Pixelworks(TM) Introduces DreamStream(TM) Reference Software to Enable Quick Development of Set-Top Boxes for Streaming Digital Media

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LAS VEGAS--(BUSINESS WIRE)--Jan. 6, 2006--Pixelworks, Inc. (NASDAQ:PXLW), a leading provider of system-on-chip ICs for the advanced display industry, announced today that it is releasing the DreamStream(TM) Application Reference Software for developing next-generation devices for networked digital media streaming in consumer and commercial environments. The DreamStream software will be production-ready so that manufacturers can rapidly develop connectivity devices for low-video-bandwidth applications in which high quality performance is necessary, such as IP-based set-top boxes for over-the-network video delivery of Windows Media 9 content, digital media adapters, digital signage and low-cost remote education devices.

DreamStream software uses Linux-based software components that are compatible with Microsoft's Windows Server 2003 streaming and provides video/audio decoding, digital rights management, wired and wireless connectivity and full Internet browsing. Used with the BSP(TM)-15 based Babelfish(TM) I Reference Platform, this software can provide the industry's lowest cost, single-chip solution for digital streaming applications.

The DreamStream software supports WMA, WMV, MP3 and JPEG formats, complete with Windows Media DRM 10 digital rights management. In addition, DreamStream software incorporates the industry-leading Opera browser and an on-screen display for maximum flexibility in designing a graphical user interface. DreamStream software supports network connectivity through Ethernet, either wired or through WiFi 802.11 b/g, and network protocols including PPPoE, Multicast, Microsoft Windows Server 2003 streaming protocols and HTTP.

"The DreamStream software is a buttoned-down solution for companies interested in expanding into markets requiring digital media streaming," said Brett Monello, Vice President of Video and Image Processing. "The flexibility of the platform and production readiness puts it at the forefront of solutions currently available for general-purpose set-top boxes or for more specialized devices for receiving specific content via an IP network."

The DreamStream Application Reference Software is now in beta release and customer trials and is available for customers under terms of a Pixelworks software agreement.

About Pixelworks, Inc.

Pixelworks, headquartered in Tualatin, Oregon, is a leading provider of system-on-chip ICs for the advanced display industry. Pixelworks' solutions provide the intelligence for advanced televisions, multimedia projectors and flat panel monitors by processing and optimizing video and computer graphics signals to produce high quality images. Many of the world's leading manufacturers of consumer electronics and computer display products utilize our technology to enhance image quality and ease of use of their products.

For more information, please visit the company's Web site at www.pixelworks.com.

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Safe Harbor Statement

This press release contains statements that are forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995. Statements such as "the DreamStream software will be production-ready" are based on current expectations, estimates and projections about the company's business. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from the description contained herein due to many factors including business and economic conditions; changes in growth in the advanced display or set-top box industries, including without limitation the digital media streaming industries; the non-acceptance of the technologies by leading manufacturers; competitive factors such as rival chip architectures or pricing; discovery of any material and currently unknown product problems; shortages of manufacturing capacity from or failures in timely delivery by our third-party foundries; litigation involving antitrust and intellectual property and other risk factors listed from time to time in the company's Securities and Exchange Commission filings. In addition, such statements are subject to the risks inherent in investments in and acquisitions of technologies, including the timing and successful completion of technology and product development through volume production, integration issues, unanticipated costs and expenditures, changing relationships with customers, suppliers and strategic partners, and potential contractual, intellectual property or employment issues. The forward-looking statements contained in this press release speak only as of the date on which they are made, and the company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this news release. If the company does update one or more forward-looking statements, investors and others should not conclude that the company will make additional updates with respect thereto or with respect to other forward-looking statements.

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