022				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Custom IC Design and Simulation	23%	23%	23%	24%	23%	22%	23%	22%	22%	22%
Digital IC Design and Signoff	27%	28%	29%	29%	29%	27%	27%	29%	28%	28%
Functional Verification, including Emulation and Prototyping Hardware	26%	25%	23%	21%	24%	28%	24%	25%	25%	26%
IP	14%	13%	14%	14%	13%	13%	14%	12%	12%	12%
System Design and Analysis	10%	11%	11%	12%	11%	10%	12%	12%	13%	12%
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 13, 2023
(Unaudited)

	<u>Three Months Ending</u> <u>March 31, 2023</u>	<u>Year Ending</u> <u>December 31, 2023</u>
	<u>Forecast</u>	<u>Forecast</u>
GAAP operating margin as a percent of total revenue	31% - 32%	30.5% - 32.0%
Reconciling items to non-GAAP operating margin as a percent of total revenue:		
Stock-based compensation expense	8%	8%
Amortization of acquired intangibles	1%	1%
Acquisition and integration-related costs	1%	1%
Non-GAAP operating margin as a percent of total revenue†	<u>41% - 42%</u>	<u>40.5% - 42.0%</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.

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Diluted Net Income Per Share
As of February 13, 2023
(Unaudited)

	Three Months Ending March 31, 2023 Forecast	Year Ending December 31, 2023 Forecast
Diluted net income per share on a GAAP basis	\$0.84 to \$0.88	\$3.24 to \$3.34
Stock-based compensation expense	0.28	1.21
Amortization of acquired intangibles	0.05	0.21
Acquisition and integration-related costs	0.05	0.15
Income tax effect of non-GAAP adjustments	0.01	0.09
Diluted net income per share on a non-GAAP basis†	<u>\$1.23 to \$1.27</u>	<u>\$4.90 to \$5.00</u>

Cadence Design Systems, Inc.
Impact of Non-GAAP Adjustments on Forward Looking Net Income
As of February 13, 2023
(Unaudited)

(\$ in millions)	Three Months Ending March 31, 2023 Forecast	Year Ending December 31, 2023 Forecast
Net income on a GAAP basis	\$230 to \$241	\$886 to \$913
Stock-based compensation expense	77	330
Amortization of acquired intangibles	15	58
Acquisition and integration-related costs	13	40
Income tax effect of non-GAAP adjustments	1	24
Net income on a non-GAAP basis†	<u>\$336 to \$347</u>	<u>\$1,338 to \$1,365</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.

Cadence Design Systems, Inc.
Reconciliation of GAAP Net Income to Non-GAAP Net Income
For the Three Months and Years Ended December 31, 2022 and January 1, 2022
(Unaudited)

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Net income on a GAAP basis	\$ 240,392	\$ 176,579	\$ 848,952	\$ 695,955
Stock-based compensation expense*	73,249	54,230	270,439	210,090
Amortization of acquired intangibles**	15,369	16,781	59,818	67,216
Acquisition and integration-related costs***	17,510	5,946	41,103	22,413
Restructuring	13	(80)	55	(1,048)
Non-qualified deferred compensation expenses (credits)****	3,233	2,205	(8,744)	6,163
Special charges *****	-	-	-	26,832
Other income or expense related to investments and non-qualified deferred compensation plan assets †	(2,584)	(2,454)	14,171	(6,745)
Income tax effect of non-GAAP adjustments	(85,397)	(25,834)	(52,475)	(102,456)
Net income on a non-GAAP basis +	\$ 261,785	\$ 227,373	\$ 1,173,319	\$ 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 2022 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	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Cost of product and maintenance	\$ 1,067	\$ 774	\$ 3,818	\$ 3,375
Cost of services	1,357	984	4,851	4,161
Marketing and sales	15,121	10,980	54,771	43,264
Research and development	43,421	34,146	158,937	131,247
General and administrative	12,283	7,346	48,062	28,043
Total stock-based compensation expense	\$ 73,249	\$ 54,230	\$ 270,439	\$ 210,090

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Cost of product and maintenance	\$ 10,442	\$ 11,802	\$ 41,348	\$ 47,576
Amortization of acquired intangibles	4,927	4,979	18,470	19,640
Total amortization of acquired intangibles	\$ 15,369	\$ 16,781	\$ 59,818	\$ 67,216

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Cost of product and maintenance	\$ 136	\$ -	\$ 171	\$ -
Cost of services	650	-	740	-
Marketing and sales	2,085	355	3,521	1,031
Research and development	12,110	4,819	22,006	18,276
General and administrative	2,529	772	14,665	3,106
Total acquisition and integration-related costs	\$ 17,510	\$ 5,946	\$ 41,103	\$ 22,413

**** 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	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Cost of product and maintenance	\$ 30	\$ 15	\$ (74)	\$ 47
Cost of services	43	23	(107)	67
Marketing and sales	558	332	(1,726)	1,006
Research and development	1,652	1,302	(5,232)	3,528
General and administrative	950	533	(1,605)	1,515
Total non-qualified deferred compensation expenses (credits)	\$ 3,233	\$ 2,205	\$ (8,744)	\$ 6,163

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

(In thousands)	Three Months Ended		Years Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
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
Total special charges	\$ -	\$ -	\$ -	\$ 26,832

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 December 31, 2022 and January 1, 2022
(Unaudited)

(In thousands, except per share data)	Three Months Ended		Years Ended	
	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Diluted net income per share on a GAAP basis	\$ 0.88	\$ 0.63	\$ 3.09	\$ 2.50
Stock-based compensation expense	0.27	0.20	0.98	0.75
Amortization of acquired intangibles	0.06	0.06	0.22	0.24
Acquisition and integration-related costs	0.06	0.02	0.15	0.08
Restructuring	-	-	-	-
Non-qualified deferred compensation expenses (credits)	0.01	0.01	(0.03)	0.02
Special charges	-	-	-	0.10
Other income or expense related to investments and non-qualified deferred compensation plan assets*	(0.01)	(0.01)	0.05	(0.03)
Income tax effect of non-GAAP adjustments	(0.31)	(0.09)	(0.19)	(0.37)
Diluted net income per share on a non-GAAP basis +	\$ 0.96	\$ 0.82	\$ 4.27	\$ 3.29
Shares used in calculation of diluted net income per share	272,997	278,253	275,011	278,858

+ **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 2022 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>December 31, 2022</u>	<u>Three Months Ended</u> <u>January 1, 2022</u>
	<u>Actual</u>	<u>Actual</u>
	<u>(In thousands)</u>	<u>(In thousands)</u>
GAAP total costs and expenses	\$ 688,760	\$ 577,356
Reconciling items to non-GAAP total costs and expenses		
Stock-based compensation expense	(73,249)	(54,230)
Amortization of acquired intangibles	(15,369)	(16,781)
Acquisition and integration-related costs	(17,510)	(5,946)
Restructuring	(13)	80
Non-qualified deferred compensation expenses	(3,233)	(2,205)
Non-GAAP total costs and expenses†	<u>\$ 579,386</u>	<u>\$ 498,274</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 2022 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)

	<u>For the three months ended December 31, 2022</u>					
	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>expenses</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
(In thousands)						
Cost of product and maintenance	69,702	(1,067)	(10,442)	(136)	(30)	58,027
Cost of services	23,813	(1,357)	-	(650)	(43)	21,763
Marketing and sales	171,817	(15,121)	-	(2,085)	(558)	154,053
Research and development	350,423	(43,421)	-	(12,110)	(1,652)	293,240
General and administrative	68,065	(12,283)	-	(2,529)	(950)	52,303
Amortization of acquired intangibles	4,927	-	(4,927)	-	-	-
		<u>(73,249)</u>	<u>(15,369)</u>	<u>(17,510)</u>	<u>(3,233)</u>	
	<u>For the year ended December 31, 2022</u>					
	<u>Operating expenses</u> <u>on a GAAP basis†</u>	<u>Stock-based</u> <u>compensation</u> <u>expense</u>	<u>Amortization</u> <u>of acquired</u> <u>intangibles</u>	<u>Acquisition and</u> <u>integration-</u> <u>related costs</u>	<u>Non-qualified</u> <u>deferred compensation</u> <u>credits</u>	<u>Operating</u> <u>expenses on a</u> <u>non-GAAP basis</u>
(In thousands)						
Cost of product and maintenance	273,565	(3,818)	(41,348)	(171)	74	228,302
Cost of services	98,058	(4,851)	-	(740)	107	92,574
Marketing and sales	604,224	(54,771)	-	(3,521)	1,726	547,658
Research and development	1,251,544	(158,937)	-	(22,006)	5,232	1,075,833
General and administrative	242,116	(48,062)	-	(14,665)	1,605	180,994
Amortization of acquired intangibles	18,470	-	(18,470)	-	-	-
		<u>(270,439)</u>	<u>(59,818)</u>	<u>(41,103)</u>	<u>8,744</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 2022 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 December 31, 2022
(In thousands)
(Unaudited)

	Three Months Ended December 31, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 845,880	\$ -	\$ 845,880
Services	53,997	-	53,997
Total revenue	<u>899,877</u>	<u>-</u>	<u>899,877</u>
Costs and expenses:			
Cost of product and maintenance	69,702	(11,675) (A)	58,027
Cost of services	23,813	(2,050) (A)	21,763
Marketing and sales	171,817	(17,764) (A)	154,053
Research and development	350,423	(57,183) (A)	293,240
General and administrative	68,065	(15,762) (A)	52,303
Amortization of acquired intangibles	4,927	(4,927) (A)	-
Restructuring	13	(13)	-
Total costs and expenses	<u>688,760</u>	<u>(109,374)</u>	<u>579,386</u>
Income from operations	211,117	109,374	320,491
Interest expense	(9,082)	-	(9,082)
Other income, net	8,490	(2,584) (B)	5,906
Income before provision (benefit) for income taxes	210,525	106,790	317,315
Provision (benefit) for income taxes	(29,867)	85,397 (C)	55,530
Net income	<u>\$ 240,392</u>	<u>\$ 21,393</u>	<u>\$ 261,785</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 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the three months ended December 31, 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	\$ 1,067	\$ 10,442	\$ 136	\$ 30	\$ 11,675
Cost of services	1,357	-	650	43	2,050
Marketing and sales	15,121	-	2,085	558	17,764
Research and development	43,421	-	12,110	1,652	57,183
General and administrative	12,283	-	2,529	950	15,762
Amortization of acquired intangibles	-	4,927	-	-	4,927
Total	<u>\$ 73,249</u>	<u>\$ 15,369</u>	<u>\$ 17,510</u>	<u>\$ 3,233</u>	<u>\$ 109,361</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 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	<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	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	<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 2022 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 Year Ended December 31, 2022
(In thousands)
(Unaudited)

	Year Ended December 31, 2022		
	GAAP	Adjustments	Non-GAAP*
Revenue:			
Product and maintenance	\$ 3,340,197	\$ -	\$ 3,340,197
Services	221,521	-	221,521
Total revenue	<u>3,561,718</u>	<u>-</u>	<u>3,561,718</u>
Costs and expenses:			
Cost of product and maintenance	273,565	(45,263) (A)	228,302
Cost of services	98,058	(5,484) (A)	92,574
Marketing and sales	604,224	(56,566) (A)	547,658
Research and development	1,251,544	(175,711) (A)	1,075,833
General and administrative	242,116	(61,122) (A)	180,994
Amortization of acquired intangibles	18,470	(18,470) (A)	-
Restructuring	55	(55)	-
Total costs and expenses	<u>2,488,032</u>	<u>(362,671)</u>	<u>2,125,361</u>
Income from operations	1,073,686	362,671	1,436,357
Interest expense	(22,934)	-	(22,934)
Other income (expense), net	<u>(5,389)</u>	<u>14,171</u> (B)	<u>8,782</u>
Income before provision for income taxes	1,045,363	376,842	1,422,205
Provision for income taxes	<u>196,411</u>	<u>52,475</u> (C)	<u>248,886</u>
Net income	<u>\$ 848,952</u>	<u>\$ 324,367</u>	<u>\$ 1,173,319</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 2022 for a further discussion of its non-GAAP measures.

Notes:

(A) For the year ended December 31, 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 credits	Total adjustments
Cost of product and maintenance	\$ 3,818	\$ 41,348	\$ 171	\$ (74)	\$ 45,263
Cost of services	4,851	-	740	(107)	5,484
Marketing and sales	54,771	-	3,521	(1,726)	56,566
Research and development	158,937	-	22,006	(5,232)	175,711
General and administrative	48,062	-	14,665	(1,605)	61,122
Amortization of acquired intangibles	-	18,470	-	-	18,470
Total	<u>\$ 270,439</u>	<u>\$ 59,818</u>	<u>\$ 41,103</u>	<u>\$ (8,744)</u>	<u>\$ 362,616</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 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	<u>2,988,244</u>	<u>-</u>	<u>2,988,244</u>
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	<u>2,209,155</u>	<u>(331,666)</u>	<u>1,877,489</u>
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	<u>\$ 695,955</u>	<u>\$ 222,465</u>	<u>\$ 918,420</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 2022 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	<u>\$ 210,090</u>	<u>\$ 67,216</u>	<u>\$ 22,413</u>	<u>\$ 6,163</u>	<u>\$ 26,832</u>	<u>\$ 332,714</u>

(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