SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[x] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended June 28, 1998.

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION
(Exact name of registrant as specified in its charter)

WISCONSIN	39-1804239
(State of Incorporation)	(I.R.S. Employer Identification No.)

3333 WEST GOOD HOPE ROAD, MILWAUKEE, WI 53209
(Address of principal executive offices)

(414) 247-3333
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [x]Yes [ ]No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. [ ]

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant as of August 19, 1998 was approximately $165,646,000 (based upon the last reported sale price of the Common Stock at August 19, 1998 on the NASDAQ National Market). On August 19, 1998, there were outstanding 5,721,858 shares of $.01 par value Common Stock.

Documents Incorporated by Reference

Document	Part of the Form 10-K into which incorporated

Portions of the Annual Report to Shareholders for the fiscal year ended June 28, 1998.	I, II, IV
Portions of the Proxy Statement dated September 9, 1998, for the Annual Meeting of Shareholders to be held on October 22, 1998.	III

PART I

ITEM 1. BUSINESS

The information set forth under "Company Description" which appears on pages 4 through 8 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference. For information as to export sales, see the information set forth under "Export Sales" included on page 22 of the Company's 1998 Annual Report to Shareholders, which is incorporated herein by reference.

EMERGING TECHNOLOGIES

New electronic technologies are expected to become increasingly important in future product designs. These technologies may include radio frequency transmission and receiving, Hall effects sensing, optical reading and sensing, and custom integrated circuit technology. Further advancements with respect to RFID applications such as encrypted signals and rolling codes are anticipated. Specific applications of certain of these technologies began in prior model years. Application will occur in both OEM and aftermarket products. In connection with the development of these technologies, the Company intends to utilize strategic alliances and/or strategic sourcing with respect to certain components in order to remain competitive from both a cost and quality standpoint.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The primary raw materials used by the Company are high-grade zinc and brass. These materials are generally available from a number of suppliers, but the Company has chosen to concentrate its sourcing with one primary vendor for each commodity. The Company believes its sources for raw materials are very reliable and adequate for its needs. The Company has not experienced any significant long term supply problems in its operations and does not anticipate any significant supply problems in the foreseeable future.

PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

The Company believes that the success of its business will not only result from the technical competence, creativity and marketing abilities of its employees but also from the protection of its intellectual property through patents, trademarks and copyrights. As part of its ongoing research, development and manufacturing activities, the Company has a policy of seeking patents on new products, processes and improvements when appropriate. The Company owns 25 issued United States patents, with expirations occurring between 1999 and 2016.

Although, in the aggregate, the patents discussed above are of considerable importance to the manufacturing and marketing of many of its products, the Company does not consider any single patent or trademark or group of patents or trademarks to be material to its business as a whole, except for the STRATTEC and STRATTEC with logo trademarks.

The Company also relies upon trade secret protection for its confidential and proprietary information. The Company maintains confidentiality agreements with its key executives. In addition, the Company enters into confidentiality agreements with selected suppliers, consultants and associates as appropriate to evaluate new products or business relationships pertinent to the success of the Company. However, there can be no assurance that others will not independently obtain similar information and techniques or otherwise gain access to the Company's trade secrets or that the Company can effectively protect its trade secrets.

DEPENDENCE UPON SIGNIFICANT CUSTOMERS

A very significant portion of the Company's annual sales are to General Motors Corporation, Ford Motor Company and Chrysler Corporation. In fiscal years 1998, 1997 and 1996, these three customers accounted for 85%, 85% and 82% respectively, of the Company's total net sales. The Company began production volume shipments of locksets to the Ford Motor Company during fiscal year 1996. Further information regarding sales to the Company's largest customers is set forth under "Sales to Largest Customers" included on page 22 of the Company's 1998 Annual Report to Shareholders, which is incorporated herein by reference.

The products sold to these customers are model specific, fitting only certain defined applications. Consequently, the Company is highly dependent on its major customers for their business, and on these customers' ability to produce and sell vehicles which utilize the Company's products. The Company has enjoyed relationships with General Motors Corporation, Chrysler Corporation and Ford Motor Company in the past, and expects to do so in the future. However, a significant change in the purchasing practices of, or a significant loss of volume from, one or more of these customers could have a detrimental effect on the Company's financial performance.

SALES AND MARKETING

The Company provides its customers with engineered locksets, which are unique to specific vehicles. Any given vehicle will typically take 1 to 3 years of development and engineering design time prior to being offered to the public. The locksets are designed concurrently with the vehicle. Therefore, commitment to the Company as the production source occurs 1 to 3 years prior to the start of production.

The typical process used by the "Big Three" automotive manufacturers in selecting a lock supplier is to offer the business opportunity to the Company and various of the Company's competitors. Each competitor will pursue the opportunity, doing its best to provide the customer with the most attractive proposal. Price pressure is strong during this process but once an agreement is reached, the price is fixed for each year of the product program. Typically, price reductions resulting from productivity improvement by the Company are included in the contract and are estimated in evaluating each of these opportunities by the Company. A blanket purchase order, a contract indicating a specified part will be supplied at a specified price during a defined time period, is issued by customers for each model year and releases, quantity commitments, are made to that purchase order for weekly deliveries to the customer. As a consequence and because the Company is a "Just-in-Time" supplier to the automotive industry, it does not maintain a backlog of orders in the classic sense for future production and shipment.

COMPETITION

The Company competes with domestic and foreign-based competitors on the basis of custom product design, engineering support, quality, delivery and price. While the number of direct competitors is currently relatively small, the auto manufacturers actively encourage competition between potential suppliers. Although the Company may not be the lowest cost producer, it has a dominant share of the North American market because of its ability to provide a beneficial combination of price, quality and technical support. In order to reduce lockset production costs while still offering a wide range of technical support, the Company utilizes assembly operations in Mexico, which results in lower labor costs as compared to the United States.

As locks become more sophisticated and involve additional electronics, competitors with specific electronic expertise may emerge to challenge the Company.

RESEARCH AND DEVELOPMENT

The Company engages in research and development activities pertinent to the automotive security industry. A major area of focus for research is the expanding role of electronic interlocks and modes of communicating authorization data between consumers and vehicles. Development activities include new products, applications and product performance improvement. In addition, specialized data collection equipment is developed to facilitate increased product development efficiency and continuous quality improvements. For fiscal years 1998, 1997, and 1996, the Company spent $2,979,000, $2,713,000, and $2,772,000, respectively, on research and development. The Company believes that, historically, it has committed sufficient resources to research and development and anticipates increasing such expenditures in the future as required to support additional product programs associated with both existing and new customers. Patents are pursued and will continue to be pursued as appropriate to protect the Company's interests resulting from these activities.

CUSTOMER TOOLING

An important aspect of the Company's production processes is customer program specific assembly lines and production tooling. In general, capital equipment acquired by the Company for customer product programs is recognized as a long-term asset and depreciated. Tooling for these same programs, obtained primarily from third party tool suppliers, is accumulated as a current asset on the Company's balance sheet and rebilled to the customer upon formal product approval from the customer. For certain products, the Company retains ownership of both the equipment and tooling. Recovery of these costs occurs over the life of the program through the piece price. See Notes to Consolidated Financial Statements included in the Company's 1998 Annual Report to Shareholders, which is incorporated herein by reference.

ENVIRONMENTAL COMPLIANCE

As is the case with other manufacturers, the Company is subject to federal, state, local and foreign laws and other legal requirements relating to the generation, storage, transport, treatment and disposal of materials as a result of its lock and key manufacturing and assembly operations. These laws include the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended), the Clean Water Act of 1990 (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). The Company believes that its existing environmental management policies and procedures are adequate and it has no current plans for substantial capital expenditures in the environmental area.

Contamination existing at the Company's Milwaukee site from an underground waste coolant storage tank and a former above-ground solvent storage tank, located on the east side of the facility, will be remediated in accordance with federal, state and local requirements.

The Company does not currently anticipate any materially adverse impact on its results of operations, financial condition or competitive position as a result of compliance with federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and charges associated with maintaining compliance with environmental laws is inherent in the nature of the Company's business and there is no assurance that material liabilities or charges could not arise.

EMPLOYEES

At June 28, 1998, the Company had approximately 2,680 full-time employees, of which approximately 515 or 19 percent, were represented by a labor union.

ITEM 2. PROPERTIES

The Company has two manufacturing plants, one warehouse, two distribution centers, and a sales office. These facilities are described as follows:

LOCATION	TYPE	SQ. FT.	OWNED OR LEASED
Milwaukee, Wisconsin	Headquarters and General Offices; Component Manufacturing and Assembly..........................	352,000	Owned
Juarez, Chihuahua Mexico	Subsidiary Offices and Assembly.....................	97,000	Owned
Somerset, New Jersey	Service Parts Distribution..........................	6,500	Leased*
Carpenteria, California	Service Parts Distribution..........................	4,000	Leased*
El Paso, Texas	Finished Goods Warehouse............................	12,500	Leased**
Troy, Michigan	Sales Office for Detroit Area.......................	3,000	Leased**

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* Leased floor space within a warehouse facility.

** Leased unit within a complex.

The Company believes that both of its production facilities are adequate for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business the Company may be involved in various legal proceedings from time to time. The Company does not believe it is currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on the Company or its financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of shareholders during the fourth quarter of fiscal 1998.

EXECUTIVE OFFICERS OF REGISTRANT

The names, ages and positions of all executive officers of the Company as of the date of this filing are listed below, together with their business experience during the past five years. Executive officers are appointed annually by the Board of Directors at the meeting of directors immediately following the annual meeting of shareholders. There are no family relationships among any of the executive officers of the Company, nor any arrangements or understanding between any such officer and another person pursuant to which he was appointed as an executive officer.

NAME, AGE AND POSITION	BUSINESS EXPERIENCE
Harold M. Stratton II, 50	President and Chief Executive Officer of the Corporation since 1994. Vice President of Briggs & Stratton Corporation and General Manager of the Technologies Division of Briggs & Stratton Corporation from 1989 to 1995.
John G. Cahill, 41	Executive Vice President, Chief Financial

	Officer, Treasurer and Secretary of the Corporation since 1994. Vice President, Chief Financial Officer, Secretary and Treasurer, Johnson Worldwide Associates, Inc. (manufacturer and marketer of recreational and marking systems products) 1992 to 1994 and Corporate Controller from 1989 to 1992.
Michael R. Elliott, 42	Vice President - Sales and Marketing of the Company since 1994. Vice President - Marketing and Sales of the Technologies Division since 1993. Vice President - Corporate Development of Iverness Casting Group (a producer of castings and injection molded products) from 1991 to 1992. Vice President - Sales and Marketing of Iverness Casting Group from 1990 to 1991. Sales, Marketing and Planning Manager of the AC Rochester Division of General Motors Corporation (an automotive manufacturer) from 1988 to 1990.
Gerald L. Peebles, 55	Vice President and General Manager of STRATTEC de Mexico - since 1997. Vice President - Operations of the Company 1995 - 1997. Vice President - Operations of the Technologies Division since 1994. Operations Manager - Juarez Plant of the Technologies Division from 1990 to 1994. Plant Manager - Juarez Plant of the Technologies Division from 1988 to 1990.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information set forth in the "Quarterly Financial Data" section appearing on page 24 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

The Company does not intend to pay cash dividends on the Company Common Stock in the foreseeable future; rather, it is currently anticipated that Company earnings will be retained for use in its business. The future payment of dividends will depend on business decisions that will be made by the Board of Directors from time to time based on the results of operations and financial condition of the Company and such other business considerations as the Board of Directors considers relevant. The Company's revolving credit agreement contains restrictions on the payment of dividends. See Notes to Consolidated Financial Statements included in the Company's 1998 Annual Report to Shareholders, which is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under "Five Year Financial Summary" which appears on page 24 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information set forth under "Management's Discussion and Analysis" which appears on pages 10 through 12 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company did not hold any market risk sensitive instruments during the period covered by this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, together with the report thereon of Arthur Andersen LLP dated July 30, 1998, which appear on pages 13 through 23 of the Company's 1998 Annual Report to Shareholders, are incorporated herein by reference.

The Quarterly Financial Data (unaudited) which appears on page 24 of the Company's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information on pages 2, 3 and 5 of the Company's Proxy Statement, dated September 9, 1998, under "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information on pages 7 through 14 of the Company's Proxy Statement, dated September 9, 1998, under "Executive Compensation" and "Compensation of Directors" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information on pages 3 through 5 of the Company's Proxy Statement, dated September 9, 1998, under "Security Ownership" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information on pages 7 through 14 of the Company's Proxy Statement, dated September 9, 1998, under "Executive Compensation" is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents Filed as part of this Report

(1) Financial Statements - The following financial statements of the Company, included on pages 13 through 23 of the Company's 1998 Annual Report to Shareholders, are incorporated by reference in Item 8.

Report of Independent Public Accountants

Balance Sheets - as of June 28, 1998 and June 29, 1997

Statements of Income - years ended June 28, 1998, June 29, 1997 and June 30, 1996

Statements of Changes in Equity - years ended June 28, 1998, June 29, 1997 and June 30, 1996

Statements of Cash Flows - years ended June 28, 1998, June 29, 1997 and June 30, 1996

Notes to Financial Statements

(2) Financial Statement Schedules

	Page in this Form 10-K Report
Report of Independent Public Accountants	8
Schedule II - Valuation and Qualifying Accounts	9

All other schedules have been omitted because they are not applicable or are not required, or because the required information has been included in the Financial Statements or Notes thereto.

(3) Exhibits. See "Exhibit Index" beginning on page 11.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of fiscal 1998.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards the consolidated financial statements included in the STRATTEC SECURITY CORPORATION Annual Report to Shareholders incorporated by reference in this Form 10-K and have issued our report thereon dated July 30, 1998. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
July 30, 1998.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(THOUSANDS OF DOLLARS)

	Balance, Beginning of Year	Provision Charged to Profit & Loss	Payments and Accounts Written Off	Balance, End of Year
Year ended June 28, 1998				
Allowance for doubtful accounts	$250	$0	$0	$250
Year ended June 29, 1997				
Allowance for doubtful accounts	$250	$0	$0	$250
Year ended June 30, 1996				
Allowance for doubtful accounts	$250	$0	$0	$250

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATTEC SECURITY CORPORATION

By: /s/ Harold M. Stratton II

Harold M. Stratton II, President and Chief Executive Officer

Date: August 25, 1998

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Harold M. Stratton II Harold M. Stratton II	President, Chief Executive Officer and Director	August 25, 1998
/s/ John G. Cahill John G. Cahill	Executive Vice President, Chief Financial Officer, Treasurer, Secretary & Director	August 25, 1998

/s/ Frank J. Krejci - ------------------------------- Frank J. Krejci	Director	August 25, 1998
/s/ Michael J. Koss - ------------------------------- Michael J. Koss	Director	August 25, 1998
/s/ Robert Feitler - ------------------------------- Robert Feitler	Director	August 25, 1998

EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K

Exhibit		Page Number in Sequential Numbering of all Form 10-K and Exhibit Pages
3.1 (2)	Amended and Restated Articles of Incorporation of the Company	*
3.2 (2)	By-laws of the Company	*
4.1 (2)	Rights Agreement between the Company and Firstar Trust Company, as Rights Agent	*
4.2 (3)	Revolving Credit Agreement dated as of February 27, 1995 by and between the Company and M&I Bank, together with Revolving Credit Note	*
10.1 (5)	STRATTEC SECURITY CORPORATION Stock Incentive Plan	*
10.2 (4)	Employment Agreements between the Company and the identified executive officers	*
10.3 (1)	Change In Control Agreement between the Company and the identified executive officers	*
10.4 (1)	Contribution Agreement, Plan and Agreement of Reorganization and Distribution between The Briggs & Stratton Corporation ("Briggs") and the Company, dated as of February 27, 1995 (the "Contribution Agreement")	*
10.5 (1)	Quit Claim Deed dated as of February 27, 1995	*
10.6 (1)	General Assignment, Assumption and Agreement Regarding Litigation, Claims and Other Liabilities between Briggs and the Company, dated as of February 27, 1995	*
10.7 (1)	Transitional Trademark Use and License Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.8 (1)	Insurance Matters Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.9 (1)	Employee Benefits and Compensation Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.10 (1)	Tax Sharing and Indemnification Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.11 (1)	Interim Administrative Services Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.12 (1)	Confidentially and Nondisclosure Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.13 (1)	Assignments of Patents dated as of February 27, 1995	*
10.14 (1)	Supply Agreement between Briggs and the Company, dated as of February 27, 1995	*
10.15 (4)	STRATTEC SECURITY CORPORATION Economic Value Added Plan for Executive Officers and Senior Managers	*
13.1	Annual Report to Shareholders for the year ended June 28, 1998	13

Exhibit		Page Number in Sequential Numbering of all Form 10-K and Exhibit Pages
21 (1)	Subsidiaries of the Company	*
23	Consent of Independent Public Accountants dated September 9, 1998	34
27	Financial Data Schedule	35

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(1) Incorporated by reference from Amendment No. 1 to the Form 10 filed on January 20, 1995.
(2) Incorporated by reference from Amendment No. 2 to the Form 10 filed on February 6, 1995.
(3) Incorporated by reference form the April 2, 1995 Form 10-Q filed on May 17, 1995.
(4) Incorporated by reference from the July 2, 1995 Form 10-K filed on September 14, 1995.
(5) Incorporated by reference from the Proxy Statement for the 1997 Annual Meeting of Shareholders filed on September 10, 1997.

BASIC BUSINESS

STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related security products for major automotive manufacturers. Our products are shipped to customer locations in the United States, Canada, Mexico, Europe and South America, and we provide full service and aftermarket support. We also supply products for the heavy truck, recreational vehicle, marine and industrial markets, as well as precision die castings for the transportation, security and recreational products industries.

[STRATTEC LOGO]

HISTORY

STRATTEC was formerly a division of the Briggs & Stratton Corporation. On February 27, 1995, STRATTEC was spun-off from Briggs & Stratton through a tax-free distribution to the then existing Briggs shareholders. STRATTEC received substantially all of the assets related to the lock and key business owned by Briggs & Stratton.

Starting as a division of Briggs & Stratton, and continuing today as a totally separate and independent company, our history in the automotive lock manufacturing business spans more than 80 years. We have also been in the zinc die casting business for approximately 70 years. STRATTEC has been the world's largest producer of automotive locks and keys since the late 1920s, and we currently maintain a dominant share of the North American markets for these products.

[PICTURE OF NEWS HISTORICAL ADVERTISEMENT]

PRODUCTS

Our principal products are locks and keys for cars and trucks. A typical automobile contains a set of five locks: a steering column/ignition lock, a glove box lock, two front door locks and a deck lid (trunk) lock. Pickup trucks typically use three to four locks, while sport utility

[PICTURE OF KEYS]

vehicles and vans will use five to seven locks. Some vehicles have additional locks for under-floor compartments or folding rear seat latches. T-top locks, spare tire locks, burglar alarm locks and door locks with illuminated faces are also offered as options. Usually two keys are provided with each vehicle lockset.

STRATTEC produces locks with simple electrical switch devices and more sophisticated devices, such as resistive elements, radio frequency identification (RFID) elements and Hall Effect sensors. The primary focus of these added electronics is increased security and reliability. Electronics will play an important and ever-increasing role in the future of our security-related products.

[PICTURE OF KEYS]

MARKETS

We are a direct supplier to OEM auto and light truck manufacturers, over-the-road heavy truck manufacturers and recreational vehicle manufacturers, as well as other transportation-related manufacturers. For the 1998 model year, we enjoyed a 66.5% market share in the North American automotive industry, supplying locks and keys for approximately 92% of General Motor's production, 62% of Ford's, and 100% of Chrysler's production. We are also an OEM components supplier to a wide array of smaller industrial manufacturers.

Direct sales to various OEMs represent approximately 85% of our total sales. The remainder of the company's revenue is received primarily through sales to the OEM service channels, and the locksmith aftermarket.

Sales to General Motors, Ford and Chrysler are coordinated through our direct sales personnel located in our Detroit-area office, and to other OEM customers through a combination of our own sales personnel and manufacturer representative agencies. Sales are also partially facilitated through daily interaction between our lock engineers and customer engineering departments.

STRATTEC's products are supported by an extensive staff of experienced lock engineers. This staff, which includes product design, quality and manufacturing engineers, is capable of providing complete design, development and testing services of new products for our customers. This staff is also available for customer

[PICTURE OF BLUE PRINT]

problem solving, warranty analysis and other activities that arise during a product's life cycle. Our customers receive after-sales support in the form of special field service kits, service manuals, and specific in-plant production repair programs.

The majority of our OEM products are sold in North America. Export sales are primarily made up of aftermarket and OEM service business. However, our dominance in North America translates into a world market share of around 20%, making STRATTEC the largest producer of automotive locks and keys in the world. We are in the process of expanding our presence in Europe to supply automotive security products to major manufacturers there through collaborative agreements with lock manufacturers in that region. Some exporting is also done to automotive assembly plants in South America.

[PICTURE OF COMPUTER]

CUSTOMER FOCUS

Since the majority of the company's sales are to the "Big Three" North American automotive manufacturers, STRATTEC is organized to assure that our activities are focused on these major customers. We have four teams: one each for General Motors, Ford, and Chrysler, and a fourth team which handles our industrial customers, including heavy truck manufacturers like Peterbilt, Kenworth, Mack, Freightliner, Navistar, and GM Volvo.

Each of the four teams possesses all of the necessary disciplines required to meet their customers' needs. Leading each team's efforts are Product Business Managers who handle the overall coordination of various product programs. The Product Business Managers work closely with their team's quality engineers, cost engineers, purchasing agents, internal and external customer service representatives, service manager, and engineering manager. The engineering manager in turn helps coordinate the efforts of design engineers, product and process engineers, component engineers, and electrical engineers.

STRATTEC utilizes a formalized product development process to identify and meet customer needs in the shortest possible time. By creating and following this streamlined development system, we shorten product lead times, tighten our response to market changes, and provide our customers with the optimum value solution to their security requirements. STRATTEC is also QS-9000 / ISO 9001 certified. This means we embrace the philosophy that quality should exist not only in the finished product, but in every step of our process as well.

[STRATTEC QUALITY LOGO]

OPERATIONS

The majority of the components that go into our lock products are manufactured at our main facility and headquarters in Milwaukee, Wisconsin. This facility also makes zinc die cast components for other manufacturers. Lock assembly is performed at the Milwaukee location and at our primary assembly facility, located in Juarez, Mexico.

[PICTURE OF ASSEMBLY LINE]

CYCLICAL NATURE OF THE BUSINESS

The manufacturing of components that are used in automobiles is driven by the normal peaks and valleys associated with the automotive industry. Typically, the months of July and August are relatively slow while summer vacation shut downs and model year changeover occur at the automotive assembly plants. September volumes increase rapidly as the new model year begins. This volume strength continues through October and into early November. As the holiday and winter seasons approach, the demand for automobiles slows. March usually brings a major sales and production increase which then continues through most of June. This results in our first fiscal quarter (ending in Sept.) typically being our weakest, with the remaining quarters being more consistent.

ECONOMIC VALUE COMMITMENT

The underlying philosophy of our business, and the means by which we measure our performance, is Economic Value Added (EVA(R)). Simply stated, economic value is created when our business enterprise yields a return greater than the cost of capital we and our shareholders have invested in STRATTEC. The amount by which our return exceeds the cost of our capital is EVA(R). In line with this philosophy, EVA(R) bonus plans are in effect for our associates and our outside directors as an incentive to help positively drive the business.

[PICTURE OF COMPANY]

STRATTEC's significant market share is the result of an eight-decade long commitment to creating quality products and systems that are responsive to changing needs. As technologies advance and markets grow, STRATTEC retains that commitment to meeting and exceeding the expectations of our customers, and providing economic value to our shareholders.

1999 VEHICLES

We're proud of the quality vehicles that use STRATTEC components. They include over-the-road trucks like Peterbilt, Kenworth, Mack, Freightliner, Navistar and GM Volvo. Recreational vehicles like Winnebago, Coachmen, Jayco and Fleetwood. And the following 1999 cars and light trucks:

CARS

Buick Century
Buick LeSabre
Buick Regal
Buick Riviera
Cadillac DeVille
Cadillac Eldorado
Chevrolet Camaro
Chevrolet Cavalier
Chevrolet Corvette
Chevrolet Lumina
Chevrolet Malibu
Chevrolet Monte Carlo
Chrysler Cirrus
Chrysler Concorde
Chrysler 300M
Chrysler LHS
Chrysler Sebring Convertible
Dodge Intrepid
Dodge Neon
Dodge Stratus
Dodge Viper
Ford Taurus
General Motors EV1
Jaguar S-Type
Lincoln Continental
Lincoln LS
Mercury Sable
Mitsubishi Galant
Oldsmobile Alero
Oldsmobile Aurora
Oldsmobile Cutlass
Oldsmobile Eighty-Eight
Oldsmobile Intrigue
Plymouth Breeze
Plymouth Neon
Plymouth Prowler
Pontiac Bonneville
Pontiac Firebird
Pontiac Grand Am
Pontiac Grand Prix
Pontiac Sunfire

LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES

Cadillac Escalade
Chevrolet Astro
Chevrolet Blazer
Chevrolet Silverado Pickup
Chevrolet Express
Chevrolet S-10 Pickup
Chevrolet Suburban
Chevrolet Tahoe
Chevrolet Venture
Chrysler Town & Country
Dodge Caravan/Grand Caravan
Dodge Dakota Pickup
Dodge Durango
Dodge Ramcharger
Dodge Ram Pickup
Dodge Ram Van
Ford Expedition
Ford Explorer
Ford F-Series Pickup
Ford Ranger Pickup
GMC Envoy
GMC Denali
GMC Jimmy
GMC Safari
GMC Savana
GMC Sierra Pickup
GMC Sonoma Pickup
GMC Suburban
GMC Yukon
Isuzu Hombre Pickup
Jeep Cherokee
Jeep Grand Cherokee
Jeep Wrangler
Lincoln Navigator
Mazda Pickup
Mercury Mountaineer
Mercury Villager
Nissan Quest
Oldsmobile Bravada
Oldsmobile Silhouette
Plymouth Voyager/
Grand Voyager
Pontiac Montana

The following Discussion and Analysis should be read in conjunction with the Company's Financial Statements and Notes thereto. Unless otherwise indicated, all references to years refer to fiscal years.

RESULTS OF OPERATIONS
1998 COMPARED TO 1997

Net sales were $186.8 million in 1998, an increase of 17 percent compared to net sales of $159.1 million in 1997. The sales increase is primarily due to increased sales to all three of the Company's largest customers in the current year compared to prior year levels, with General Motors Corporation increasing $16.4 million or 23 percent, Chrysler Corporation increasing $5.0 million or 24 percent and Ford Motor Company increasing $2.5 million or 6 percent. Sales growth was primarily due to higher value mechanical and electro-mechanical content. Increased sales to Chrysler Corporation also reflect that company's higher vehicle production schedule in the last six months of fiscal 1998 compared to the prior year period. Labor disruptions at General Motors Corporation operations reduced expected sales to this customer by an estimated $3 million during the current year fourth quarter and by an estimated $2 million during the second quarter of fiscal 1997.

Gross profit as a percentage of net sales was 21.4 percent in 1998 compared to 20.9 percent in 1997. Gross profit margins improved compared to the prior year due to decreased scrap and premium freight costs. The gross profit margin was negatively impacted by a $750,000 charge during the current year as a result of cash payments to the Company's represented employees upon ratification of a new collective bargaining agreement. During the first six months of 1998, the cost of zinc, which the Company uses at a rate of approximately 1 million to 1.2 million pounds per month, remained significantly above prior year levels increasing to an average of approximately $.74 per pound in the six months ended December 28, 1997, from an average of $.53 per pound in the six months ended December 29, 1996 resulting in a negative impact on gross profit margins. The cost of zinc declined in the second quarter of fiscal 1998 after increasing dramatically over the previous 12 months.

Gross profit margins were also negatively impacted as inflationary cost pressures in Mexico over the past 30 months have resulted in higher U.S. dollar costs. The rate of inflation in Mexico during the six months ended June 28, 1998, and during calendar 1997 and 1996 was approximately 8, 16 and 28 percent, respectively. The U.S. dollar/Mexican peso exchange rate remained relatively stable during this period with devaluation during the period September 1997 through June 1998. The exchange rate ranged from approximately 7.40 to 7.90 pesos to the dollar during the period January 1996 through September 1997, and from approximately 7.80 to 9.00 pesos to the dollar during the period October 1997 through June 28, 1998.

Engineering, selling and administrative expenses were $18.9 million, or 10.1 percent of net sales in 1998, compared to $17.7 million, or 11.1 percent of net sales in 1997. Engineering expenses increased approximately $700,000 primarily in support of new programs. Selling and marketing expenses increased approximately $200,000 primarily due to increased costs for commissions and promotional items. Administrative expenses increased approximately $300,000, primarily due to increased costs to recruit salaried employees.

Income from operations was $21.0 million in 1998, compared to $15.6 million in 1997, reflecting the increased sales volume and improved gross margin as previously discussed above.

RESULTS OF OPERATIONS
1997 COMPARED TO 1996

Net sales were $159.1 million in 1997, an increase of 14 percent compared to net sales of $139.8 million in 1996. Sales to the "Big Three" North American automakers continued to represent the majority of sales, accounting for 85 percent in 1997 and 82 percent in 1996.

Sales to our largest customer, General Motors Corporation, were $70.4 million in 1997 compared to $65.4 million in 1996, which was negatively affected by a labor strike at a General Motors component plant. Sales to the Ford Motor Company were $43.6 million in 1997 compared to $28.0 million in 1996, when the Company was bringing several new Ford programs into production. Chrysler Corporation sales were $21.0 million in 1997 compared to $20.3 million in 1996. Lockset sales to these customers

reflect increased product content from enhanced mechanical and electro-mechanical features. The Company anticipates that this trend will continue with further penetration of existing programs and introductions of new programs.

Sales to Briggs & Stratton Corporation ("Briggs") declined to $3.5 million in 1997 from $6.8 million in 1996.

Gross profit as a percentage of net sales was 20.9 percent in 1997 and 1996. Increased scrap and expedited freight costs incurred in late 1996 continued in 1997 before improving. Gross profit as a percentage of net sales in the fourth quarter of 1997 was 22.1 percent compared to 18.3 percent in the fourth quarter of 1996. Improved operating performance in the second half of 1997 was somewhat diminished by rising zinc prices. Zinc is one of the Company's primary raw materials and is subject to commodity pricing and variations in market prices. The market price for zinc escalated during the last six months of fiscal 1997 after a period of relative stability for the previous 18 months. The increase has negatively impacted operating results as the Company is generally not able to recover zinc price fluctuations from its customers.

Also negatively impacting gross profits were increased costs of the Company's Mexican assembly operations. The U.S. dollar/Mexican peso exchange rate has been relatively stable in the 18 months ending June 29, 1997, while inflationary cost pressures in Mexico have resulted in higher U.S. dollar costs.

Engineering, selling, and administrative expenses were $17.7 million, or 11.1 percent, of net sales in 1997, compared to $16.6 million, or 11.9 percent, of net sales in 1996. Engineering expenses increased $1.0 million during 1997 in support of product programs. Selling and marketing expenses declined $300,000 during 1997, primarily due to lower costs for commissions and promotional materials. Administrative expenses increased $400,000, primarily in the first half of 1997, in support of the Company's new business system implementation. As of January 27, 1997, the Company no longer purchased computer services from Briggs.

Income from operations was $15.6 million in 1997 compared to $12.6 million in 1996, reflecting increased sales volumes.

The effective income tax rate for 1997 was 36.8 percent, compared to 38.5 percent in 1996, due to increased tax benefits from research and development tax credits foreign tax credits, and the Company's foreign sales corporation. The effective rate differs from the federal statutory rate, primarily due to the effects of state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated cash from operating activities of $26.0 million in 1998 compared to $6.1 million in 1997. The increased generation of cash is primarily due to increased sales levels, with no significant changes in working capital levels.

The Company's investment in accounts receivable decreased by approximately $4.4 million at June 28, 1998, as compared to June 29, 1997, primarily due to decreased sales levels during June 1998 as a result of labor disruptions at General Motors Corporation, as previously discussed. Inventories of $15.0 million at June 28, 1998, are consistent with the June 29, 1997, levels. Inventory reductions resulting from improved inventory management were offset by increased inventory levels resulting from decreased sales to General Motors Corporation during June, 1998.

Capital expenditures in 1998 were $7.5 million, compared to $8.0 million in 1997. Expenditures were primarily for capital equipment in support of new product programs, as well as the upgrade and replacement of existing equipment at the Milwaukee facility. The Company anticipates that capital expenditures will be approximately $9 million in 1999, primarily in support of requirements for new product programs.

The Board of Directors of the Company has authorized a stock repurchase program to buy back up to 289,395 outstanding shares. A total of 153,000 shares have been repurchased as of June 28,1998, at a cost of approximately $2.7 million. Additional repurchases may occur from time to time. Funding for the repurchases was provided by cash flow from operations and borrowings under existing credit facilities.

The Company has a $25.0 million unsecured, revolving credit facility (the "Credit Facility"). There were no outstanding borrowings under the Credit Facility at June 28, 1998. Interest

on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank offering rate, the Federal Funds Rate, or the bank's prime rate. The Credit Facility contains various restrictive covenants including covenants that require the Company to maintain minimum levels for certain financial ratios such as tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage. The Company believes that the Credit Facility will be adequate, along with cash flow from operations, to meet its anticipated capital expenditure, working capital and operating expenditure requirements.

The Company has not been significantly impacted by inflationary pressures over the last several years, except for zinc and Mexican assembly operations as noted elsewhere in this Management's Discussion and Analysis.

OTHER

The Company has developed a plan to address company-wide Year 2000 readiness. The plan addresses operating systems, manufacturing operations, customers and suppliers. The Company has made significant progress toward completion of this plan and anticipates being Year 2000 compliant during fiscal 1999. The Company is participating in a program coordinated by the Automotive Industries Action Group ("AIAG"), a group sponsored and supported by General Motors Corporation, Chrysler Corporation and the Ford Motor Company. Based upon the guidelines of a Year 2000 Readiness Self-Assessment, developed by the AIAG, the Company is classified as a low risk supplier in relation to Year 2000 compliance as of July 1998.

The Company implemented a new business information system in February

1997. Significant modifications to the software to be compliant with the requirements to process transactions in the Year 2000 are not required. Therefore, the Company does not expect that its cost to become Year 2000 compliant will be material to its financial condition or results of operations.

MEXICAN OPERATIONS

The Company has assembly operations in Juarez, Mexico. Since December 30, 1996, the functional currency of the Mexican operation has been the U.S. dollar, as Mexico is currently considered to be a highly inflationary economy in accordance with Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation." The effect of currency fluctuations in the remeasurement process is included in the determination of income. The effect of currency fluctuations included in the determination of income is not material. Prior to December 30, 1996, the functional currency of the Mexican operation was the Mexican Peso. The effects of currency fluctuations resulted in adjustments to the U.S. dollar value of the Company's net assets and to the equity accounts in accordance with SFAS No. 52.

PROSPECTIVE INFORMATION

A number of the matters and subject areas discussed in this Annual Report that are not historical or current facts deal with potential future circumstances and developments. These include expected future financial results, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs, and similar matters discussed in the Company's Management's Discussion and Analysis. The discussions of such matters and subject areas are qualified by the inherent risk and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience.

The Company's business, operations and financial performance are subject to certain risks and uncertainties which could result in material differences in actual results from the Company's current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, demand for the Company's products, competitive and technological developments, foreign currency fluctuations, Year 2000 compliance issues and costs of operations.

CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS)

	Years Ended		
	June 28, 1998	June 29, 1997	June 30, 1996
NET SALES	$186,805	$159,054	$139,745
Cost of goods sold	146,865	125,735	110,514
GROSS PROFIT	39,940	33,319	29,231
Engineering, selling, and administrative expenses	18,925	17,684	16,632
INCOME FROM OPERATIONS	21,015	15,635	12,599
Interest income	351	4	22
Interest expense	(19)	(214)	(363)
Other income, net	73	125	286

INCOME BEFORE PROVISION FOR INCOME TAXES	21,420	15,550	12,544
Provision for income taxes	7,931	5,730	4,830
NET INCOME	$13,489	$9,820	$7,714
EARNINGS PER SHARE:			
BASIC	$2.36	$1.72	$1.33
DILUTED	$2.30	$1.70	$1.32

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

	June 28, 1998	June 29, 1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$14,754	$404
Receivables, less allowance for doubtful accounts of $250 at June 28, 1998, and June 29, 1997	25,301	29,687
Inventories	14,962	14,879
Customer tooling in progress	8,692	6,615
Future income tax benefits	2,218	1,868
Other current assets	2,131	2,522
Total current assets	68,058	55,975
DEFERRED INCOME TAXES	-	186
PROPERTY, PLANT, AND EQUIPMENT, NET	39,940	39,508
	$107,998	$95,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$12,457	$12,367
Accrued liabilities:		
Payroll and benefits	8,170	6,523
Environmental	2,873	2,911
Income taxes	307	452
Other	1,298	1,323
Total current liabilities	25,105	23,576
DEFERRED INCOME TAXES	357	-
BORROWINGS UNDER REVOLVING CREDIT FACILITY	-	5,037
ACCRUED PENSION OBLIGATIONS	8,289	7,461
ACCRUED POSTRETIREMENT OBLIGATIONS	3,849	3,502
SHAREHOLDERS' EQUITY		

Common stock, authorized 12,000,000 shares $.01 par value, issued 5,877,150 shares at June 28, 1998, and 5,799,150 shares at June 29, 1997	59	58
Capital in excess of par value	42,489	41,094
Retained earnings	32,436	18,947
Cumulative translation adjustments	(1,863)	(1,863)
Less: Treasury stock, at cost (152,307 shares at June 28, 1998 and 132,000 shares at June 29, 1997)	(2,723)	(2,143)
Total shareholders' equity	70,398	56,093
	$107,998	$95,669

The accompanying notes are an integral part of these consolidated balance sheets.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IN THOUSANDS)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock
BALANCE, JULY 2, 1995	$58	$40,909	$1,413	$(1,437)	-
Net income	-	-	7,714	-	-
Translation adjustments	-	-	-	(359)	-
BALANCE, JUNE 30, 1996	58	40,909	9,127	(1,796)	-
Net income	-	-	9,820	-	-
Translation adjustments	-	-	-	(67)	-
Purchase of common stock	-	-	-	-	(2,143)
Exercise of stock options, including tax benefit	-	185	-	-	-
BALANCE, JUNE 29, 1997	58	41,094	18,947	(1,863)	(2,143)
Net income	-	-	13,489	-	-
Purchase of common stock	-	-	-	-	(591)
Exercise of stock options, including tax benefit	1	1,395	-	-	11
BALANCE, JUNE 28, 1998	$59	$42,489	$32,436	$(1,863)	$(2,723)

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	Years Ended		
	June 28, 1998	June 29, 1997	June 30,1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$13,489	$9,820	$7,714
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,776	5,639	3,961
Loss on disposition of property, plant and equipment	168	171	254
Change in operating assets and liabilities:			
(Increase) decrease in receivables	4,330	(10,897)	(3,367)
Increase in inventories	(83)	(1,473)	(3,497)
(Increase) decrease in other assets	(1,891)	1,421	(2,211)
Increase in accounts payable and accrued liabilities	3,216	1,459	4,128
Other, net	(54)	(50)	(116)
Net cash provided by operating activities	25,951	6,090	6,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(7,450)	(7,972)	(12,177)
Proceeds received on sale of property, plant, and equipment	70	196	60
Net cash used in investing activities	(7,380)	(7,776)	(12,117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of) borrowings under revolving credit facility	(5,037)	3,607	1,430
Purchase of common stock	(591)	(2,143)	-
Exercise of stock options	1,407	185	-
Net cash provided by (used in) financing activities	(4,221)	1,649	1,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,350	(37)	(3,821)
CASH AND CASH EQUIVALENTS			
Beginning of year	404	441	4,262
End of year	$14,754	$404	$441
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income taxes paid	$7,482	$4,984	$6,422
Interest paid	19	227	355

The accompanying notes are an integral part of these consolidated statements.

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STRATTEC SECURITY CORPORATION (the "Company") designs, develops, manufacturers and markets mechanical locks, electro-mechanical locks and related security products for major automotive manufacturers.

The significant accounting policies followed by the Company in the preparation of these financial statements, as summarized in the following paragraphs, are in conformity with generally accepted accounting principles.

PRINCIPLES OF CONSOLIDATION AND PRESENTATION: The accompanying financial statements reflect the consolidated results of the company, its wholly owned Mexican subsidiary, and its foreign sales corporation.

Certain amounts previously reported have been reclassified to conform to the June 28, 1998, presentation. These reclassifications have no effect on previously reported net income or retained earnings.

FISCAL YEAR: The Company's fiscal year ends on the Sunday nearest June 30.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS: The fair value of financial instruments does not materially differ from their carrying values.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include all short-term investments with an original maturity of three months or less.

INVENTORIES: Inventories are stated at cost, which does not exceed market. The last-in, first-out (LIFO) method was used for determining the cost of the inventories at the end of each period.

Inventories consist of the following (thousands of dollars):

	June 28, 1998	June 29, 1997
Finished products	$5,114	$3,599
Work in process	11,204	12,446
Raw materials	1,179	1,671
LIFO adjustment	(2,535)	(2,837)
	$14,962	$14,879

CUSTOMER TOOLING IN PROGRESS: The Company accumulates its costs for development of certain tooling used in component production and assembly. The costs, which are primarily from third-party tool vendors, are accumulated on the Company's balance sheet. These amounts are then billed to the customer upon formal acceptance by the customer of products produced with the individual tool.

PROPERTY, PLANT, AND EQUIPMENT: Property, plant, and equipment are stated at cost, and depreciation is computed using the straight-line method over the following estimated useful lives:

Classification	Expected Useful Lives
Land improvements	20 years

Buildings and improvements	20 to 35 years
Machinery and equipment	3 to 10 years

Property, plant, and equipment consist of the following (thousands of dollars):

	June 28, 1998	June 29, 1997
Land	$855	$801
Buildings and improvements	9,819	9,551
Machinery and equipment	64,523	58,771
	75,197	69,123
Less: accumulated depreciation	(35,257)	(29,615)
	$ 39,940	$ 39,508

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized and depreciated. Upon retirement or disposition of plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income.

RESEARCH AND DEVELOPMENT COSTS: Expenditures relating to the development of new products and processes, including significant improvements and refinements to existing products, are expensed as incurred.

FOREIGN CURRENCY TRANSLATION: Since December 30, 1996, the functional currency of the Mexican operation has been the U.S. Dollar, as Mexico is currently considered to be a highly inflationary economy in accordance with

Statement of Financial Accounting Standard (SFAS) No. 52, "Foreign Currency Translation." The effect of currency fluctuations in the remeasurement process is included in the determination of income. The effect of currency fluctuations included in the determination of income is not material. Prior to December 30, 1996, the functional currency of the Mexican operation was the Mexican Peso. The effects of currency fluctuations resulted in adjustments to the U.S. dollar value of the Company's assets and to the equity accounts in accordance with SFAS No. 52.

REVENUE RECOGNITION: Revenue is recognized upon the shipment of products, net of estimated costs of returns and allowances.

COMPREHENSIVE INCOME: SFAS No. 130, "Reporting Comprehensive Income," was issued in 1997. This statement establishes standards for reporting and display of comprehensive income and its components in a complete set of financial statements. Comprehensive net income is the total of reported net income and all other revenues, expenses, gains and losses that under generally accepted accounting principles are not includable in reported net income but are reflected in shareholders' equity. The Company will adopt this statement in fiscal 1999. The Company does not expect adoption to have a material effect on the consolidated financial statements.

SEGMENT REPORTING: SFAS No. 131, "Disclosures about segments of an Enterprise and Related Information," was issued in 1997. This statement establishes standards for the manner in which public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for financial statements for fiscal years beginning after December 13, 1997. Since the Company operates in a single business segment, this Statement will have no impact on future reporting requirements of the Company.

DERIVATIVE INSTRUMENTS: SFAS No. 133, "Accounting of Derivative Instruments and Hedging Activities," was issued in 1998. The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 is effective for financial statements for fiscal years beginning after June 15, 1999. The Company currently does not hold any such derivative instruments and does not expect this statement to have an impact on future financial statements.

REVOLVING CREDIT FACILITY

The Company has a $25 million unsecured, revolving credit facility (the "Credit Facility"), which expires October 31, 2000. Interest on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank Offering Rate, the Federal Funds Rate, or the bank's prime rate. There were no outstanding borrowings at June 28, 1998. Outstanding borrowings were $5,037,000 under the Credit Facility at and June 29, 1997. The weighted average interest rate on the revolving credit borrowings was 6.2 percent and 6.0 percent for the years ended June 28, 1998, and June 29, 1997, respectively.

The Credit Facility contains various restrictive covenants that require the Company to maintain minimum levels for certain financial ratios, including tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage.

ENVIRONMENTAL MATTER

In 1995, the Company recorded a provision of $3.0 million for estimated costs to remediate a site at the Company's Milwaukee facility that was contaminated by a solvent spill which occurred in 1985. The Company continues to monitor and evaluate the site and believes, based upon findings-to-date and known environmental regulations, that the environmental reserve at June 28, 1998, is adequate.

INCOME TAXES

The provision for income taxes consists of the following (thousands of dollars):

	1998	1997	1996
Currently payable:			
Federal	$5,576	$4,469	$3,883
State	1,323	1,037	861
Foreign	471	43	319
	7,370	5,549	5,063
Deferred taxes	561	181	(233)

	$7,931	$5,730	$4,830
	======	======	======

A reconciliation of the US statutory tax rates to the effective tax rates follows:

	1998	1997	1996
US statutory rate	34.8%	34.4%	34.2%
State taxes, net of federal tax benefit	4.4	4.4	4.3
Foreign rate differential	.4	(.8)	.4
Other	(2.6)	(1.2)	(.4)
	----	----	----
	37.0%	36.8%	38.5%
	====	====	====

The components of deferred tax assets and liabilities are as follows (thousands of dollars):

	June 28, 1998	June 29, 1997
Future income tax benefits:		
Customer tooling	$156	$156
Payroll-related accruals	410	410
Environmental reserve	1,121	1,136
Other	531	166
	------	------
	$2,218	$1,868
	======	======
Deferred income taxes:		
Accrued pension obligations	$3,233	$2,910
Accumulated depreciation	(5,091)	(4,116)
Postretirement obligations	1,501	1,366
Other	-	26
	------	------
	($ 357)	$186
	======	======

Foreign income before the provision for income taxes was not significant for each of the years indicated.

RETIREMENT PLANS AND POSTRETIREMENT COSTS

The Company has a noncontributory deferred benefit pension plan covering substantially all U.S. associates. Benefits are based on years of service and final average compensation. The Company's policy is to fund at least the minimum actuarially computed annual contribution required under the Employee Retirement Income Security Act of 1974 (ERISA). Plan assets consist primarily of listed equity and fixed income securities.

The following tables summarize the plan's income and expense, actuarial assumptions, and funded status for the years indicated (thousands of dollars):

	1998	1997	1996
INCOME AND EXPENSE:			
Service cost-benefits earned during the year	$1,206	$1,205	$1,057
Interest cost on projected benefit obligation	1,664	1,631	1,451
Actual return on plan assets	(4,585)	(3,138)	(2,608)
Net amortization and deferral	2,566	1,428	1,028
Net periodic pension expense	$851	$1,126	$928

	1998	1997
FUNDED STATUS:		
Actuarial present value of benefit obligations:		
Vested	$16,713	$13,187
Nonvested	2,270	1,946
Accumulated benefit obligation	18,983	15,133
Effect of projected future compensation increases	7,206	6,492
Projected benefit obligation	26,189	21,625
Plan assets at fair market value	26,364	22,194
Plan assets greater than projected benefit obligation	175	569
Remaining unrecognized net asset arising from the initial application of SFAS No. 87	947	1,096
Unrecognized net gain	7,535	6,885

Unrecognized prior service cost	(18)	49
Accrued pension obligation	$8,289	$7,461

ACTUARIAL ASSUMPTIONS:	1998	1997
Discount rate used to determine present value of projected benefit obligation	7.5%	7.75%
Expected rate of future compensation increases	4.0%	4.0%
Expected long-term rate of return on plan assets	8.5%	8.5%

All U.S. associates of the Company may participate in a 401(K) Plan. The Company contributes a fixed percentage of up to the first 6 percent of eligible compensation that a participant contributes to the plan. The Company's contributions totaled approximately $548,000 in 1998, $487,000 in 1997 and $359,000 in 1996.

The Company recognizes the expected cost of retiree health care and life insurance benefits during the years that the associates render service. For measurement purposes, a 6.5 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998; the rate was assumed to decrease to 6 percent by the year 1999 and remain at that level thereafter.

The discount rate used in determining the accumulated postretirement benefit obligations was 7.5 percent at June 28, 1998, and 7.75 percent at June 29, 1997, compounded annually. The health care and life insurance plans are unfunded.

The components of the accumulated postretirement benefit obligations were as follows (thousands of dollars):

	June 28, 1998	June 29, 1997
Retirees	$ 548	$ 225
Fully eligible plan participants	570	435
Other active participants	2,763	2,432
	3,881	3,092
Unrecognized net obligations	(8)	(9)
Unrecognized prior		

service cost	(274)	-
Unrecognized net gain	250	419
	$ 3,849	$ 3,502

The net periodic postretirement costs recorded during 1998, 1997, and 1996 were as follows (thousands of dollars):

	1998	1997	1996
Service cost-benefits attributed to service during the year	$169	$153	$173
Interest cost on accumulated benefit obligation	238	215	221
Other	(8)	(7)	1
	$399	$361	$395

The health care cost trend assumption has a significant effect on the amounts reported. A 1% change in the health care cost trend rates would have the following effects (thousands of dollars):

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$82	($68)
Effect on Postretirement benefit obligation	$556	($468)

SHAREHOLDERS' EQUITY

The Company has 12,000,000 shares of authorized common stock, par value $.01 per share, with 5,724,843 and 5,667,150 shares issued and outstanding at June 28, 1998, and June 29, 1997, respectively. Holders of Company common stock are entitled to one vote for each share on all matters voted on by shareholders.

On February 27, 1995, one common stock purchase right (a "right") was distributed for each share of the Company's common stock outstanding. The rights are not currently exercisable, but would entitle shareholders to buy one-half of one share of the Company's common stock at an exercise price of $30 per share if certain events occurred relating to the acquisition or attempted acquisition of 20 percent or more of the outstanding shares. The rights expire in the year 2005, unless redeemed or exchanged by the Company earlier.

During fiscal 1997 the Company's Board of Directors authorized a stock repurchase program to buy back up to 289,395 outstanding shares. As of June 28, 1998, 153,000 shares have been purchased at a cost of $2,734,000.

EARNINGS PER SHARE (EPS)

In the second quarter of fiscal 1998, the Company adopted SFAS No. 128, "Earnings Per Share." The Company's previously reported EPS is consistent with basic EPS as calculated below under SFAS No. 128. A reconciliation of the components of the basic and diluted per share computations follows (thousands of dollars, except per share amounts):

	Net Income	Shares	Per-Share Amount
		1998	
Basic EPS	$ 13,489	5,708	$2.36
Stock Options		155	
Diluted EPS	$ 13,489	5,863	$2.30
		1997	
Basic EPS	$ 9,820	5,716	$1.72
Stock Options		69	
Diluted EPS	$ 9,820	5,785	$1.70
		1996	
Basic EPS	$ 7,714	5,785	$1.33
Stock Options		66	
Diluted EPS	$ 7,714	5,851	$1.32

Options to purchase the following shares of common stock were outstanding as of each date indicated but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares:

	Shares	Exercise Price
June 28, 1998	80,000	$31.98
	5,000	$31.63
June 29, 1997	76,393	$19.28
	77,135	$19.68
June 30, 1996	76,393	$19.28

STOCK OPTION AND PURCHASE PLANS

The Company maintains an omnibus stock incentive plan, which provides for the granting of stock options. The Board of Directors has designated 1,200,000 shares of the Company's common stock available for grant under the plan at a price not less than the fair market value on the date the option is granted. Options become exercisable as determined at the date of grant by a committee of the Board of Directors and expire 5 to 10 years after the date of grant unless an earlier expiration date is set at the time of grant.

	Shares	Weighted Average Exercise Price
Balance as of July 2, 1995	382,500	$11.75
Granted	96,393	$18.57
Terminated	7,500	$11.75
Balance as of June 30, 1996	471,393	$13.15
Granted	157,135	$18.17
Exercised	13,750	$11.75
Terminated	15,889	$15.01
Balance June 29, 1997	598,889	$14.45
Granted	95,000	$31.06
Exercised	78,000	$12.67
Balance at June 28, 1998	615,889	$17.23
Exercisable as of June 28, 1998	340,750	$12.37
Available for grant as of June 28, 1998	492,361	

During 1997, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by the statement, the Company will continue to account for its stock-based compensation plans in accordance with APB Opinion No. 25 and related Interpretations. Accordingly, no compensation cost related to these plans was charged against earnings in 1998, 1997, and 1996. Had compensation cost for these plans been determined consistent with SFAS No. 123, the pro forma impact on earnings per share would have been as follows (thousands of dollars):

	June 28, 1998	June 29, 1997	June 30, 1996
Net income			
As reported	$ 13,489	$ 9,820	$ 7,714
Pro forma	$ 13,057	$ 9,655	$ 7,649
Basic earnings per share			
As reported	$ 2.36	$ 1.72	$ 1.33

Pro forma	$ 2.29	$ 1.69	$ 1.33
Diluted earnings per share			
As reported	$ 2.30	$ 1.70	$ 1.32
Pro forma	$ 2.24	$ 1.69	$ 1.32

The fair market value of each option grant was estimated as of the date of grant using the Black-Scholes pricing model. The resulting compensation cost was amortized over the vesting period.

The grant date fair market values and assumptions used to determine such impact are as follows:

Options Granted During	1998	1997	1996
Weighted average grant date fair value	$ 31.06	$18.17	$18.57
Assumptions:			
Risk free interest rates	6.07%	6.54%	6.01%
Expected volatility	30.10%	32.11%	27.98%
Expected term (in years)	5.75	5.5	5.75

The range of options outstanding as of June 28, 1998, is as follows:

Price Range per Share	Weighted Number of Options Outstanding/ Exercisable	Average Exercise Price Outstanding/ Exercisable	Weighted Average Remaining Contractual Life (in years)
$11.75-$17.05	370,750/340,750	$12.78/$12.40	7.1
$19.28-$23.63	160,139/ -	$19.73/ -	3.1
Over $31.63	85,000/ -	$31.96/ -	4.5
	615,889/340,750	$17.23/$12.40	5.7

Effective February 18, 1998, the Company adopted an Employee Stock Purchase plan to provide substantially all U. S. full-time associates an opportunity to purchase shares of its common stock through payroll deductions. A participant may contribute a maximum of $5,200 per calendar year to the plan. On the last day of each month, participant account balances are used to purchase shares of stock at the average of the highest and lowest reported sales prices of a share of the Company's common stock on the NASDAQ National Market. A total of 100,000 shares may be issued under the plan. A total of 693 shares were issued from treasury stock under the plan at an average price of $29.93 during fiscal 1998. A total of 99,307 shares are available for purchase under the plan as of June 28, 1998.

EXPORT SALES

Export sales are summarized below thousands of dollars):

	Export Sales	Percent of Net Sales
1998	$22,330	12%
1997	$17,179	11%
1996	$14,713	11%

These sales were primarily to vehicle manufacturing plants in Canada and Mexico.

SALES TO LARGEST CUSTOMERS

Sales to the Company's largest customers were as follows (thousands of dollars and percent of total net sales):

	1998 Sales	%	1997 Sales	%	1996 Sales	%
General Motors Corporation	$ 86,721	46%	$ 70,347	44%	$ 65,441	47%
Ford Motor Company	46,136	25%	43,617	27%	27,977	20%
Chrysler Corporation	25,966	14%	21,000	13%	20,318	15%
	$158,823	85%	$134,964	85%	$113,736	82%

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
OF STRATTEC SECURITY CORPORATION:

We have audited the accompanying consolidated balance sheets of STRATTEC SECURITY CORPORATION and subsidiaries, as of June 28, 1998, and June 29, 1997, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended June 28, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STRATTEC SECURITY CORPORATION and subsidiaries as of June 28, 1998, and June 29, 1997, and the results of their operations and their cash flows for each of the three years in the period ended June 28, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP
Milwaukee, Wisconsin
July 30, 1998

REPORT OF MANAGEMENT

The management of STRATTEC SECURITY CORPORATION is responsible for the fair presentation and integrity of the financial statements and other information contained in this Annual Report. We rely on a system of internal financial controls to meet the responsibility of providing financial statements. The system provides reasonable assurances that assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial statements are prepared in accordance with generally accepted accounting principles, including amounts based upon management's best estimates and judgments.

The financial statements for each of the years covered in this Annual Report have been audited by independent auditors, who have provided an independent assessment as to the fairness of the financial statements.

The Audit Committee of the Board of Directors meets with management and the independent auditors to review the results of their work and to satisfy itself that their responsibilities are being properly discharged. The independent auditors have full and free access to the Audit Committee and have discussions with the committee regarding appropriate matters, with and without management present.

Harold M. Stratton II
Harold M. Stratton II
President and
Chief Executive Officer

John G. Cahill
John G. Cahill
Executive Vice President and
Chief Financial Officer

FIVE-YEAR FINANCIAL SUMMARY

For all periods after February 26, 1995, the financial data reflect the consolidated results of the Company and its wholly owned subsidiaries. For all periods prior to February 27, 1995, the financial data reflect the combined results of the Technologies Business of Briggs & Stratton Corporation ("Briggs"). On February 27, 1995 Briggs transferred substantially all of the assets, related debt and liabilities of its Technologies Business to the Company, which was previously formed as a wholly owned subsidiary of Briggs in order to receive the distribution (the "Distribution"). The information below should be read in conjunction with "Management's Discussion and Analysis," and the Financial Statements and Notes thereto included elsewhere herein. The following data are in thousands of dollars except per share amounts.

	Fiscal Years				
	1998	1997	1996	1995	1994
INCOME STATEMENT DATA					
Net sales	$ 186,805	$ 159,054	$ 139,745	$ 110,372	$ 97,077
Gross profit	39,940	33,319	29,231	27,893	23,248
Engineering, selling, and administrative expenses	18,925	17,684	16,632	13,847	8,915
Environmental charges	-	-	-	3,000	1,250
Income from operations	21,015	15,635	12,599	11,046	13,083
Interest income	351	4	22	16	-
Interest expense	(19)	(214)	(363)	(12)	-
Other income, net	73	125	286	83	68
Income before taxes and cumulative effect of accounting changes	21,420	15,550	12,544	11,133	13,151
Provision for income taxes	7,931	5,730	4,830	4,657	5,330
Net income before cumulative effect of accounting changes	13,489	9,820	7,714	6,476	7,821
Cumulative effect of accounting changes	-	-	-	-	(3,024)
Net income	$ 13,489	$ 9,820	$ 7,714	$ 6,476	$ 4,797
Earnings per share (a):					
Basic	$ 2.36	$ 1.72	$ 1.33	-	-
Diluted	$ 2.30	$ 1.70	$ 1.32	-	-
BALANCE SHEET DATA					
Net working capital	$ 42,953	$ 32,399	$ 21,181	$ 18,978	$ 13,714
Total assets	107,998	95,669	82,818	70,103	49,496
Long-term liabilities	12,138	16,000	10,937	8,198	6,212
Equity	70,398	56,093	48,298	40,943	28,379

(a)Earnings per share is presented for fiscal years subsequent to the Distribution.

QUARTERLY FINANCIAL DATA (UNAUDITED)

					Earnings Per Share		Market Price Per Share	
	Quarter	Net Sales	Gross Profit	Net Income	Basic	Diluted	High	Low
1998	First	$ 42,868	$ 8,488	$ 2,398	$ .42	$ .41	28 1/4	19 1/2
	Second	49,722	10,142	3,433	.60	.59	30 1/4	23
	Third	47,420	10,623	3,835	.67	.65	29 1/4	25
	Fourth	46,795	10,687	3,823	.67	.65	33 1/4	27
	TOTAL	$ 186,805	$ 39,940	$ 13,489	$ 2.36	$ 2.30		
1997	First	$ 36,214	$ 6,253	$ 1,201	$ .21	$ .21	18 1/2	13 3/4
	Second	37,926	8,528	2,598	.45	.45	18 1/2	14 1/2
	Third	41,836	9,036	2,902	.51	.50	19 3/4	16
	Fourth	43,078	9,502	3,119	.55	.54	21	16 1/2
	TOTAL	$ 159,054	$ 33,319	$ 9,820	$ 1.72	$ 1.70		

Shareholders of record at June 28, 1998, were 5,010.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 10-K of our report dated July 30, 1998, included in the 1998 Annual Report to Shareholders of STRATTEC SECURITY CORPORATION.

We also consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K into the Company's previously filed Registration Statement on Form S-8 (File No. 333-4300 and File No. 333-45221).

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
September 9, 1998.

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