



Silicon Motion Assisted Key Customer Investigate Problem with Faulty Flash Drive Products: Silicon Motion not at Fault for Overheating Devices

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SAN JOSE, Calif. and TAIPEI, Taiwan, July 12 /Xinhua-PRNewswire-FirstCall/ -- Silicon Motion Technology Corporation (Nasdaq: SIMO; "the Company"), a leading fabless semiconductor company that designs, develops, and markets universally compatible, high-performance, low-power semiconductor solutions for the multimedia consumer electronics market, assisted one of the Company's key customers diagnose and resolve a problem related to two of its external flash drive products. The products were found to overheat on rare occasions in a laboratory environment, posing a potential risk to consumers. As a result, the customer decided to voluntarily recall the products for safety reasons. No incidents or injuries involving the flash drives have been reported. The recall is expected to total approximately 66,000 units.

Silicon Motion's USB flash disk controller, SM321, was used in the recalled products. Silicon Motion has already helped the customer diagnose and resolve the problem. The overheating was found to be caused by the mistaken use of an external third party voltage regulator that did not conform to the controller's design specifications. Silicon Motion's controller was not at fault. The SM321 controller is one of Silicon Motion's most mature and best selling UFD products, and the Company has shipped more than 16 million units in the 5 quarters since its introduction. The product's performance, compatibility, quality, and scalability in various applications are highly regarded by the Company's customers.

Silicon Motion does not expect the recall to have a material impact on its financials. Additionally, the customer has already resumed production and shipments with Silicon Motion's controllers.

About Silicon Motion:

Silicon Motion Technology Corporation is a leading fabless semiconductor company that designs, develops, and markets universally compatible, high-performance, low-power semiconductor solutions for the multimedia consumer electronics market. The Company's semiconductor solutions include controllers used in mobile storage media, such as flash memory cards and USB flash drives, and multimedia systems on a chip, or SoCs, used in digital media devices such as MP3 players, PC cameras, PC notebooks and broadband multimedia phones.

Forward-Looking Statements:

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding trends in the multimedia consumer electronics market and our future results of operations, financial condition and business prospects. Although such statements are based on our own information and information from other sources we believe to be reliable, you should not place undue reliance on them. These statements involve risks and uncertainties, and actual market trends or our actual results of operations, financial condition or business prospects may differ materially from those expressed or implied in these forward looking statements for a variety of reasons. Potential risks and uncertainties include, but are not limited to, our belief in the outcome of any claim or lawsuit, including our claim against one of our subcontractors for the inventory loss that we sustained during a fire at the subcontractor's factory; unpredictable volume and timing of customer orders, which are not fixed by contract but vary on a purchase order basis; the loss of one or more key customers or the significant reduction, postponement, rescheduling or cancellation of orders from these customers; general economic conditions or conditions in the semiconductor or multimedia consumer electronics markets; decreases in the overall average selling prices of our products; changes in the relative sales mix of our products; changes in our cost of finished goods; the availability, pricing, and timeliness of delivery of other components and raw materials used in our customers' products; our customers' sales outlook, purchasing patterns, and inventory adjustments based on consumer demands and general economic conditions; our ability to successfully develop, introduce, and sell new or enhanced products in a timely manner; and the timing of new product announcements or introductions by us or by our competitors. For additional discussion of these risks and uncertainties and other factors, please see the documents we file from time to time with the Securities and Exchange Commission, including the registration statement on Form F-1 filed on June 24, 2005, as amended. We assume no obligation to update any forward-looking statements, which apply only as of the date of this press release.

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