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 29, 1997.

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. [x]

The aggregate market value of the voting Common Stock held by non-affiliates of the registrant as of August 20, 1997 was approximately $133,188,000 (based upon the last reported sale price of the Common Stock at August 20, 1997 on the NASDAQ National Market). On August 20, 1997, there were outstanding 5,667,150 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 29, 1997.	I, II, IV
Portions of the Proxy Statement dated September 10, 1997, for the Annual Meeting of Shareholders to be held on October 23, 1997.	III

PART I

ITEM 1. BUSINESS

GENERAL

STRATTEC SECURITY CORPORATION (the "Company") designs, develops, manufactures and markets mechanical locks, electro-mechanical locks and related products for automotive manufacturers with operations in the United States, Canada and Mexico ("North American Automotive Manufacturers"). The Company also produces precision zinc die castings for the transportation, security and small engine industries.

The Company was incorporated as a Wisconsin Corporation on September 15, 1994, as a wholly owned subsidiary of Briggs & Stratton Corporation ('Briggs'). On February 27, 1995, the Company received a distribution of substantially all of the assets, related debt and liabilities of the mechanical and electro-mechanical automotive lock and key business owned by Briggs (the 'Distribution').

As a division of Briggs, the Company has been in the automotive lock manufacturing business for approximately 80 years. It has also been in the zinc die casting business for approximately 70 years. The Company has been the world's largest producer of automotive locks and keys since the late 1920's, and currently maintains a dominant share of the North American markets for these products.

The majority of the components that go into the Company's lock products are manufactured at its facility in Milwaukee, Wisconsin. The Company's products are assembled at the Milwaukee plant and at its plant in Juarez, Mexico. The Company's general offices are located in the Milwaukee facility.

For information as to export sales, see Note 9 of Notes to Financial Statements included in the Company's 1997 Annual Report to Shareholders, which is incorporated herein by reference.

PRINCIPAL SERVICES AND PRODUCTS

The Company's 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 vehicles and vans will use six or 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 offered as options. Usually two pairs of keys are provided with each vehicle lockset.

The Company currently produces locks with simple electrical switch devices and more sophisticated devices, such as resistive elements, radio frequency identification (RFID) elements and Hall effects sensors. Additional electronically assisted locksets are in various stages of development in support of future model year introductions. The primary focus of this activity is increased security and reliability through continued development of RFID applications.

The Company's products are supported by an extensive staff of experienced lock engineers who work directly with customer engineering departments. This staff, which includes product design, quality and manufacturing engineers, is capable of providing complete design, development and testing services of new lock products for the Company's customers. Additionally, this staff is available to customers for problem solving, warranty analysis and other activities that arise during a product's life cycle. The Company also provides after-sale support to its customers with the design of special field service kits, writing and publishing of service manuals, and specific in-plant production repair programs.

The Company's products are for the most part unique to specific vehicle models. From time to time certain models require significant changes to their lock designs. While these changes occur relatively infrequently on a model by model basis, the Company's involvement in a broad range of models dictates that, in any given year, some new designs are introduced which replace earlier designs. These earlier designs continue to produce revenues from service applications.

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 nineteen issued United States patents, with expirations occurring between 1999 and 2015.

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.

SEASONALITY

As an automotive supplier, the Company encounters the normal peaks and valleys associated with the automotive industry. Typically, the months of July and August are relatively slow while summer shut-downs and model year changeover occur at the automotive assembly plants. September volumes increase rapidly as the new model year begins and the "pipelines" to the retail dealer are filled. This volume strength continues through October and into early November. As the holiday and winter seasons approach, the demand for automobiles slows and production is trimmed accordingly. March typically brings a major sales and production increase which then continues through most of June before tailing off for the model year build-out. This pattern has been relatively consistent on a year-to-year basis, except when the general economy suffered a significant slow-down. In this latter case, the month-to-month swings as described above were still present, but the magnitude of the swings was greatly diminished.

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 1997, 1996 and 1995, these three customers accounted for 85%, 82% and 72% 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 contained in Note 10 of Notes to Financial Statements, included in the Company's 1997 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 long term relationships with General Motors Corporation and Chrysler Corporation 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 is 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. The

Company is also an OEM component supplier to residential/commercial door hardware manufacturers and other miscellaneous industrial manufacturers. The Company utilizes both direct sales personnel and manufacturers' representative agencies to service its customers. OEM sales have traditionally represented approximately 85 to 90% of the Company's total sales. The Company receives the remainder of its revenue primarily through sales into the OEM service and the locksmith aftermarket distribution channels. Sales through these two channels are approximately equal.

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 is issued by customers for each model year and releases 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 1997, 1996, and 1995, the Company spent $3,208,000, $2,772,000, and $1,754,000, 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 Note 2 of Notes to Financial Statements included in the Company's 1997 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing on pages 10 through 12 of the Company's 1997 Annual Report to Shareholders.

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 29, 1997, the Company had approximately 2,665 full-time employees, of which approximately 530 were represented by a labor union. The Company has not experienced any work stoppages at its current operating plants since October 29, 1983.

Prior to the February 27, 1995 distribution, the Company's Milwaukee hourly employees were covered by collective bargaining agreements negotiated between Briggs & Stratton and Local 7232 of the UPIU. On December 4, 1994, Local 7232 members ratified a new collective bargaining agreement with Briggs that provided for a successor contract with the Company relative to the Company's represented employees. The Company assumed all obligations under the successor contract in connection with the distribution. The agreement between Local 7232 and the Company commenced on February 27, 1995 and expires on December 31, 1997, and calls for certain wage increases that in the aggregate average 4 percent in calendar year 1995 and 1 percent in each of calendar years 1996 and 1997.

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.

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 1997.

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, 49	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 since 1989.
John G. Cahill, 40	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, 41	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.
Andrew G. Lechtenberg, 44	Vice President -- Engineering of the Company since 1994. Vice President -- Engineering of the Technologies Division since 1989.

Gerald L. Peebles, 54	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 1997 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 Note 3 of Notes to Financial Statements included in the Company's 1997 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 1997 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 1997 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 31, 1997, which appear on pages 13 through 23 of the Company's 1997 Annual Report to Shareholders, are incorporated herein by reference.

The Quarterly Financial Data (unaudited) which appears on page 24 of the Company's 1997 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 4 of the Company's Proxy Statement, dated September 10, 1997, 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 10, 1997, under "Executive Compensation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information on pages 4 and 5 of the Company's Proxy Statement, dated September 10, 1997, 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 10, 1997, 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 1997 Annual Report to Shareholders, are incorporated by reference in Item 8.

Report of Independent Public Accountants

Balance Sheets - as of June 29, 1997 and June 30, 1996

Statements of Income - years ended June 29, 1997, June 30, 1996, and July 2, 1995

Statements of Changes in Equity - years ended June 29, 1997, June 30, 1996, and July 2, 1995

Statements of Cash Flows - years ended June 29, 1997, June 30, 1996, and July 2, 1995

Notes to Financial Statements

(2) Financial Statement Schedules

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 12.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of fiscal 1997.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards the consolidated and combined 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 31, 1997. 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 and combined financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated and combined 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 and combined financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
July 31, 1997.

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 29, 1997				
Allowance for doubtful accounts	$ 250	$ 0	$ 0	$ 250
Year ended June 30, 1996				
Allowance for doubtful accounts	$ 250	$ 0	$ 0	$ 250
Year ended July 2,1995				
Allowance for doubtful accounts	$ 100	$ 150	$ 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 20, 1997

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 20, 1997
/s/ John G. Cahill John G. Cahill	Executive Vice President, Chief Financial Officer, Treasurer, Secretary & Director	August 20, 1997
/s/ Frank J. Krejci Frank J. Krejci	Director	August 20 , 1997
/s/ Michael J. Koss Michael J. Koss	Director	August 20 , 1997

/s/ Robert Feitler Director August 20 , 1997
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Robert Feitler

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 (2)	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 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 29, 1997	14

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 10, 1997	46

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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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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
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 electromechanical 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. The Company anticipates that sales to Briggs will continue to decline as zinc die castings are resourced to other suppliers.

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 for the past 18 months, 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. The Company anticipates that engineering expenses in support of new programs will continue to increase but that in total, engineering, selling, and administrative expenses will be leveraged as sales grow and will therefore decline as a percentage of net sales.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (C0NTINUED)

1996 COMPARED TO 1995

Net sales were $139.8 million in 1996, an increase of 27 percent compared to net sales of $110.4 million in 1995. The sales increase resulted primarily from sales of $28.0 million to the Ford Motor Company. The Company began production volume shipments of locksets to Ford during 1996. Sales to General Motors Corporation and Chrysler Corporation increased by a total of approximately eight percent in 1996 compared to 1995, despite the negative effect of a labor strike at a General Motors component plant during the third quarter of 1996. The increase is primarily due to increased product content and features in the locksets supplied to these customers. Sales to aftermarket service providers increased $2.4 million or approximately 29 percent compared to 1995, primarily due to service parts sales supporting new OEM product programs. Sales of zinc die castings to Briggs were $6.8 million in 1996, compared to $10.1 million in 1995. The decrease reflects the phaseout of castings produced by older, high tonnage conventional casting equipment and lower demand for other castings.

Gross profit as a percentage of net sales decreased to 20.9 percent in 1996, compared to 25.3 percent in 1995. The decrease is primarily due to scrap, expedited freight costs, and increased start-up costs associated with bringing new programs into production.

Engineering, selling, and administrative expenses increased approximately 20 percent to $16.6 million in 1996, compared to $13.8 million in 1995. The prior year amount included approximately $1.0 million of nonrecurring expenses associated with the Company's separation from Briggs. Adjusted for the $1.0 million of nonrecurring expenses, expenses increased $3.8 million, or approximately 30 percent, in 1996. Engineering expenses increased by approximately $500,000, or nine percent, in support of new OEM product programs. Selling expenses increased $1.0 million, or 29 percent, primarily due to increased commissions and promotion expenses supporting aftermarket service sales. Administrative expenses increased approximately $2.3 million, or 65 percent, as the Company incurred costs on a stand-alone basis for financial, information systems, human resources, shareholder relations, and administrative functions during the entire fiscal year.

Income from operations was $12.6 million in 1996, compared to $11.0 million in 1995. Adjusted for the $3.0 million environmental charge recorded in 1995, income from operations decreased $1.5 million despite the increased sales volume. The decrease is due to reduced gross profit margins.

The effective income tax rate for 1996 was 38.5 percent, compared to 41.8 percent for 1995. The decrease is due primarily to the nondeductibility of certain nonrecurring expenses associated with the Company's separation from Briggs during 1995 and the effect of the foreign sales corporation, which was formed on July 3, 1995. The effective rate differs from the federal statutory rate, primarily due to the effects of state income taxes.

LABOR ECONOMICS

Prior to the February 27, 1995 spin-off, the Company's Milwaukee hourly associates were covered by collective bargaining agreements negotiated between Briggs and Local 7232 of the UPIU. On December 4, 1994, Local 7232 members ratified a new collective bargaining agreement with Briggs that provided for a successor contract with the Company, relative to the Company's represented employees. The Company assumed all obligations under the successor contract in connection with the spin-off. The agreement between Local 7232 and the Company commenced on February 27, 1995, expires on December 31, 1997, and calls for certain wage increases that in the aggregate average four percent in calendar year 1995 and one percent in each of calendar years 1996 and 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS (C0NTINUED)

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures in 1997 were $8.0 million compared to $12.2 million in 1996. Expenditures were primarily for capital equipment in support of new product programs and investments in information systems. Capital expenditures in 1997 were less than originally anticipated, due primarily to the timing of expenditures for product programs. The Company anticipates that capital expenditures will be approximately $10 million in 1998, primarily in support of requirements for additional product programs.

The Company's investment in accounts receivable increased by approximately $10.9 million at June 29, 1997, as compared to June 30, 1996, primarily due to increased sales levels and normal timing of periodic payments received from OEM customers. The Company's largest customers typically make one payment per month on a specified date. In accordance with this payment schedule, approximately $7.8 million of payments were received on June 30, 1997. Inventories increased by approximately $1.5 million at June 29, 1997, as compared to June 30, 1996, in support of increased sales and production activity.

During 1997 the Company repurchased 132,000 outstanding shares with an investment of $2.1 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"). Outstanding borrowings under the Credit Facility were $5.0 million at June 29, 1997. The Credit Facility is discussed in Note 3 to the Financial Statements. 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.

MEXICAN OPERATIONS

The Company has assembly operations in Juarez, Mexico. The functional currency of the Mexican operation through December 29, 1996, 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, "Foreign Currency Translation." Effective December 30, 1996, the functional currency of the Mexican operation is the U.S. dollar, as Mexico is considered to be a highly inflationary economy in accordance with SFAS No. 52. 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.

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, management's or the Company's expectations and beliefs and similar matters discussed in 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 and costs of operations.

STATEMENTS OF INCOME (IN THOUSANDS)

	Years Ended		
	June 29, 1997	June 30, 1996	July 2, 1995
NET SALES	$159,054	$139,745	$110,372
Cost of goods sold	125,735	110,514	82,479
GROSS PROFIT	33,319	29,231	27,893
Engineering, selling, and administrative expenses	17,684	16,632	13,847
Environmental charge	-	-	3,000
INCOME FROM OPERATIONS	15,635	12,599	11,046
Interest expense	214	363	12
Other income, net	129	308	99
INCOME BEFORE PROVISION FOR INCOME TAXES	15,550	12,544	11,133
Provision for income taxes	5,730	4,830	4,657
NET INCOME	$ 9,820	$ 7,714	$ 6,476
NET INCOME PER COMMON SHARE	$ 1.72	$ 1.33	

The accompanying notes are an integral part of these statements.

BALANCE SHEETS (IN THOUSANDS)

	June 29, 1997	June 30, 1996

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 404	$ 441
Receivables, less allowance for doubtful accounts of $250 at June 29, 1997, and June 30, 1996	29,687	18,809
Inventories	14,879	13,406
Customer tooling in progress	6,615	7,346
Future income tax benefits	1,868	1,962
Other current assets	2,522	2,800
Total current assets	55,975	44,764
DEFERRED INCOME TAXES	186	463
PROPERTY, PLANT, AND EQUIPMENT, NET	39,508	37,591
	$95,669	$82,818
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$12,367	$13,017
Accrued liabilities:		
Payroll and benefits	6,523	4,900
Environmental	2,911	2,966
Income taxes	452	655
Other	1,323	2,045
Total current liabilities	23,576	23,583
BORROWINGS UNDER REVOLVING CREDIT FACILITY	5,037	1,430
ACCRUED PENSION OBLIGATIONS	7,461	6,334
ACCRUED POST-RETIREMENT OBLIGATIONS	3,502	3,173
SHAREHOLDERS' EQUITY:		
Common stock, authorized 12,000,000 shares $.01 par value, issued and outstanding shares 5,667,150 at June 29, 1997, and 5,785,400 at June 30, 1996	58	58
Capital in excess of par value	41,094	40,909
Retained earnings	18,947	9,127
Cumulative translation adjustments	(1,863)	(1,796)
Less: Treasury stock, at cost (132,000 shares at June 29, 1997	(2,143)	-
Total shareholders' equity	56,093	48,298
	$95,669	$82,818

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

STATEMENTS OF CHANGES IN EQUITY (IN THOUSANDS)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Combined Equity
BALANCE, JULY 3, 1994	$ -	$ -	$ -	$ (399)	$ -	$ 28,778
Net income	-	-	1,413	-	-	5,063
Translation adjustments	-	-	-	(1,038)	-	-
Capital contributions from Briggs & Stratton Corporation	-	-	-	-	-	7,126
Receipt of net assets of the Technologies Business of Briggs & Stratton Corporation	58	40,909	-	-	-	(40,967)
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	-	185	-	-	-	-
BALANCE, JUNE 29, 1997	$58	$41,094	$18,947	$(1,863)	$(2,143)	$ -

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	Years Ended		
	June 29, 1997	June 30, 1996	July 2, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 9,820	$ 7,714	$ 6,476
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,639	3,961	2,794
Loss on disposition of property, plant and equipment	171	254	707
Change in operating assets and liabilities:			
Increase in receivables	(10,897)	(3,367)	(1,938)
(Increase) decrease in receivables from Briggs & Stratton Corporation	-	1,337	(1,337)
Increase in inventories	(1,473)	(3,497)	(4,586)
(Increase) decrease in other assets	1,421	(3,548)	(140)
Increase in accounts payable and accrued liabilities	1,459	4,128	8,418
Other, net	(55)	(103)	39
Net cash provided by operating activities	6,085	6,879	10,433
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant, and equipment	(7,972)	(12,177)	(13,323)
Proceeds received on sale of property, plant and equipment	196	60	118
Net cash used in investing activities	(7,776)	(12,117)	(13,205)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from borrowings under revolving credit facility	3,607	1,430	-
Purchase of common stock	(2,143)	-	-
Exercise of stock options	185	-	-
Net transactions with Briggs & Stratton Corporation	-	-	7,126
Net cash provided by financing activities	1,649	1,430	7,126
EFFECT OF FOREIGN CURRENCY FLUCTUATIONS ON CASH	5	(13)	(212)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37)	(3,821)	4,142
CASH AND CASH EQUIVALENTS Beginning of year	441	4,262	120
End of year	$ 404	$ 441	$ 4,262

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Income taxes paid	$ 4,984	$ 6,422	$ 3,138
Interest paid	227	355	18

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

(1) SPIN-OFF

STRATTEC SECURITY CORPORATION (the "Company") was formed on September 15, 1994, as a wholly owned subsidiary of Briggs & Stratton Corporation ("Briggs") to receive substantially all of the assets and liabilities, including a wholly owned foreign subsidiary, of the mechanical and electromechanical automotive lock and key business owned by Briggs and operated as its Briggs & Stratton Technologies Business (the "Technologies Business").

On February 27, 1995, the holders of Briggs common stock received a distribution of one share of Company common stock for every five shares of common stock of Briggs held on February 16, 1995 (the "Distribution"). In connection with the Distribution, Briggs transferred substantially all of the assets, related debt and liabilities of the Technologies Business to the Company.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 subsidiary discussed in Note 1, and its foreign sales corporation for the years ended June 29, 1997, and June 30, 1996, and for the period from February 27, 1995, to July 2, 1995. All periods prior to February 27, 1995, represent the combined results of the Technologies Business. All significant intercompany transactions have been eliminated. The accounting for the Distribution reflects a reorganization of companies under common control and, accordingly, all assets and liabilities are reflected at their historical cost.

Certain amounts previously reported have been reclassified to conform to the June 29, 1997 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. The years ended June 29, 1997, June 30, 1996, and July 2, 1995, are each comprised of 52 weeks.

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 29, 1997	June 30, 1996
Finished products	$ 3,599	3,926
Work in process	12,446	10,415
Raw materials	1,671	1,591
LIFO adjustment	(2,837)	(2,526)
	$14,879	$13,406

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 at rates based upon the estimated useful lives of the assets.

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

	June 29, 1997	June 30, 1996
Land	$ 801	788
Buildings and improvements	9,551	9,538
Machinery and equipment	58,771	53,346
	69,123	63,672
Less: accumulated depreciation	29,615	26,081
	$39,508	$37,591

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 cost of goods sold.

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: The functional currency of the Company's Mexican assembly operations through December 29, 1996, was the Mexican peso, and through that date the financial statements of the Company's foreign subsidiary were translated into U.S. dollars using the current rate method in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Balance sheet accounts were translated into U.S. dollars at rates of exchange in effect at period end, and income and expenses were translated at the average rates of exchange in effect during the period. The related translation adjustments were made directly to a separate component of shareholders' equity. Effective December 30, 1996, the functional currency of the Mexican operation is the U.S. dollar, as Mexico is considered to be a highly inflationary economy in accordance with SFAS No. 52. The effect of currency fluctuations in the remeasurement process is included in the determination of income. The effect of currency fluctuations in the determination of income is not material.

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

NET INCOME PER COMMON SHARE: Net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period and is presented for fiscal years subsequent to the Distribution. The weighted average common shares outstanding were 5,715,699 and 5,785,400 for fiscal years 1997 and 1996, respectively.

In February of 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." This Statement revises the computation and presentation of earnings per share. In accordance with timing prescribed by the Statement, the Company will adopt this Statement in the second quarter of fiscal 1998. The Company does not expect adoption to have a significant impact on reported earnings per share. Had the Company adopted this Statement for the fiscal years ended June 29, 1997, and June 30, 1996, basic and diluted earnings per share would have been $1.72 and $1.70, and $1.33 and $1.32, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NET TRANSACTIONS WITH BRIGGS & STRATTON CORPORATION: The amount shown on this line in the 1995 Statement of Cash Flows represents the net effect of cash used by the Technologies Business and transferred from Briggs. It was Briggs' policy to consolidate all cash positions from its operations on a daily basis and to transfer cash to and from the operations as necessary to meet working capital and other needs.

(3) REVOLVING CREDIT FACILITY

The Company has a $25 million unsecured, revolving credit facility (the "Credit Facility"), which expires October 31, 1999. 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. Outstanding borrowings were $5,037,000 and $1,430,000 under the Credit Facility at June 29, 1997, and June 30, 1996, respectively. The weighted average interest rate on the revolving credit borrowings was 6.0 percent and 6.2 percent for the years ended June 29, 1997, and June 30, 1996, 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.

(4) ENVIRONMENTAL MATTERS

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 29, 1997, is adequate.

(5) INCOME TAXES

Prior to February 27, 1995, the Company's operations were included in the consolidated federal and state income tax returns of Briggs, and income tax provisions and tax liabilities were allocated to the Technologies Business as if it had been a stand-alone company. Briggs and the Company have entered into a tax-sharing agreement under which Briggs is responsible for substantially all income and franchise taxes with respect to the Company for periods prior to the date of the Distribution. The Company is responsible for all taxes applicable to periods after the Distribution and any amounts exceeding certain thresholds that may result from tax audit adjustments for periods prior to the Distribution. Foreign income before the provision for income taxes was not significant for each of the years indicated.

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

	1997	1996	1995
Currently payable:			
Federal	$ 4,469	$ 3,883	$5,505
State	1,037	861	1,120
Foreign	43	319	156
	5,549	5,063	6,781
Deferred taxes	181	(233)	(2,124)
	$ 5,730	$ 4,830	$4,657

A reconciliation of the U.S. statutory tax rates to the effective tax rates follows:

	1997	1996	1995
U.S. statutory rate	34.4%	34.2%	34.5%
State taxes, net of federal tax benefit	4.4	4.3	4.5
Foreign rate differential	(.8)	.4	.6
Other	(1.2)	(.4)	2.2
	36.8%	38.5%	41.8%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	June 29, 1997	June 30, 1996

Future income tax benefits:		
Inventories	$ (146)	$ (125)
Customer tooling	156	160
Payroll-related accruals	410	487
Environmental reserve	1,136	1,186
Other	312	254
	$ 1,868	$ 1,962
Deferred income taxes:		
Accrued pension obligations	$ 2,910	$ 2,534
Accumulated depreciation	(4,116)	(3,415)
Post-retirement obligations	1,366	1,269
Other	26	75
	$ 186	$ 463

(6) RETIREMENT PLANS AND POSTRETIREMENT COSTS

Prior to February 27, 1995, the Technologies Business employees participated in the Briggs' noncontributory defined benefit retirement plans covering substantially all U.S. employees. The funded status for the Technologies Business was allocated on the basis of the relationship of the prepaid pension cost for the Technologies Business compared to the Briggs amounts. Effective February 27, 1995, the Company assumed the accumulated pension benefit obligation and post-retirement health care and life insurance benefit obligations for former Technologies Business employees who became Company employees. Briggs retained the accumulated pension benefit obligation relating to all existing retirees at February 27, 1995.

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 plans' income and expense, actuarial assumptions, and funded status for the years indicated (thousands of dollars):

	1997	1996	1995
INCOME AND EXPENSE:			
Service cost-benefits earned during the year	$ 1,205	$ 1,057	$ 1,061
Interest cost on projected benefit obligation	1,631	1,451	1,458
Actual return on plan assets	(3,138)	(2,608)	(1,897)
Net amortization and deferral	1,428	1,028	311
Net periodic pension expense	$ 1,126	$ 928	$ 933

	1997	1996

FUNDED STATUS:		
Actuarial present value of benefit obligations:		
Vested	$13,187	$11,976
Nonvested	1,946	1,786
Accumulated benefit obligation	15,133	13,762
Effect of projected future compensation increases	6,492	7,386
Projected benefit obligation	21,625	21,148
Plan assets at fair market value	22,194	19,271
Plan assets greater (less) than projected benefit obligation	569	(1,877)
Remaining unrecognized net asset arising from the initial application of SFAS No. 87	1,096	1,245
Unrecognized net gain	6,885	3,170
Unrecognized prior service cost	49	42
Accrued pension obligation	$ 7,461	$ 6,334

ACTUARIAL ASSUMPTIONS:		
Discount rate used to determine present value of projected benefit obligation	7.75%	7.75%
Expected rate of future compensation increases	4.0%	4.5%
Expected long-term rate of return on plan assets	8.5%	8.5%

All U.S. employees of the Company may participate in a 401(K) Plan. The Company contributes a fixed percentage of the first six percent of eligible compensation that a participant contributes to the plan. The Company's contributions totaled approximately $487,000 in 1997, $359,000 in 1996, and $210,000 in 1995.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In accordance with SFAS No. 106, "Employers Accounting for Post-retirement Benefits other than Pensions," the Company recognizes the expected cost of health care and life insurance benefits during the years that the employees render service. For measurement purposes, a seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997; the rate was assumed to decrease to six percent by the year 1999 and remain at that level thereafter. The health care cost trend assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated post-retirement benefit obligation as of June 29, 1997, by approximately $476,000 and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for the year then ended by approximately $65,000.

The discount rate used in determining the accumulated post-retirement benefit obligations was 7.75 percent at June 29, 1997, and June 30, 1996, compounded annually. The health care and life insurance plans are unfunded.

The components of the accumulated post-retirement benefit obligations were as follows (thousands of dollars):

	June 29, 1997	June 30, 1996
Retirees	$ 225	$ 202
Fully eligible plan participants	435	356
Other active participants	2,432	2,239
	3,092	2,797
Unrecognized net obligations	(9)	(10)
Unrecognized net gain	419	386
	$3,502	$3,173

The net periodic post-retirement costs recorded during 1997, 1996, and 1995 were as follows (thousands of dollars):

	1997	1996	1995
Service cost-benefits attributed to service during the year	$ 153	$ 173	$ 156
Interest cost on accumulated benefit obligation	215	221	207
Other	(7)	1	1
	$ 361	$ 395	$ 364

Briggs retained the accumulated post-retirement health care and life insurance benefit obligations relating to all retirees at February 27, 1995.

(7) SHAREHOLDERS' EQUITY

The Company has 12,000,000 shares of authorized common stock, par value $.01 per share, with 5,667,150 and 5,785,400 shares issued and outstanding at June 29, 1997, and June 30, 1996, respectively. Holders of Company common stock are entitled to one vote for each share on all matters voted on by shareholders.

In conjunction with the Distribution, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

During 1997, the Company's Board of Directors authorized the purchase of up to five percent of outstanding shares, or approximately 290,000 shares. As of June 29, 1997, 132,000 shares have been purchased at a cost of $2,143,000 and are being held as Treasury Stock.

(8) STOCK OPTION PLAN
In conjunction with the Distribution, the Company adopted an omnibus stock incentive plan, which provides for the granting of stock options. The Board of Directors has designated 788,918 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 10 years after the date of grant unless an earlier expiration date is set at the time of grant.

Information regarding the Company's stock option plan is summarized below:

	Shares	Weighted Average Exercise Price
Granted at February 27, 1995	382,500	$11.75
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
Exercisable as of June 29, 1997	368,750	$11.86
Available for grant as of June 29, 1997	176,279	

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 as presented by APB Opinion No. 25 and related Interpretations. Accordingly, no compensation cost related to these plans was charged against earnings in 1997, 1996, and 1995. Had compensation cost for these plans been determined consistent with SFAS No. 123, the pro forma impact on earnings per share would have been a reduction of one cent for 1997 and no change relating to 1996 and 1995. The following table provides additional disclosure required by SFAS No. 123.

The range of options outstanding as of June 29, 1997, is as follows:

Price Range per Share	Number of Options Outstanding/ Exercisable	Weighted Average Exercise Price Outstanding/ Exercisable	Weighted Average Remaining Contractual Life (in years)
$11.75-$14.75	363,750/361,250	$11.79/$11.77	7.6
$15.50-$17.05	85,000/ 7,500	$16.91/$16.25	9.7
Over $19.28	150,139/ -	$19.49/ -	3.7
	598,889/368,750	$14.45/$11.86	6.9

(9) EXPORT SALES

Export sales are summarized below (thousands of dollars):

	Export Sales	Percent of Net Sales
1997	$17,179	11%
1996	$14,713	11%
1995	$11,336	10%

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

(10) SALES TO LARGEST CUSTOMERS

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

	1997 Sales	%	1996 Sales	%	1995 Sales	%

General Motors Corporation	$ 70,347	44%	$ 65,441	47%	$61,336	56%
Ford Motor Company	43,617	27%	27,977	20%	-	-
Chrysler Corporation	21,000	13%	20,318	15%	17,871	16%
	$134,964	85%	$113,736	82%	$79,207	72%

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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, formerly the Technologies Business of Briggs & Stratton Corporation, as of June 29, 1997, and June 30, 1996, and the related consolidated and combined statements of income, shareholders' equity and cash flows for each of the three years in the period ended June 29, 1997. 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 29, 1997, and June 30, 1996, and the results of their operations and their cash flows for each of the three years in the period ended June 29, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin
July 31, 1997

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

FINANCIAL SUMMARY

FIVE-YEAR FINANCIAL SUMMARY

For 1997, 1996 and the period from February 27, 1995, to July 2, 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. This information 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				
	1997	1996	1995	1994	1993
INCOME STATEMENT DATA					
Net sales	$159,054	$139,745	$110,372	$97,077	$82,005
Gross profit	33,319	29,231	27,893	23,248	13,449
Engineering, selling, and administrative expenses	17,684	16,632	13,847	8,915	7,767
Environmental charges	-	-	3,000	1,250	4,080
Income from operations	15,635	12,599	11,046	13,083	1,602
Interest expense	214	363	12	-	-
Other income, net	129	308	99	68	15
Income before taxes and cumulative effect of accounting changes	15,550	12,544	11,133	13,151	1,617
Provision for income taxes	5,730	4,830	4,657	5,330	660
Net income before cumulative effect of accounting changes	9,820	7,714	6,476	7,821	957
Cumulative effect of accounting changes -	-	-	-	(3,024)	-
Net income	$ 9,820	$ 7,714	$ 6,476	$ 4,797	$ 957
Net income per common share (a)	$ 1.72	$ 1.33	-	-	-
BALANCE SHEET DATA					
Net working capital	$ 32,399	$ 21,181	$ 18,978	$13,714	$19,806
Total assets	95,669	82,818	70,103	49,496	54,473
Long-term liabilities	16,000	10,937	8,198	6,212	4,635
Equity	56,093	48,298	40,943	28,379	37,986

(a) Net income per common share is presented for fiscal years subsequent to the distribution.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter	Net Sales	Gross Profit	Net Income	Net Income Per Common Share	Market Price Per Share High	Low
1997	First	$ 36,214	$ 6,253	$1,201	$ .21	18 1/2	13 3/4
	Second	37,926	8,528	2,598	.45	18 1/2	14 1/2
	Third	41,836	9,036	2,902	.51	19 3/4	16
	Fourth	43,078	9,502	3,119	.55	21	16 1/2
	TOTAL	$159,054	$33,319	$9,820	$1.72		
1996	First	$ 27,817	$ 4,766	$ 600	$ .10	15 1/2	12
	Second	35,537	8,672	2,872	.50	18 3/4	14
	Third	37,500	8,681	2,623	.45	18 1/4	15 3/4
	Fourth	38,891	7,112	1,619	.28	19 3/4	16 1/2
	TOTAL	$139,745	$29,231	$7,714	$1.33		

Shareholders of record at June 29, 1997, were 5,446.

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 31, 1997, included in the 1997 Annual Report to Shareholders of STRATTEC SECURITY CORPORATION.

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
September 10, 1997.

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