



Pixelworks™ Raises \$6.6 Million in Second Round of Financing

May 4, 1998

Portland, Ore., May 4, 1998 – Pixelworks Inc. announced today that the company has secured a second round of financing totaling \$6.6 million. The investment will fuel aggressive growth for Pixelworks, the world leader in flat panel display controller technology, by continuing product development and expanding marketing and sales efforts for its line of ImageProcessors. Sequoia Capital of Menlo Park served as lead investor for this round of financing, joining current investors Battery Ventures of Boston and the Enterprise Development Fund of Detroit who are also participating. This is the largest venture capital investment in Oregon this year and one of the top ten semiconductor investments nationwide in the last 12 months.

"Pixelworks is an aggressive company with tremendous potential," said Mark Stevens of Sequoia Capital. "Our investment reinforces our commitment to the incredible growth potential represented by fabless semiconductor companies in the multimedia arena."

"Pixelworks is perfectly positioned to be a key player in the booming flat panel display market," commented Oliver Curme of Battery Ventures. "Consumers are looking for new ways to see information without the drawbacks of CRT technology. The rapidly growing market for LCD monitors is a perfect example. Pixelworks ImageProcessors will enable a new generation of flat panel displays with uncompromising image quality for both computer and video input at a price that will accelerate their move into the home and office."

"We have made tremendous progress in the last year," said Allen Alley, President and CEO of Pixelworks. "We have clearly demonstrated the power of our technology through early design wins with leading display manufacturers in Japan and Taiwan. With the world class team we've assembled, Pixelworks will be a key player in making affordable, easy to operate flat panel displays a reality."

Sequoia Capital is a venture capital firm specializing in semiconductor, communications, computer, software and healthcare companies. Since its founding in 1972, Sequoia has raised more than \$800 million and has invested in companies such as Apple Computer, Yahoo!, 3Com, Cisco Systems and Oracle. Fabless semiconductor investments by Sequoia include NVidia, NeoMagic, and C-Cube Microsystems. Battery Ventures invests in emerging technology companies from its four investment funds, the most recent of which totals \$200 million. Battery's portfolio investments include Banyan Systems, Fore Systems, In Focus Systems, Infoseek and 3COM (Amber Wave). Enterprise Development Fund invests in emerging growth companies including investments in Aastron Biosciences, Pacific Biometrics, and Think & Do Software Inc.

Pixelworks and the ImageProcessor

Pixelworks is a privately held fabless semiconductor company founded in January 1997. The company's initial product, the PW364 ImageProcessor IC, targets the rapidly expanding flat panel display market. A Pixelworks ImageProcessor is a single chip that replaces virtually all of the separate electronic components necessary to connect a flat panel display device to any image source such as a computer, DVD player or digital television. Since the Pixelworks ImageProcessor replaces several discrete components, it results in dramatically lower overall electronics, and hence product, cost.

ImageProcessors will accelerate the adoption of flat panel display products by enabling displays that deliver unsurpassed image quality regardless of input source format, with no user intervention, at the lowest cost. The company expects flat panel display products utilizing the Pixelworks display controller will be available in the first quarter of 1999. Applications for this new product include LCD monitors, plasma displays, projection systems, and CRT-based systems.

Pixelworks Inc., headquartered in Portland, Ore., was founded by several senior managers from In Focus Systems, Inc (NASDAQ: INFS). The company has core capabilities in the development, marketing, and sales of integrated circuits incorporating image processing, high speed digital design, and mixed signal processing. Pixelworks' mission is to enable broad adoption of flat panel display products through the development and sales of critical integrated circuit components which results in display products that deliver unsurpassed image quality, automatically, at the lowest cost. Beginning in early 1997, the company entered into a strategic partnership with Fujitsu General America to develop the market and channels for the Plasmavision™ 42 large-screen plasma display. The relationship enabled Pixelworks to further enhance its extensive market knowledge of flat panel display products and their applications.

For more information about Pixelworks, call 503-612-6700 or visit the company's Web site at www.pixelworksync.com