



September 7, 2023

Dear STRATTEC Shareholder,

This has been a fiscal year full of exceptional challenges and transformation. The challenges came with managing through historically high inflationary cost pressures associated with product programs that have fixed price contracts. The transformation came in the form of new product opportunities in a rapidly changing market and a major restructuring of our two-decade old global joint venture known as VAST (Vehicle Access System Technology).

Throughout the fiscal year our profitability was severely affected by higher material costs and increased cost of our Mexican manufacturing operations due to a stronger peso against the US dollar and a Mexican government mandated 20% minimum wage increase. Despite the pervasive cost challenge all year, we did see positive margin progression in the final two quarters associated with strong growth in sales, improving product mix and implemented efficiency initiatives. While our success in securing inflationary price increases from our customers has only been modest to date, we are determined to resolve remaining negotiations with positive results early in the new fiscal year.

Aside from managing through inflationary pressures, my leadership team and I dedicated significant time and energy to restructuring our two-decade old VAST partnership. After much discussion with our partners on how to better align incentives and fairly compensate one another, we determined it would be mutually beneficial to modify our equity holdings in VAST and STRATTEC Power Access. To that end, we sold our equity position in VAST which has operations in China, India and Brazil and we now own 100% of our award winning STRATTEC Power Access. We will continue to work with our VAST partners, but instead of being rewarded as shareholders, we will be compensated through engineering and sales agreements.

This equity restructuring enables us to have a greater focus on STRATTEC oriented opportunities going forward while also adding significant cash to our balance sheet, part of which was used to pay down STRATTEC's specific credit facility balance. With such a strong balance sheet, we will continue to invest in new product development and vertical integration toward electronics while exploring complimentary product and market growth through partnerships where we have experience because of our history with VAST.

Our Team has worked hard to meet the challenges and to position us for further growth and improved profitability in the future. I am proud and grateful for their efforts. We look forward to the year ahead with optimism, knowing that there is still much work to be done as we create our future.

Frank Krejci
President & CEO
STRATTEC SECURITY CORPORATION