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CANESTA RAISES $16 MILLION

New Strategic Investors Signal the importance of 3-D Natural Interfaces to the Future of PCs and other Consumer Devices

SUNNYVALE, CALIFORNIA – OCTOBER 21, 2009 – The pioneer and leading provider of mass-market 3-D image sensors, Canesta, Inc. today announced it has raised $16 million in additional capitalization. Joining returning investors Carlyle Growth Partners, Hotung Venture Group, and Venrock are two new strategic investors – Quanta Computer Inc. (2382.TW), the world's largest manufacturer of notebook computers, and SMSC (NASDAQ: SMSC), a leading provider of smart mixed-signal connectivity solutions.

Canesta has invented a family of tiny CMOS 3-D "camera" chips that can provide a real-time, 3-D "depth map" of the surrounding area to PCs, consumer electronics devices such as televisions, videogames, or smartphones. The technology enables revolutionary 3-D user experiences that dramatically improve device functionality and convenience, and are just plain fun to use. The strategic investments by PC maker Quanta and chipmaker SMSC, in particular, signal an increasing interest worldwide in applying true 3-D human-interface device (HID) capabilities to personal computer applications.

"The emergence of 3-D 'natural' interfaces in PCs – such as 'touchless' gesture controls – as well as other immersive applications, has been inevitable," commented Jim Spare president and CEO of Canesta. "While significant advances in computer processing and graphics continue to be made, consumers are proving increasingly indifferent to these as product differentiators. As a consequence, we are seeing an immense shift in focus by OEMs to radical innovation and improvement in the user experience, as a way of gaining competitive advantage."

Moreover, Spare explained, current breakaway products in the mobile space that utilize multi-touch, and market-changing products in gaming that incorporate accelerometers for positional inputs, provide a sneak preview of what will be possible with Canesta-based 3-D natural interfaces. "We are on the verge of a decade of innovation in human interfaces," predicted Spare.

Earlier this year, Hitachi and Canesta demonstrated a television that enables consumers to navigate an array of television-based services using a visual 3-D interface and natural "gesture-based" controls (www.roeder-johnson.com/RJDocs/Canesta-Demonstrates-Natural-3D-Interface-At-D.html).

Moreover, gesture-controlled PC interfaces have been featured for several years in several popular television series such as *CSI: Miami* – where characters sift through page after page of forensic data simply with the wave of a hand. Because of such influences, Spare says that the public is "suitably primed" for fully-immersive user experiences that go "beyond multi-touch" and do not require the user to hold any controller in his or her hand.

There are as many applications of 3-D natural Interfaces on the PC as there are applications for PCs themselves, Spare says. Some of the applications made possible by Canesta's 3-D electronic perception chips and technology include:

- Hands-free gesture control (for new user experiences that are more convenient and "fun");
- Robust and accurate facial recognition for user identification and security;
- Background substitution for video conferencing and "virtual sets" (to enable every consumer to have video conferencing and content-creation capabilities that are currently only available to professionals with large budgets);
- Avatar control for 3-D virtual communities (increasing ease-of-use and improving accessibility to a wider audience);
- Augmented reality;
- Immersive personalized advertising; and
- Many others.

[EDITORS' NOTE: for several video examples, see http://canesta.com/applications/consumer-electronics/gesture-controls]

Spare also sees this investment in larger terms: "The implied endorsement and strong interest in 3-D imaging technology by the world's largest personal computer ODM [original device manufacturer] will encourage other players to adopt this game-changing technology," said Spare. "And as that happens, our standard CMOS approach will enable us to constantly drive down cost and improve performance. 3-D CMOS sensors will become as ubiquitous on PCs, cell phones, and other consumer electronics as CMOS 2-D color camera chips are on notebooks and cell phones today."

Taiwan's Quanta Computer shares this vision. "We are excited to become a key investor in Canesta," said Cherng Chao, senior vice president of Quanta. "A natural interface on a PC is as important a breakthrough as was the mouse, and we expect a similar paradigm shift to eventually take hold. Canesta literally invented the field of mass market, 3-D electronic perception, and we have great expectations of what we can accomplish together."

Quanta Computer is the underlying manufacturer for many name-brand PCs and notebook computers, as well as a broad-based supplier of sub-assemblies. Quanta's consolidated sales in 2008, at today's rates, were approximately US$25 billion. The company plans to introduce Canesta's unique capabilities into their broad market.

The "Other Side" of 3-D

Canesta holds over 40 granted patents for a broad range of breakthroughs in its electronic perception technology. These include innovations in silicon implementation, optics, key applications such as hands-free gesture control, and many others.

While most of the popular conception of 3-D technology has been on the "output" side, such as representing 3-dimensional objects in two dimensions (e.g., for the exploding 3-D feature-film presentation market, such as the movie *Up*; 3-D games; or industrial applications such as computer aided design of vehicles or aircraft), Canesta has focused on "the other side of 3-D", that is, the "input" side.

Canesta's technology is designed to make it possible for everyday devices to see and react to the world around them. It achieves this by being able to accurately, and in real time, measure the distance to thousands of features in the "frame" in view of the sensor, and to supply this data, at over 60 frames-per-second, to the device – PC, television, cell phone, videogame – in which it is embedded.

It is the only available technology that achieves 3-D imaging with a single, mass market CMOS sensor, in all lighting conditions from darkness to bright sunlight, and irrespective of the features in the scene or background.

Co-investor SMSC, a leader in "smart" mixed-signal connectivity applications and chips, sees Canesta's 3-D sensor chips as an important, new IC application.

"We focus on bringing a broad array of capabilities to the PC ecosystem," said Christine King, CEO and president of SMSC. "We believe that devices that can perceive the world around them in 3-D terms will become life-changing and ubiquitous, and are a key and basic part of that ecosystem. This is a new class of chip, and we are delighted to participate with Canesta on this technology evolution."

Canesta plans to use the new funds for business expansion and working capital in order to meet the needs of its rapidly growing consumer product and personal computer customer-base.

About Canesta

Canesta is the inventor of revolutionary, low-cost electronic perception technology that is the foundation for the "other side of 3-D" – true 3-D perception as *input* to everyday devices, rather than the widely-understood 3-D representational technologies as *output*.

Canesta's 3-D input technology, based upon tiny, CMOS 3-D imaging chips or "sensors", enables fine-grained, 3-dimensional depth-perception in virtually any kind of consumer device such as PCs, TVs, game consoles, and mobile phones, as well as automotive, industrial, and other products. Such products can then react on sight to the actions or motions of individuals and objects in their field of view, gaining levels of functionality and ease of use that were simply not possible in an era when such devices were blind.

Numerous applications are under active development by Canesta's OEM customers and partners, including consumer electronics, PC, TV, building automation, security, robotics, automotive, and others. Such customers and partners include Hitachi, Honda, Optex, Optronic, Quanta, SMSC, and others which have yet to be announced.

Canesta is located in Sunnyvale, CA. The company has filed in excess of fifty patents, 40 of which have been granted so far.

-30-

Additional background information is available at www.roeder-johnson.com.