Risk Factors Comparison 2023-09-07 to 2022-09-08 Form: 10-K

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Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward- looking statements and are cautioned not to place undue reliance on such forward- looking statements. The forward- looking statements made herein are only made as of the date of this Form 10- K and the Company undertakes no obligation to publicly update such forward- looking statements to reflect subsequent events or circumstances occurring after the date of this Form 10- K. PART I ITEM 1. BUSINESS Basic Business STRATTEC SECURITY CORPORATION designs, develops, manufactures and markets automotive access control products including mechanical locks and keys, electronically enhanced locks and keys, passive entry passive start systems (PEPS), steering column and instrument panel ignition lock housings, latches, power sliding side door systems, power tailgate systems, power lift gate systems, power deck lid systems, door handles and related products for primarily North American automotive customers. We also ~~supply~~ **supplied** global automotive manufacturers through a ~~unique~~ strategic relationship with WITTE Automotive (" WITTE ") of Velbert, Germany and ADAC Plastics Inc., doing business as ADAC Automotive (" ADAC "), of Grand Rapids, Michigan called VAST Automotive Group (" VAST "). Under this unique strategic relationship STRATTEC, WITTE and ADAC ~~market~~ **marketed** the products of each company to global customers under the " VAST Automotive Group " brand name (as more fully described under Vehicle Access Systems Technology LLC herein). **Effective as of June 30, 2023, STRATTEC sold its one- third interest in VAST LLC to WITTE. Going forward and effective as of the closing of the sale of its VAST LLC interest, STRATTEC entered into a strategic preferred partner relationship with WITTE covering VAST LLC pursuant to the terms of a cooperation framework agreement that enables STRATTEC to continue to market and rely on the global capabilities of VAST LLC. See" VAST, LLC, SPA, LLC and SPA de Mexico Equity Restructuring Agreement" below for additional information regarding the sale of STRATTEC' s VAST LLC interest to WITTE.** STRATTEC products are shipped to customer locations in the United States, Canada, Mexico, Europe, South America, Korea, China and India, and we, along with our ~~VAST LLC~~ partners, provide full service and aftermarket support for each VAST Automotive Group partners' products. History The product line that became STRATTEC was part of Briggs & Stratton Corporation' s founding business in 1908. In 1995, STRATTEC was spun off from Briggs & Stratton through a tax- free distribution to the then- existing Briggs & Stratton shareholders and has been an independent public company for over twenty- ~~seven~~ **eight** years. Our history in the automotive security business spans **115** ~~over 110~~ years. STRATTEC has been the world' s largest producer of automotive locks and keys since the late 1920s, and we currently maintain a significant share of the North American markets for these products. Products Our traditional products are lock sets (locks and keys) for cars and light trucks. Typically, two keys are provided with each vehicle lockset. Most of the vehicles we currently supply are using keys with sophisticated radio frequency identification technology for additional theft prevention. Keys with remote entry devices integrated into a single unit and bladeless electronic keys as well as turn- key passive entry passive start systems (PEPS) have been added to our product line and are gaining in popularity. Ignition lock housings represent another access control product for us. These housings are the mating part for our ignition locks and typically are part of the steering column structure, although there are instrument panel- mounted versions for certain vehicle applications. These housings are either die cast from zinc or injection molded plastic and may include electronic components for theft deterrent systems. We have developed and are continuing to develop access control products, including trunk latches, lift gate latches, tailgate latches, hood latches, side door latches and related hardware. With our acquisition of Delphi Corporation' s Power Products Group in fiscal 2009, we have been supplying and continue to supply various power access devices for sliding side doors, tailgates, lift gates and trunk lids to our automotive industry customers. Through a joint venture formed with ADAC Automotive during fiscal 2007, we also supply painted and non- painted door handles and components and related vehicle access hardware. In recent years, more and more vehicle access systems have moved from purely mechanical components to integrated electro- mechanical systems. STRATTEC has been at the forefront of this new technology, working with Original Equipment Manufacturers' (OEMs) product development and purchasing groups to provide cost- effective, innovative solutions to the challenges facing our customers. STRATTEC' s customer- focused structure and formalized product development process helps us identify and meet customer needs in **order to support** the ~~shortest time possible~~ **customer' s program milestones** . From concept and design, through implementation and into the aftermarket, STRATTEC delivers products that provide the optimum value solution to security and access control requirements. We have a comprehensive Products & Solutions portfolio that can be viewed on our website at www. strattec. com (see " Available Information " below for additional information). To maintain a strong focus on each of these access control products, we have Product Business Managers who oversee the product' s entire life cycle, including product concept, application, manufacturing, warranty analysis, service / aftermarket, and financial / commercial issues. The Product Business Managers work closely with our sales organization, our engineering group, and our manufacturing operations to ensure their products are receiving the right amount of quality attention so that their value to STRATTEC and the **marketplace** ~~market place~~ is enhanced. Markets We are a direct supplier to OEM automotive and light truck manufacturers as well as other transportation- related manufacturers. Our largest customers are Stellantis ~~(formerly Fiat Chrysler Automobiles)~~ , General Motors Company and Ford Motor Company. Our access control product mix varies by customer, but generally our overall sales tend to be highest in door handles and trim components produced by ADAC- STRATTEC de Mexico, followed by lock and key, including aftermarket produced by STRATTEC de Mexico, power access products produced by STRATTEC Power Access de Mexico, and latch mechanisms and ignition lock housing components produced by STRATTEC de Mexico. See Operations discussion included herein for further description. Direct sales to various OEMs represented approximately **80 percent and** 79 ~~%~~ **percent** of our total sales for ~~both~~ fiscal **2023 and** 2022 ~~and 2021~~ **, respectively** . The remainder of our revenue is received primarily through sales to the OEM service channels, the aftermarket and Tier 1 automotive supplier customers, and sales of certain products to non- automotive commercial customers. Sales to our major automotive customers, both OEM and Tier 1, are coordinated through direct sales personnel located in our Detroit- area office. Sales are also facilitated through daily interaction between our Program Managers, Application Engineers and other product engineering personnel. Sales to other OEM customers are accomplished through a combination of our sales personnel located in Detroit and personnel in our Milwaukee headquarters office. The majority of our OEM products are sold in North America. While some exporting is done to Tier 1 and automotive assembly plants in Europe, Asia and South America, we **have restructured** ~~are in the process of expanding~~ our presence in these markets and elsewhere through **our entry into a cooperation framework agreement with WITTE related to** the **business of** ~~Vehicle Access Systems Technology LLC (~~ VAST LLC ~~) joint venture we jointly own with~~ **as part of our sale of our VAST LLC interest to** WITTE ~~Automotive and ADAC Automotive~~ **under the terms of the Equity Restructuring Agreement** . ~~VAST is described~~ **We are also independently evaluating our presence** in **markets outside of North America through other channels** ~~more detail on pages 4, 5, 43, 44 and 45 in this Form 10- K~~ . OEM service and replacement parts are sold to the OEM' s own service operations. In addition, we distribute our components and security products to the automotive aftermarket through approximately 50 authorized wholesale distributors, as well as other marketers and users of component parts, including export customers. Increasingly, our products find their way into the retail channel, specifically the hardware store channel. Our ability to provide a full line of keys to that channel has been accomplished through the introduction of the STRATTEC " XL " key line. This extension to our product line includes keys that we currently do not supply on an OEM basis, including keys for Toyota, Honda and other popular domestic and import vehicles. This extended line of keys enables automotive repair specialists to satisfy consumer needs for repair or replacement parts. Our aftermarket activities are serviced through a warehousing operation in El Paso, Texas. Customer Sales Focus To bring the proper focus to the relationships with our major customers, we have six customer- focused teams, each with a Director of Sales, one or two Engineering Program Managers and various Customer Application Engineers. In addition to customer teams for General Motors, Ford and Stellantis ~~(formerly Fiat Chrysler)~~ , we currently have teams for New Domestic Vehicle Manufacturers (primarily the Japanese and Korean automotive manufactures), User Interface Controls (formerly Driver Control / Ignition Lock Housing) customers, Tier 1 customers, and Service and Aftermarket customers. Sales and engineering for ADAC- STRATTEC LLC (described in greater detail below) are supported by our partner in this joint venture, ADAC Automotive. Each Sales Director is responsible for the overall relationship between STRATTEC and a specific customer group. Program Managers are responsible for coordinating cross functional activities while managing new product programs for their customers. Product Engineering Focus To best serve our customers' product needs, STRATTEC' s engineering resources are organized into groups which focus on specific access control applications. We currently have six engineering groups: Locks and Keys, Aftermarket, Latches, Power Access Devices, User Interface Controls (formerly Driver Control / Ignition Lock Housings) and Wireless Systems (formerly Electrical). Each group has a Product Business Manager, an Engineering Manager and a complement of skilled engineers who design and develop products for specific applications. In doing this, each engineering group works closely with both the customer and product teams, Engineering Program Managers, and Application Engineers. Underlying this organization is a formalized product development process to identify and meet customer needs in the shortest possible time. By 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 / access control requirements. STRATTEC is also IATF 16949: 2016 and ISO 14001 certified. This means we embrace the philosophy that quality should exist not only in the finished product, but in every step of our processes as well. A significant number of the components that go into our products are manufactured at our headquarters in Milwaukee, Wisconsin. This facility produces zinc die cast components, stampings and milled key blades. We have three owned production facilities currently in operation in Juarez, Mexico operating as STRATTEC de Mexico. Plant No. 1 houses key finishing and assembly operations for locksets and ignition lock housings. Plant No. 2 houses our key molding and plastic injection molding operations for door handles and components, as well as containing dedicated space for the assembly operations of ADAC- STRATTEC de Mexico. Plant No. 3 houses both latch and power access assembly operations for STRATTEC Power Access de Mexico. Plant No. 4 is in Leon, Mexico and houses our custom paint system for door handles and assembly for ADAC- STRATTEC de Mexico and is owned by the ADAC- STRATTEC de Mexico joint venture. **STRATTEC de MEXICO We have formed STRATTEC de Mexico as a wholly owned subsidiary of STRATTEC to own and operate the three production facilities in Juarez, Mexico described above under" Operations". At these three facilities we house our assembly operations for locksets and ignition lock housings, our key finishing and plastic injection molding operations, our assembly operations for ADAC- STRATTEC de Mexico noted below and our latch and power access assembly operations for STRATTEC POWER ACCESS de Mexico noted below.** In fiscal 2001, we entered into a formal alliance with WITTE- Velbert GmbH, an automotive supplier based in Germany which designs, develops, manufactures and markets automotive access control products for European- based customers. This alliance consisted of two initiatives. The first was a set of legal agreements which allowed STRATTEC to manufacture and market WITTE' s core products in North America, and WITTE to manufacture and market STRATTEC' s core products in Europe. The second initiative was a 50: 50 joint venture, WITTE- STRATTEC LLC, to invest in operations with local partners in strategic markets outside of Europe and North America. In February of 2006, we announced the expansion of this alliance and related joint venture with the addition of a third partner, ADAC Plastics, Inc. ADAC, of Grand Rapids, Michigan, adds North American expertise in door handles, a part of WITTE' s core product line that STRATTEC did not support, and an expertise in color- matched painting of these components. With the expansion of the alliance, we ~~can offer~~ **offered** a full range of access control related products available on a global basis to support customer programs. To identify this powerful combination of independent companies focused on working together, we renamed the joint venture Vehicle Access Systems Technology LLC (VAST LLC). We ~~now refer~~ **referred** to the combination of the alliance structure and joint venture as " VAST Automotive Group " (VAST). WITTE **became** ~~is now called~~ WITTE Automotive, and ADAC **became** ~~is now doing business as~~ ADAC Automotive. ~~We have adopted a common graphic image in which we share a logo mark and colors, and a specific VAST logo used on the partners' printed and electronic presentation materials.~~ What **was** ~~is now~~ VAST made investments with a local partner in Brazil in September, 2001, and local partners in China in March, 2002. However, during fiscal 2010, VAST LLC purchased the remaining 40 percent interest of its local partners in the China venture. VAST China **became** ~~is now~~ wholly owned by VAST LLC and had annual net sales of approximately $ **205. 7 million and $** 190. 4 ~~million and $ 209. 0~~ million during fiscal **2023 and** 2022 ~~and 2021~~, respectively. This gave STRATTEC a one- third interest in VAST China' s activities in the Chinese / Asian market for manufacturing and assembly of painted door handles, locksets and latch products. VAST China currently operates out of two manufacturing facilities in Taicang and Jingzhou, China. The Fuzhou, China facility closed during our fiscal 2021 ~~, and the land and building are currently for sale~~. In March, 2014, VAST LLC purchased the remaining 49 percent interest of its local partner in Brazil, which had annual net sales of approximately $ 1. ~~3~~ **6** million and $ 1. ~~5~~ **3** million during fiscal years **2023 and** 2022 ~~and 2021~~, respectively. On April 30, 2015 VAST LLC executed a purchase agreement to become a 50: 50 Joint Venture partner with Minda Management Services Limited, an affiliate of both Minda Corporation Limited and Spark Minda, Ashok Minda Group of New Delhi, India (collectively, " Minda "). As part of this transaction, VAST acquired a fifty percent equity interest in the former Minda- Valeo Security Systems joint venture entity, based in Pune, India. This joint venture entity was renamed Minda-VAST Access Systems (" Minda- VAST "). Minda- VAST has operations in Pune and Delhi and had annual sales of approximately $ ~~29~~ **31** . 4 million and $ ~~23~~ **29** . ~~8~~ **4** million during fiscal years **2023 and** 2022 ~~and 2021~~, respectively. Minda is a leading manufacturer of security & access products and handles, for both OEMs and the aftermarket in India. Minda- VAST financial results are accounted for on the equity method of accounting by VAST LLC ~~. For further VAST LLC financial information, see " Equity Earnings of Joint Ventures " included in Notes to Financial Statements under Item 8 in this Form 10-K. VAST is the embodiment of STRATTEC' s, WITTE' s and ADAC' s globalization strategy. Collectively as a group, we are developing VAST as a global brand with which we are jointly pursuing business with identified global customers. Those identified customers are General Motors, Ford, Stellantis (formerly Fiat Chrysler), Volkswagen, BMW, Daimler, Honda, Volvo, Renault / Nissan and Hyundai / Kia. To manage our customer relationships and coordinate global ventures and activities, we have established a VAST Management Group led by a President. The Management Group includes three Vice Presidents, one each from WITTE, STRATTEC and ADAC. With the focus provided by this Management Group, VAST is able to manage global programs, in accordance with STRATTEC and our partners' globalization strategy, with a single point of contact for customers, with the added advantage of providing regional support from the partners' operating entities. Combined with VAST LLC' s ventures in China and Brazil, and sales / engineering offices in Japan and Korea, this structure establishes our global footprint. STRATTEC de MEXICO We have formed STRATTEC de Mexico as a wholly owned subsidiary of STRATTEC to own and operate three production facilities in Juarez, Mexico. At these three facilities we house our assembly operations for locksets and ignition lock housings, our key finishing and plastic injection molding operations, our assembly operations for ADAC- STRATTEC de Mexico noted below and our latch and power access assembly operations for STRATTEC POWER ACCESS de Mexico noted below~~. ADAC- STRATTEC LLC and ADAC- STRATTEC de MEXICO During fiscal 2007, we formed a new entity with ADAC Automotive called ADAC- STRATTEC LLC including a wholly owned Mexican subsidiary ADAC- STRATTEC de Mexico (collectively, ASdM). The purpose of this joint venture is to produce certain ADAC and STRATTEC products utilizing ADAC' s plastic molding injection expertise and STRATTEC' s assembly capability. ASdM currently operates out of defined space in STRATTEC de Mexico Plant No. 2 located in Juarez, Mexico. Products from this joint venture include non- painted door handle components and exterior trim components for OEM customers producing in North America. STRATTEC owns 51 % of this joint venture and its financial results are consolidated into STRATTEC' s financial statements. In our fiscal year ending 2022, ASdM was near break- even due to rising material **and labor** costs that could not be passed on to customers through higher customer purchase prices. In our fiscal **year ended** ~~2021~~ **2023** , ASdM ~~was profitable~~ **generated losses due to continued increased material and labor costs** . ASdM represented $ **121. 9 million and $** 111. 8 ~~million and $ 126. 2~~ million of our consolidated net sales in our fiscal **2023 and** 2022 ~~and 2021~~, respectively. STRATTEC de Mexico Plant No. 4 is in Leon, Mexico and houses our custom paint system for door handles and assembly for ADAC- STRATTEC de Mexico. STRATTEC POWER ACCESS LLC and STRATTEC POWER ACCESS de MEXICO During fiscal year 2009, we formed a new subsidiary with WITTE Automotive called STRATTEC POWER ACCESS LLC (SPA) to acquire the North American business of the Delphi Power Products Group. WITTE ~~is~~ **was** a 20 percent minority owner **in SPA until June 30, 2023, at which time WITTE transferred and sold its minority interest to STRATTEC. See" VAST, LLC, SPA, LLC and SPA de Mexico Equity Restructuring Agreement" below for additional information regarding STRATTEC' s purchase of WITTE' s interest in SPA** . SPA in turn owns 100 percent of a Mexican subsidiary, STRATTEC POWER ACCESS de Mexico. The purpose of this subsidiary is to produce power access devices for sliding side doors, tailgates, lift gates, trunk lids and other related products. STRATTEC POWER ACCESS de Mexico currently operates out of defined space in STRATTEC de Mexico Plant No. 3 located in Juarez, Mexico. Financial results for SPA are consolidated in STRATTEC' s financial statements. In our fiscal years ending **2023 and** 2022 ~~and 2021~~, SPA was profitable and represented $ ~~95~~ **114** . ~~7~~ **1** million and $ 95. ~~2~~ **7** million, respectively, of our consolidated net sales **. VAST LLC, SPA LLC and SPA de MEXICO Equity Restructuring Agreement On June 30, 2023, STRATTEC completed an Equity Restructuring Agreement with WITTE related to both, STRATTEC' s VAST LLC joint venture and its STRATTEC Power Access LLC (SPA) joint venture. Prior to the closing of the Restructuring Agreement, STRATTEC was a one- third owner of the VAST LLC joint venture with WITTE and ADAC Plastics, Inc. Under the terms of the Restructuring Agreement, STRATTEC agreed to sell to WITTE its one- third interest in VAST LLC for a net purchase price of $ 18, 500, 000 plus**

STRATTEC purchased ownership of: (1) WITTE' s 20 % minority interest in STRATTEC Power Access LLC (SPA), a Delaware limited liability company formed in the Company’ s 2009 fiscal year to supply the North American portion of the Power Sliding Doors, Liftgates, Tailgates, Deck Lids and other Access Control System products which were acquired from Delphi Corporation in 2009; and (2) the net assets of VAST LLC' s Korea branch office, which business is operated by a newly registered Korea branch of the Company, following the closing of the Restructuring Agreement. As part of the restructuring agreement, ADAC Plastics, Inc took over 100 % of VAST Brazil. After over 2 decades of a business Alliance and JV partnership with WITTE, we jointly came to the conclusion that the changing technology in the auto industry, changes in our respective product lines and shifts in global commerce necessitated a rethink of our business relationship. The primary result of this rethinking is the sale of our equity stake in VAST LLC and securing 100 % ownership of SPA as described above. While the equity ownership in VAST has changed, we expect to continue to leverage the VAST brand and to collaborate on product development and manufacturing capabilities with WITTE and VAST in winning new business and serving global customers. Accordingly, as part of the sale of STRATTEC' s interest in VAST LLC, we entered into at closing a cooperation framework agreement with WITTE covering the business of VAST LLC, which provides a framework for the parties to collaborate on global programs related to product development and manufacturing. This Equity Restructuring Agreement and the aforementioned cooperation framework agreement will position STRATTEC to redeploy assets, both financial and technical, to create greater focus on STRATTEC- specific strategic growth opportunities in North America and around the world. We believe this transaction is a very positive step to allow us to be more focused and competitive in this exciting and once- in- a- lifetime restructuring of a major industry where we are well- positioned to take advantage of new opportunities. This includes more of our product applications on Electric Vehicles, growing consumer demand for Power Access products, expansion of electronics capabilities and other new automotive products. It will also give us greater resources to further explore diversification of markets, complimentary technology and regions outside of North America. Part of the restructuring agreement and in order to continue to manage our customer relationships and coordinate global programs and activities, as noted above, we also entered into a new cooperation framework agreement with WITTE Automotive. This cooperation framework agreement will enable STRATTEC to supply and deliver global programs by leveraging the VAST global footprint with the added advantage of providing regional support from WITTE’ s operating entities in Europe, China and India. We will also jointly, along with ADAC Plastics and WITTE, continue to leverage the sales / engineering offices in Japan, Korea and Brazil. ADAC- STRATTEC LLC and ADAC- STRATTEC de MEXICO were not affected by the Equity Restructuring Agreement. For further information on VAST LLC and the equity restructuring, see" Investment in Joint Ventures and Majority Owned Subsidiaries" and" Equity Earnings of Joint Ventures" included in Notes to Financial Statements under Item 8 in this Form 10- K . Seasonal Nature of the Business The manufacturing of components 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 as summer vacation shutdowns and model year changeovers occur at the automotive assembly plants. September volumes increase rapidly as each 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, as does production. March usually brings a major sales and production increase, which then continues through most of June. This results in our first fiscal quarter sales and operating results typically being our weakest, with the remaining quarters being more consistent. As described elsewhere herein under Management' s Discussion and Analysis of Financial Condition and Results of Operation – Executive Overview, adverse business and operational issues resulting from the semiconductor chip supply shortages ~~, the Coronavirus (COVID- 19) pandemic~~ and the conflict in the Ukraine have adversely impacted the timing, availability and cost of certain material component parts and raw materials for the production of our products and the products of our customers. These events ~~have~~ temporarily disrupted our normal seasonal sales patterns during fiscal **2023 and** 2022 ~~and 2021~~ . Vehicle List ~~2023~~ **2024** Vehicles We are proud to be associated with many of the quality vehicles produced in North America and elsewhere. The following cars and light trucks are equipped with STRATTEC components during our ~~2023~~ **2024** fiscal year: PASSENGER CARS Acura NSX Cadillac ~~CT6 * Ford GTAston Martin DB 11 *~~ **Celestiq (EV) Dodge Charger Acura ZDX (EV)** Cadillac Lyriq (EV) Ford ~~MustangAston~~ **Focus * Aston** Martin ~~DBS~~ - **DB 11** * Chevrolet Bolt (EV) **Ford MustangAston Martin DB 12 * Chevrolet Camaro** Honda AccordAston **Martin DBS * Chevrolet Corvette Honda Prologue (EV) Aston** Martin DBX * Chevrolet ~~Camaro~~ **Malibu** Maserati Ghibli * Aston Martin ~~Vanquish~~ **Valkyrie Chevrolet Seeker** * ~~Chevrolet Corvette~~ Maserati MC20 * Aston Martin Vantage * ~~Chevrolet Malibu~~ **Chrysler 300** Maserati Quattroporte * **Cadillac ATS** ~~Buick Excelle * Chrysler 300 Opel Astra * Buick LaCrosse~~ * Cruise Origin (EV) **Volkswagen JettaCadillac CT5** ~~Opel Insignia * Buick Regal~~ * Dodge Challenger ~~Volkswagen JettaCadillac ATS * Dodge Charger Cadillac CT5 * Ford Focus *~~ LIGHT TRUCKS, VANS AND SPORT UTILITY VEHICLES Acura MDX Chevrolet **Suburban GMC Sierra (EV) Acura RDX Chevrolet Tahoe PickupAudi Q5 Chevrolet Trail Blazer * GMC TerrainBrightdrop EV600 (EV) Chevrolet** Traverse GMC Yukon and Yukon ~~XLAcura RDX~~ **XLBuick Enclave Chevrolet Trax * Honda Odyssey Buick Envista * Chrysler 300 Hyundai Staria * BMW X7** Chrysler Pacifica (PH option) **Jeep MeridianCadillac Escalade &** ~~Honda CRV Audi Q5 Chrysler Voyager Honda RDX Brightdrop EV600 (EV)~~ Dodge Durango ~~Honda Odyssey Buick Enclave Dodge Hornet (PH option) Hyundai Staria * Buick Encore GX * Ford Bronco Sport Jeep Cherokee Buick Envision * Ford Edge~~ Jeep Commander * ~~BMW X7 Ford Escape~~ **Escalade ESV Dodge Hornet** (PH option) Jeep Compass Cadillac Escalade ~~&~~ **(EV)** Ford ~~Expedition~~ **Bronco Sport** Jeep **GladiatorCadillac Lyriq** ~~Gladiator Escalade ESV~~ Ford ~~Explorer~~ **Edge** Jeep Grand CherokeeCadillac XT4 Ford ~~F- Series Pickup~~ **Escape (PH option)** Jeep Wrangler / WranglerCadillac XT5 Ford **Expedition** ~~F- Series Super Duty~~ Unlimited (PH option) Cadillac XT6 ~~Pickup~~ **Ford Explorer** Kia Sedona * Chevrolet Blazer Ford F- **Series Pickup** ~~150 Lightning (EV)~~ Kia Carnival * Chevrolet ~~Colorado *~~ **Blazer (EV)** Ford ~~Maverick Pickup~~ **F- Series Super Duty** Lincoln Aviator (PH option) Chevrolet **Colorado * Pickup Lincoln Corsair (PH**

option) Chevrolet Cobalt * Ford F- 150 Lightning (EV) Lincoln MKXChevrolet Equinox **Ford Maverick Pickup Lincoln NautilusChevrolet Equinox (EV)** Ford Mustang Mach- E (EV) Lincoln **NavigatorChevrolet** ~~Corsair (PH option) Chevrolet~~ Express Van Ford Ranger Pickup ~~Lincoln NautilusChevrolet S- 10~~ **Maserati Levante * Chevrolet Joy** * Ford Transit Connect * ~~Lincoln NavigatorChevrolet Silverado &~~ **Ram 1500 PickupChevrolet Malibu** GMC Acadia ~~Maserati Levante~~ **Ram 1500 Classic PickupChevrolet S- 10** * ~~Silverado HD Pickup~~ GMC Canyon * ~~Ram 1500 PickupChevrolet Suburban~~ **Volkswagen JettaChevrolet Silverado &** GMC Hummer (EV) ~~Ram 1500 Classic PickupChevrolet Tahoe GMC Savana~~ Volkswagen Tiguan (PH option) ~~Chevrolet Tracker *~~ **Silverado HD Pickup** GMC **Savana** ~~Sierra & Sierra HD~~ Volvo Polestar 3 (EV) Chevrolet ~~Trail Blazer * Pickup~~ **Silverado (EV) GMC Sierra & Sierra HD** Volvo XC90 (PH option) Chevrolet ~~Trax~~ **Seeker** * ~~GMC Terrain~~ **Chevrolet Spin *** * Vehicles produced outside of North America, or both in and outside North America. EV – Electric Vehicle PH – Plug- In Hybrid Emerging Technologies Automotive vehicle access systems, which are both theft deterrent and consumer friendly, are trending toward electro- mechanical and connected devices. Electronic companies are developing user identification systems such as bio- systems, card holder (transmitter) systems, etc., while mechanical locks, keys, housings, and latches are evolving to accommodate electronics. We believe we are positioning ourselves as a vehicle access control supplier by building our product, engineering and manufacturing expertise in the required electro- mechanical products, which include vehicle access latches, keys with remote entry electronic systems, ignition interface systems with passive start and Phone as a Key (PaaK) capabilities. In both 2018 and 2019, we were awarded the Automotive News Pace Award for Excellence and Innovation for our Invis- A- RiseTM Power Liftgate and Invis- A- RiseTM Power Tailgate products. As the automotive industry continues developing various levels of autonomous vehicles, we believe that we are well positioned to continue the development and incorporation of power sliding doors, power tailgates and other consumer convenience features into these types of vehicles. These technologies benefit us by increasing our potential customer base as a Tier 2 supplier while maintaining our Tier 1 status on some product lines and by adding additional product line availability. Sources and Availability of Raw Materials Our primary raw materials are high- grade zinc, brass, nickel silver, steel, aluminum, plastic resins and semiconductor chips and other electronics. These materials are generally available from a number of suppliers, but we have chosen to concentrate our sourcing with one primary vendor for each commodity. We believe our sources for raw materials are very reliable and adequate for our needs. We have not experienced any significant long term supply problems in our operations. However, the impacts of ~~the Coronavirus and~~ geopolitical instability have adversely impacted the supply of certain semiconductor chips and related electronics components which has adversely impacted our, and our customers', ability to build product and fulfill orders. See further discussion under " Risk Related to Coronavirus and Other Health Epidemics, " " Risk Related to Geopolitical Instability, " and " Risk Factors- Sources of and Fluctuations in Market Prices of Raw Materials " included under Item 1A of this Form 10- K. Patents, Trademarks and Other Intellectual Property We believe that the success of our business will not only result from the technical competence, creativity and marketing abilities of our employees but also from the protection of our intellectual property through patents, trademarks and copyrights. As part of our ongoing research, development and manufacturing activities, we have a policy of seeking patents on new products, processes and improvements when appropriate. Although, in the aggregate, the intellectual property discussed herein are of considerable importance to the manufacturing and marketing of many of our access control products, we do not consider any single patent or trademark or group of related patents or trademarks to be material to our business as a whole, except for the STRATTEC and STRATTEC with logo trademarks. We also rely upon trade secret protection for our confidential and proprietary information. We maintain confidentiality agreements with our key executives. In addition, we enter into confidentiality agreements with selected suppliers, consultants and employees as appropriate to evaluate new products or business relationships pertinent to our success. However, there can be no assurance that others will not independently obtain similar information and techniques or otherwise gain access to our trade secrets or that we can effectively protect our trade secrets. Dependence Upon Significant Customers A ~~very~~ significant portion of our annual sales are to General Motors Company, Ford Motor Company, and Stellantis ~~(formerly Fiat Chrysler Automobiles)~~ . These three customers accounted for approximately **66 percent and** 65 percent ~~and 62 percent~~ of our net sales in **2023 and in** 2022 ~~and in 2021~~ , respectively. Further information regarding sales to our largest customers is set forth under the caption " Risk Factors ~~-~~ – Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share " and " Risk Factors – Production Slowdowns by Customers " included under Item 1A of this Form 10- K and " Notes to Financial Statements- Sales and Receivable Concentration " included in Notes to Financial Statements under Item 8 in this Form 10- K. The products sold to these customers are model specific, fitting only certain defined applications. Consequently, we are highly dependent on our major customers for their business, and on these customers' ability to produce and sell vehicles which utilize our products. We have enjoyed good relationships with General Motors Company, Stellantis, Ford Motor Company and other customers in the past, and expect to continue 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 our financial performance. We cannot provide any assurance that any lost sales volume could be replaced despite our historical relationships with our customers. Sales and Marketing; Backlog We provide our customers with engineered access control products including locksets, fobs, push button passive entry passive start ignition systems, steering column lock housings, electromechanical latches, power sliding door systems, power tailgate systems, power liftgate systems, power decklids, painted and non- painted door handles, door handle components and trim and other access products 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 access control products are designed concurrently with the vehicle. Therefore, commitment to STRATTEC as the production source for such products and components occurs 1 to 3 years prior to the start of production for such components. We employ an engineering staff that assists in providing design and technical solutions to our customers. We believe that our engineering expertise is a competitive advantage and contributes toward our strong market position in our industry. For example, we regularly provide innovative design proposals for our product offerings to our customers that we believe will improve customer access, vehicle security system quality, theft deterrence and system cost. The typical process used by automotive manufacturers in selecting a supplier for access control products is to offer the business opportunity to us and several of our 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, a commitment is made for each year of the product program. Typically, price reductions resulting from productivity improvement by STRATTEC over the life of the product program are included in the contract and are estimated in evaluating each of these opportunities. 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. Production quantity releases or quantity commitments are made to that purchase order for weekly deliveries to the customer. As a consequence and because we are a" Just- in- Time" supplier to the automotive industry, we do not maintain a backlog of orders in the classic sense for future production and shipment and, accordingly, we are unable to provide a meaningful backlog comparison from year to year. Competition We compete 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 in our product markets is currently relatively small, the automotive manufacturers actively encourage competition between potential suppliers. We have a large share of the North American market for our access control products because of our ability to provide optimal value, which is a beneficial combination of price, quality, technical support, program management, innovation and aftermarket support. In order to reduce access control product production costs while still offering a wide range of technical support, we utilize assembly operations and certain light manufacturing operations in Mexico, which results in lower labor costs as compared to the United States. As locks and keys become more sophisticated and involve additional electronics, competitors with specific electronic expertise may emerge to challenge us. To address this, we have in recent years strengthened our electrical engineering knowledge and service. We are also working with several electronics suppliers to jointly develop and supply these advanced products. Our lockset, steering column lock housing, latches and power access competitors include Huf North America, Ushin, Valeo, Tokai- Rika, Alpha- Tech, Honda Lock, Shin Chang, Magna, Edscha, Stabilus, Aisin, Brose, Mitsuba, Ohi, Kiekert, Inteva, Novares and Gecom. For additional information related to competition, see the information set forth under " Risk Factors- Highly Competitive Automotive Supply Industry " included under Item 1A of this Form 10- K. Research and Development We engage in research and development activities pertinent to automotive access control. A major area of focus for research is the expanding role of vehicle access via electronic interlocks and modes of communicating authorization data between consumers and vehicles. Development activities include new products, applications and product performance improvements. In addition, specialized data collection equipment is developed to facilitate increased product development efficiency and continuous quality improvements. For fiscal years **2023 and** 2022 ~~and 2021~~, we incurred approximately $ **15. 9 million and $** 12. 2 ~~million and $ 10. 8~~ million, respectively, on research and development. We believe that, historically, we have committed sufficient resources to research and development and we intend to continue to invest 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 our interests resulting from these activities. Customer Tooling We incur costs related to tooling used in component production and assembly. Some of these costs are reimbursed by customers who then own the tools involved. See the information set forth under " Organization and Summary of Significant Accounting Policies- Customer Tooling in Progress " included in Notes to Financial Statements under Item 8 in this Form 10- K. Environmental Compliance As is the case with other manufacturers, we are 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 our 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). We have an environmental management system that is ISO- 14001 certified. We believe that our existing environmental management system is adequate and we have no current plans for substantial capital expenditures in the environmental area. As discussed in " Commitments and Contingencies " under Notes to Financial Statement under Item 8 in this Form 10- K, a site at our Milwaukee facility is contaminated by a solvent spill from a former above- ground solvent storage tank located on the east side of the facility, which spill occurred in 1985. We continue to monitor this situation. We do not currently anticipate any materially adverse impact on our financial statements 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 our business and there is no assurance that material liabilities or charges could not arise. Human Capital At July ~~3~~ **2** , ~~2022~~ **2023** , we had approximately 3, ~~373~~ **361** associates worldwide, of which approximately ~~488~~ **475** were employed in the United States and approximately 2, ~~885~~ **886** were employed outside of the United States. Approximately ~~180~~ **178** or 5. 3 percent were represented by a collective bargaining agreement at our Milwaukee, Wisconsin facility, all of whom are our production associates. Approximately ~~104~~ **102** or 3. ~~1~~ **0** percent were represented by a collective bargaining agreement at our Leon, Mexico facility. In recent years, we have not experienced any significant work slowdowns, stoppages or other labor disruptions. The current contract with our Milwaukee unionized associates is effective through November 1, 2025. The current contract with our Leon unionized associates is effective through April ~~12~~ **8** , ~~2023~~ **2024** . We are guided by our " Values and Beliefs " mission statement that focuses on Empowerment, Communication, Citizenship, Enterprise, Change and Consensus. We remain committed to areas of work place safety, product quality and customer satisfaction. Successful execution of our mission is dependent on attracting, developing and retaining key associates and members of our management team, as well as providing competitive pay and benefits ~~. In response to the COVID- 19 pandemic, STRATTEC has generally maintained its headcount as we accommodated our operations to the virus environment. We have taken what we believe to be appropriate measures to ensure the health and safety of our associates and permitted remote working~~ . Social Responsibility We are committed to conducting business and making decisions honestly, fairly and within the law, and are guided by our " Values and Beliefs " mission statement. We are dedicated to earning and keeping the trust and confidence of our shareholders, customers and associates as well as the communities where we do business. Our " Code of Business Ethics " provides guidelines and a framework for conducting business in an ethical manner. These beliefs go beyond STRATTEC and are expected of our suppliers as detailed in our " Supplier Code of Conduct. " We have adopted policies that seek to eliminate human trafficking, slavery, child labor etc. from our global supply chain. In addition, we annually comply and file a Form SD with the Securities and Exchange Commission regarding " Conflict Minerals Disclosure and Report " as directed by the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010. The purpose of this report is to help prevent products used to finance or benefit armed groups in the covered countries of this filing. Our commitment to our environment is documented in our " Environmental Management System, " which provides for continuous improvement of our efforts toward preventing pollution, complying with relevant environmental legislation and regulations and complying with customer- based environmental regulations. In addition, we maintain our own IATF 16949: 2016 and ISO 14001 annual certifications, which are globally recognized quality standards for the automotive industry. STRATTEC' s major initiatives in this area consist of energy improvement initiatives, primarily related to solar in Milwaukee, WI, Auburn Hills, MI, and Juarez, Mexico, and moves to more energy efficient production capital equipment in Milwaukee, WI to reduce carbon emissions. We maintain our corporate website at www. strattec. com and make available, free of charge, through this website our code of business ethics, annual report on Form 10- K, quarterly reports on Form 10- Q, current reports on Form 8- K, proxy statements for annual shareholder meetings and amendments to those reports that we file with, or furnish to, the Securities and Exchange Commission (the" Commission") as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Commission. We are not including all the information contained on or made available through our website as a part of, or incorporating such information by reference into, this Annual Report on Form 10- K. However, this report includes (or incorporates by reference) all material information about STRATTEC that is included on our website which is otherwise required to be included in this report. ITEM 1A. RISK FACTORS We recognize we are subject to the following risk factors based on our operations and the nature of the automotive industry in which we operate: RISK RELATED TO ~~CORONAVIRUS AND OTHER HEALTH EPIDEMICS The~~ **INFECTIOUS DISEASE OUTBREAKS, SUCH AS COVID- 19 Pandemics or disease outbreaks, such as COVID- 19, have disrupted, and may continue to disrupt, the global economy. For example, the** Coronavirus (COVID- 19) pandemic adversely affected ~~, and may continue to adversely affect,~~ our operations and supply chains, in particular related to the sourcing of semiconductor chips, **which caused us** ~~and we have experienced and may continue~~ to experience reductions in demand for certain of our products and services as a result of the pandemic and this supply chain disruption. Because we **and our suppliers** manufacture ~~our~~ products in facilities around the world ~~, including in Mexico and through our joint venture partners in Europe, China and India~~, we have been and may continue to be vulnerable to an outbreak of COVID- 19 (or the resurgence of such an outbreak) or other contagious diseases in those regions as well as in the United States. The effects of COVID- 19 and other contagious diseases have included and may continue to include disruptions or restrictions on our ability to travel, our ability to manufacture our affected products and our ability to ship these affected products to customers as well as disruptions that have and may continue to affect our key customers and suppliers, including those in these regions or other affected regions of the world, including in the United States, Mexico, China and neighboring countries. Current and future disruption of our ability to manufacture or distribute our products or of the ability of our customers to take orders of our products or our suppliers to deliver key raw materials on a timely basis ~~has had and~~ could ~~continue to~~ have a material adverse effect on our sales levels, pricing for raw materials and components and our operating results. In addition, the **worsening of** COVID- 19 ~~outbreak (or a worsening of this outbreak)~~ and future outbreaks of contagious diseases in the human population ~~has resulted in and~~ could ~~continue to~~ result in a widespread health crisis that adversely affects the economies and financial markets of many countries (including those where we operate or where our products are ultimately used), resulting in an economic downturn that ~~has and~~ could ~~continue to~~ affect demand for our products and impact our operating results ~~. We have been adhering to guidelines and mandates from governmental and health organizations in the territories that we have locations and production facilities, and have implemented various risk mitigation plans to reduce the risk of spreading COVID- 19. To that end, we have encouraged working remotely where applicable, adopted social distancing where appropriate, implemented travel restrictions, and we are taking actions to ensure that locations and facilities are cleaned and sanitized regularly. All of these actions may impact our operations and profitability. Further, we have complied with and may be required to comply with additional foreign, national, state or local governmental authority recommendations, guidelines, and / or mandates, which have resulted in and may result in additional temporary reduction in or suspension in work at certain of our locations and production facilities. All of these additional actions have and may continue to adversely impact our operating results, financial condition and cash flows~~. RISK RELATED TO GEOPOLITICAL INSTABILITY We are currently operating in a period of geopolitical instability resulting from the ongoing military conflict between Russia and the Ukraine, which has significantly contributed to economic uncertainty, capital market disruption and supply chain interruptions in the U. S. and global markets. On February 24, 2022, a full- scale military invasion of the Ukraine by Russian troops began. While the length and impact of the ongoing conflict is unpredictable, the Ukraine conflict could lead to market disruptions, including supply chain interruptions and significant volatility in commodity prices, and in credit and capital markets. The conflict in the Ukraine has led to sanctions and other penalties being levied against Russia by the U. S., the EU, and other countries. Additional potential sanctions and penalties have also been proposed. Russian military actions and the resulting sanctions, as well as future geopolitical conflicts, could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets, potentially further disrupting the supply chain for necessary components and raw materials used by us or our customers in producing product. Any of the foregoing factors could have a material adverse effect on our business, operating results, financial condition and cash flows. BUSINESS RISKS Loss of Significant Customers, Vehicle Content, Vehicle Models and Market Share – Sales to General Motors Company, Ford Motor Company and Stellantis ~~(formerly Fiat Chrysler Automobiles)~~ represented approximately ~~65~~ **66** percent of our annual net sales (based on fiscal ~~2022~~ **2023** results) and, accordingly, these customers account for a significant percentage of our outstanding accounts receivable. The contracts with these customers provide for supplying the customer' s requirements for a particular model. The contracts do not specify a specific quantity of parts. The contracts typically cover the life of a model, which averages approximately four to five years. Components for certain customer models may also be " market tested " annually. Therefore, the loss of any one of these customers, the loss of a contract for a specific vehicle model, a reduction in vehicle content, the early cancellation of a specific vehicle model, technological changes or a significant reduction in demand for certain key models could occur, and if so, could have a material adverse effect on our existing and future revenues, operating results, financial condition and cash flows. Our major customers also have significant under- funded legacy liabilities related to pension and postretirement health care obligations. The loss in our major customers' North American automotive market share to the New Domestic automotive manufacturers (primarily the Japanese and Korean automotive manufacturers) and / or a significant decline in the overall market demand for new vehicles may ultimately result in severe financial difficulty for these customers, including bankruptcy. If our major customers cannot fund their operations, we may incur significant write- offs of accounts receivable **and inventory** , incur impairment charges or require restructuring actions. Production Slowdowns by Customers – Our major customers and many of their suppliers were significantly impacted by the Great Recession of 2008 / 2009, by the COVID- 19 pandemic in 2020, by supply chain issues resulting from the recent conflict in the Ukraine, and by a semiconductor chip shortage in 2021 and 2022. Many of our major customers instituted production cuts during our fiscal 2009 and 2010 due to the Great Recession and shuttered plants. Similarly during 2020, 2021 and 2022 in response to the effects of the COVID- 19 pandemic, the Ukraine conflict and the semiconductor chip shortage many of our major customers again instituted production cuts and shuttered plants. While production subsequently increased after the cuts made in 2009 and again in 2021 when plants reopened following the COVID- 19 closures, the current Ukraine conflict ~~,~~ **and** semiconductor chip shortage ~~and~~ **, any** additional economic slowdowns, pandemics or part supply shortages could bring about new production cuts which could have a material adverse effect on our existing and future revenues, operating results, financial condition and cash flows. Cross- border Trade Issues or Tariffs – Our business is impacted by international or cross- border trade, including the import and export of products and goods into and out of the United States and trade tensions among nations. The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty- free thresholds in various key markets, the application of tariffs, and security related governmental processes at international borders, may increase costs, discourage cross- border purchases, delay transit and create shipping uncertainties. Further, uncertainties stemming from changes in U. S. trade policies in particular with European countries and China, tariffs and the reaction of other countries thereto, could have an adverse effect on our business and may adversely impact our results of operations, financial condition and cash flows or reduce profitability on certain of our products. Highly Competitive Automotive Supply Industry – The automotive component supply industry is highly competitive. Some of our competitors are companies, or divisions or subsidiaries of companies, that are larger than STRATTEC and have greater financial, global and technology capabilities. Our products may not be able to compete successfully with the products of these other companies, which could result in loss of customers and, as a result, decreased sales and profitability. Some of our major customers have previously announced that they will be reducing their supply base. This could potentially result in the loss of these customers and consolidation within the supply base. The loss of any of our major customers could have a material adverse effect on our existing and future revenues, results of operations, financial condition and cash flows. In addition, our competitive position in the North American automotive component supply industry could be adversely affected in the event that we are unsuccessful in making strategic investments, acquisitions or alliances or in establishing joint ventures that would enable us to expand globally ~~, in particular, with the VAST Automotive Group and their ability to fund and service global vehicle platforms~~ . We principally compete for new business at the beginning of the development of new models and upon the redesign of existing models by our major customers. New model development generally begins two to five years prior to the marketing of such new models to the public. The failure to obtain new business on new models or to retain or increase business on redesigned existing models could adversely affect our business and financial results. In addition, as a result of relatively long lead times for many of our components, it may be difficult in the short- term for us to obtain new sales to replace any unexpected decline in the sale of existing products. Finally, we may incur significant product development expense in preparing to meet anticipated customer requirements which may not be recovered. Cyclicality and Seasonality in the Automotive Market – The automotive market is cyclical and is dependent on consumer spending, on the availability of consumer credit and to a certain extent, on customer sales incentives. Economic factors adversely affecting consumer demand for automobiles and automotive production, such as rising fuel costs, could adversely impact our net sales and net income. We typically experience decreased sales and operating income during the first fiscal quarter of each year due to the impact of scheduled customer plant shut- downs in July and new model changeovers during that period. OPERATIONAL RISKS Shortage of Raw Materials or Components Supply – In the event of catastrophic acts of nature such as fires, tsunamis, hurricanes, earthquakes and global pandemics and wars ~~or~~ **,** a rapid increase in production demands **or other unforeseen economic events such has prolonged periods of inflation** , either we or our customers or other suppliers may experience supply shortages of raw materials or components. This could be caused by a number of factors, including a lack of production line capacity or manpower ~~or~~ **,** working capital constraints **or adverse conditions in banking and capital markets** . In order to manage and reduce the costs of purchased goods and services, we and others within our industry have been rationalizing and consolidating our supply base. As a result, there is greater dependence on fewer sources of supply for certain components and materials used in our products, which could increase the possibility of a supply shortage of any particular component. If any of our customers experience a material supply shortage, either directly or as a result of supply shortages at another supplier, that customer may halt or limit the purchase of our products. Similarly, if we or one of our own suppliers experience a supply shortage, we may become unable to produce the affected products if we cannot procure the components from another source. Such production interruptions could impede a ramp- up in vehicle production and could have a material adverse effect on our business, results of operations, financial condition and cash flows. We consider the production capacities and financial condition of suppliers in our selection process, and expect that they will meet our delivery requirements. However, there can be no assurance that strong demand, capacity limitations, shortages of raw materials, labor disputes or other problems will not result in any shortages or delays in the supply of components to us. Because of the COVID-19 pandemic and the recent Ukraine conflict, we have experienced supply chain disruptions in ~~fiscal 2021 and fiscal 2022 in~~ particular with semiconductor chip shortages that impact our OEM customers' ability to finish assembly of new vehicles and which have adversely impacted orders for our products and, accordingly, our results of operations and cash flows. ~~These~~ -- **The continuation** ~~shortages will most likely continue into our~~ - **or** ~~fiscal 2023~~ **renewal of these impacts could have a material adverse effect on our future revenues, financial results, financial condition and cash flows** . Sources of and Fluctuations in Market Prices of Raw Materials – Our primary raw materials are high- grade zinc, brass, nickel silver, aluminum, steel and plastic resins **, which** ~~. These materials~~ are ~~generally available~~ **typically sourced** from a limited number of suppliers ~~, but we have chosen to concentrate our sourcing with one primary vendor for each commodity or purchased component~~ . We believe our sources of raw materials are reliable and adequate for our needs. However, the development of future sourcing issues related to using existing or alternative raw materials and the global availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse effect on our results of operations, financial condition and cash flows if the increased raw material costs cannot be recovered from our customers. During fiscal 2021 ~~and~~ **,** 2022 **and 2023** , we experienced higher raw material costs on the items listed above including freight costs on both raw material and purchased components. Given the significant financial impact on us relating to changes in the cost of our primary raw materials, commencing with fiscal 2008 and thereafter, we began quoting quarterly material price adjustments for changes in our zinc costs in our negotiations with our customers. Our success in obtaining these quarterly price adjustments in our customer contracts is dependent on separate negotiations with each customer. It is not a standard practice for our customers to include such price adjustments in their contracts. We have been successful in obtaining quarterly price adjustments in some of our customer contracts. However, we have not been successful in obtaining the adjustments with all of our customers. Foreign Operations – We ~~own and~~ operate **wholly owned and majority owned** manufacturing operations in Mexico ~~. As discussed below under " Investment in Joint Ventures and Majority Owned Subsidiaries " included in Notes to Financial Statements under Item 8 in this Form 10- K, we also have joint venture and majority owned investments in Mexico, Brazil, China and India~~ . As these operations continue to expand, their success will depend, in part, on our ~~and our partners'~~ ability to anticipate and effectively manage certain risks inherent in international operations, including: enforcing agreements and collecting receivables through certain foreign legal systems, payment cycles of foreign customers, compliance with foreign tax laws, general economic and political conditions in these countries and compliance with foreign laws and regulations ~~. The success of these joint venture operations may be impacted by our partners' ability to influence business decisions and therefore the operating results of the joint ventures could be adversely impacted. These influences, as well as conflicts or disagreements with our joint venture partners, could negatively impact the operations, financial results, financial condition and cash flows of our joint venture investments, which could have an adverse impact on our financial results, financial condition and cash flows. In addition, failure of our partners to be able to continue to fund their portion of the joint venture operations could have a material adverse effect on the financial condition and financial results of our joint venture investments, which could have a material adverse effect on our financial results. The joint venture investments in China generated losses in 2012 and 2013 due to relocation costs associated with moves to a new facility and start- up costs associated with a new product line. These relocation costs and start- up costs have been financed internally and externally by VAST China. Additionally, our VAST LLC joint ventures in Brazil and India continue to report losses or breakeven results due to the weak automotive build in those regions. The impact of any future planned capital expenditures or future expansion by VAST LLC in China, Brazil and India, may result in the need for additional future capital contributions to fund the operations of these joint venture investments~~ . Cyber Vulnerability – In the ordinary course of business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information of our customers and employees, in our internal data centers, cloud services and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Cybersecurity attacks are becoming more sophisticated and include, but are not limited to, malicious software attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, corruption or destruction of data and other manipulation or improper use of systems or networks. Despite our security measures, our information technology and infrastructure, as well as that of our partners, customers and suppliers, may be vulnerable to malicious attacks, breaches or system failures due to employee error, malfeasance or other disruptions, including as a result of rollouts of new systems. Any such breach or operation failure would compromise our networks or that of our business partners, customers or suppliers, and the information stored could be accessed, publicly disclosed, lost or stolen, cause transaction processing errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacturing or shipment of products, or other business disruptions. Although we have cybersecurity insurance in place, such access or other loss of information could result in legal claims or proceedings, regulatory fines or penalties, disruption in our operations, damage to our reputation, loss of confidence in our products and services, increased costs, or the loss of assets, any of which could have a negative impact on our business, results of operations, financial condition and cash flows. In addition, as security threats and cybersecurity and data privacy and protection laws and regulations continue to evolve and increase in terms of sophistication, we may be required to or choose to invest additional resources in the security of our systems. Any such increased level of investment could adversely affect our financial condition or results of operations. We have programs in place to address and mitigate cybersecurity risks. These programs include regular monitoring of outside threats, continuous update of software to mitigate risk, education of employees to the risks of external threats, and simplification of infrastructure to minimize servers. Although we believe the foregoing programs are reasonable actions to mitigate cybersecurity risks, the failure of these programs to adequately protect against these risks could have a negative impact on our business, results of operations, financial condition and cash flows. Qualified Personnel – Our business success depends, to a significant degree, on attracting and retaining qualified personnel. Our ability to sustain and grow our business requires us to hire, retain, develop and motivate a highly skilled and diverse management team and workforce. These types of employees are in high demand and often have competing employment opportunities. The labor market for skilled employees is highly competitive and we may lose key employees or be forced to increase their compensation to retain these types of employees. Failure to ensure that we have the leadership capacity with the necessary skill set and experience could impede our ability to deliver our growth objectives and execute our strategic plan. Organizational and reporting changes resulting from any future leadership transition or corporate initiatives could result in increased turnover. Additionally, any unplanned turnover or inability to attract and retain key employees could have a negative effect on our results of operations, including by significantly increasing our recruitment, training and other related employee costs. Moreover, the loss of key personnel, or the failure to attract qualified personnel, could have a material adverse effect on our business, results of operations, financial condition and cash flows. Disruptions Due to Work Stoppages and Other Labor Matters – Our major customers and many of their suppliers have unionized work forces. Work stoppages or slow- downs experienced by our customers or their suppliers could result in slow- downs or closures of assembly plants where our products are included in assembled vehicles. For example, strikes by a critical supplier called by the United Auto Workers led to extended shut- downs of most of General Motors' North American assembly plants in February 2008 and September 2019. A material work stoppage experienced by one or more of our customers could have an adverse effect on our business and our financial results. In addition, all production associates at our Milwaukee facility are unionized. A sixteen- day strike by these associates in June 2001 resulted in increased costs as all salaried associates worked with additional outside resources to produce the components necessary to meet customer requirements. The current contract with our Milwaukee unionized associates is effective through November 1, 2025. We also have unionized associates at our Leon, Mexico facility. The current contract with our Leon unionized associates is effective through April ~~12~~ **8** , ~~2023~~ **2024** . We may encounter further labor disruption and we may also encounter unionization efforts in our other plants or other types of labor conflicts, any of which could have an adverse effect on our business, financial results, financial condition and cash flows. Labor contracts between General Motors Company, Ford Motor Company and Stellantis ~~(formerly Fiat Chrysler Automobiles)~~ and their unionized associates under the United Auto Workers union expire in September 2023. In addition, their respective labor agreements with the Canadian auto workers union expire in Fall 2023. Labor disruptions encountered by our customers during the contract period could have an adverse effect on our business and our financial results. FINANCIAL RISKS Financial Distress of Automotive Supply Base – During the Great Recession, which impacted calendar years 2009 and 2010, deteriorating automotive industry conditions adversely affected STRATTEC and our supply base. Lower production levels at our major customers, volatility in certain raw material and energy costs and the global credit market crisis resulted in severe financial distress among many companies within the automotive supply base. During the above time frame, several automotive suppliers filed for bankruptcy protection or ceased operations. The potential continuation or renewal of financial distress within the supply base (whether from **infectious disease** ~~COVID- 19~~ , the Ukraine conflict, the ongoing supply chain and logistics disruptions or otherwise) and our suppliers' inability to obtain credit from lending institutions could lead to commercial disputes and possible supply chain interruptions. In addition, the potential for future adverse industry conditions (including from **infectious disease** ~~COVID- 19~~ , the Ukraine conflict or otherwise) may require us to provide financial assistance or other measures to ensure uninterrupted production. The continuation or renewal of these industry conditions could have a material adverse effect on our existing and future revenues, financial results, financial condition and cash flows. Cost Reduction – There is continuing pressure from our major customers to reduce the prices we charge for our products. This requires us to generate cost reductions, including reductions in the cost of components purchased from outside suppliers. If we are unable to generate sufficient production cost savings in the future to offset pre- programmed price reductions or additional price reduction demands, our gross margin and profitability will be adversely affected. Currency Exchange Rate Fluctuations – Our sales are denominated in U. S. dollars. We have manufacturing operations in Mexico, and as a result, a portion of our manufacturing costs are incurred in Mexican pesos. Therefore, fluctuations in the U. S. dollar / Mexican peso exchange rate may have a material effect on our profitability, cash flows, financial position, and may significantly affect the comparability of our results between financial periods. Any depreciation in the value of the U. S. dollar in relation to the value of the Mexican peso will adversely affect the cost of our Mexican operations when translated into U. S. dollars. Similarly, any appreciation in the value of the U. S. dollar in relation to the value of the Mexican peso will decrease the cost of our Mexican operations when translated into U. S. dollars. **Inflationary Pressures – We continue to experience elevated inflation in the markets in which we operate, with higher commodity, labor, freight and other cost pressure. While many costs will moderate over time, the increases in wage levels are likely to have longer- term effects on our cost structure. Additionally, we may continue to experience price increases from our suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through price increases from our customers, modifications to our products, continuous improvement actions or otherwise may have a material adverse effect on our financial results and financial condition. Interest Rates – Rising interest rates could have a dampening effect on overall economic activity, the financial condition of our customers and suppliers and the financial condition of end consumers who ultimately create demand for the products we supply, all of which could negatively affect demand for our products.** Program Volume and Pricing Fluctuations – We incur costs and make capital expenditures for new program awards based upon certain estimates of production volumes over the anticipated program life for certain vehicles. While we attempt to establish the price of our products for variances in production volumes, if the actual production of certain vehicle models is significantly less than planned, our net sales and net income may be adversely affected. We cannot predict our customers' demands for the products we supply either in the aggregate or for particular reporting periods. Investments in Customer Program Specific Assets – We make investments in machinery and equipment used exclusively to manufacture products for specific customer programs. This machinery and equipment is capitalized and depreciated over the expected useful life of each respective asset. Therefore, the loss of any one of our major customers, the loss of specific vehicle models or the early cancellation of a vehicle model could result in impairment in the value of these assets which may have a material adverse effect on our financial results and financial condition. Credit Facilities – Historically, from time to time we have relied on our existing credit facilities to provide us with adequate working capital to operate our business and fund our capital expenditures, including our expansion initiatives. ~~We~~ **Escalation of any global inflationary pressures on our operating results may impact our ability to satisfy our lending covenants in the short term. Additionally, we** cannot provide assurance that we will be able to refinance, extend the maturity of, or otherwise amend the terms of our existing credit facilities, or that any refinancing, extension, or amendment will be on terms favorable to us or even on commercially reasonable terms. If our lenders reduce or terminate our access to amounts under our credit facilities, we may not have sufficient capital to fund our working capital needs and / or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facilities. Moreover, new credit facilities resulting from any refinancing of our existing facilities could have a significantly higher rate of interest and greater borrowing costs than our existing facilities. We can make no assurance that we will be successful in ensuring our availability of amounts under our credit facilities or in connection with raising additional capital and that any amount, if raised, will be sufficient to meet our cash flow requirements. If we are not able to maintain our borrowing availability under our credit facilities and / or raise additional capital when needed, we may be forced to sharply curtail our efforts to manufacture and promote the sale of our products or to curtail our operations. There can be no assurance that the financial terms or covenants of any new credit facility will be the same or as favorable as those under our existing facilities. Additionally, our ability to complete a refinancing of our existing credit facilities prior to their respective maturities is subject to a number of conditions beyond our control. For example, if a disruption in the financial markets were to occur at the time that we intended to refinance our credit facilities, we might be restricted in our ability to access the credit lines. The restrictive covenants in any such new credit facility may limit our ability to engage in acts that may be in our best long term interests. A breach of any of these types of restrictive covenants in our credit facilities could result in a default under these facilities. If a default occurs, the lenders under our credit facilities may elect to declare all outstanding borrowings, together with accrued interest, to be immediately due and payable, to terminate any commitments they have to provide further borrowings and to exercise any other rights they have under the facilities or applicable law. Warranty Claims – We are exposed to warranty claims in the event that our products fail to perform as expected, and we may be required to participate in the repair costs incurred by our customers for such products. ~~Our largest customers have recently extended and / or expanded their warranty protection for their vehicles. Other automotive OEMs have similarly extended and / or expanded their warranty programs.~~ We are engaged in ongoing discussions with our customers regarding warranty information and potential claims. The results of these discussions could result in additional warranty charges / claims in future periods. Depending on the nature of and the volume of vehicles involved in the potential warranty claims, these charges could be material to our financial statements ~~. The extended and / or expanded warranty trend may also result in higher cost recovery claims by OEMs from suppliers whose products incur a higher rate of warranty claims above an OEM derived nominal level~~ . Prior to fiscal 2010, we had experienced relatively low warranty charges from our customers due to our commercial arrangements and improvements in the quality, reliability and durability of our products. Due to our largest customers' extension and / or expansion of their warranty protection programs and demands for higher warranty cost sharing arrangements from their suppliers in their terms and conditions of purchase, including from STRATTEC, we increased our provision to cover warranty exposures since fiscal year 2010. In 2015 ~~and~~ **,** 2018 **, and 2023** , our increased warranty provision was the result of various known or expected customer warranty issues outstanding and estimated future warranty costs to be incurred as of June 2015 ~~and~~ **,** June 2018 **, and June 2023** , respectively, for which amounts were reasonably estimable. As additional information becomes available, actual results may differ from recorded estimates or we may need to record additional warranty provisions ~~, similar to as in 2015 and 2018~~ . Although we have product recall insurance in place, if our customers demand higher warranty- related cost recoveries, or if our products fail to perform as expected, it could have a material adverse impact on our results of operations, financial condition and cash flows. LEGAL AND REGULATORY RISKS Environmental, Safety and Other Regulations – We are subject to Federal, state, local and foreign laws and other legal requirements related to the generation, storage, transport, treatment and disposal of materials as a result of our manufacturing and assembly operations. These laws include, among others, the Resource Conservation and Recovery Act (as amended), the Clean Air Act (as amended) and the Comprehensive Environmental Response, Compensation and Liability Act (as amended). We have an environmental management system that is ISO- 14001 certified. We believe that our existing environmental management system is adequate for current and anticipated operations and we have no current plans for substantial capital expenditures in the environmental area. An environmental reserve was established in 1995 for estimated costs to remediate a site at our Milwaukee facility. The site was contaminated from a former above- ground solvent storage tank, located on the east side of the facility. The contamination occurred in 1985 and is being monitored in accordance with Federal, state and local requirements. We do not currently anticipate any material adverse impact on our results of operations, financial condition or competitive position as a result of compliance with Federal, state, local and foreign environmental laws or other related legal requirements. However, risk of environmental liability and changes associated with maintaining compliance with environmental laws is inherent in the nature of our business and there is no assurance that material liabilities or changes could not arise. Compliance Related to Regulations Related to Conflict Minerals – We are required to disclose the use of tin, tantalum, tungsten and gold (collectively, " conflict minerals ") mined from the Democratic Republic of the Congo and adjoining countries (the " covered countries ") if a conflict mineral (s) is necessary to the functionality of a product manufactured, or contracted to be manufactured, by us. We may determine, as part of our compliance efforts, that certain products or components we obtain from our suppliers could contain conflict minerals. If we are unable to conclude that all our products are free from conflict minerals originating from covered countries, this could have a negative impact on both our existing and future business, reputation and / or results of operations. We may also encounter challenges to satisfy customers who require that our products be certified as conflict free, which could place us at a competitive disadvantage if we are unable to substantiate such a claim. Compliance with these rules could also affect the sourcing and availability of some of the minerals used in the manufacture of products or components we obtain from our suppliers, including our ability to obtain products or components in sufficient quantities and / or at competitive prices to sell to our customers. Income Taxes – We are a U. S.- based multinational company subject to tax in multiple U. S. and foreign tax jurisdictions. Significant judgment is required in determining our global provision for income taxes, deferred tax assets or liabilities and in evaluating our tax positions on a worldwide basis. While we believe our tax positions are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible that these positions may be overturned by jurisdictional tax authorities, which may have a significant impact on our global provision for income taxes. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of these laws are issued or applied. We are also subject to ongoing tax audits. These audits can involve complex issues, which may require an extended period of time to resolve and can be highly subjective. Tax authorities may disagree with certain tax reporting positions taken by us and, as a result, assess additional taxes against us. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. GENERAL RISK FACTOR In addition to the specific risks above, we, our customers, and our suppliers may be adversely affected by changing economic conditions throughout the world. These conditions may result in reduced consumer and investor confidence, instability in the credit and financial markets, volatile corporate profits, and reduced business and consumer spending. We, our customers, and our suppliers and the economy as a whole also may be affected by future world or local events outside of our control, such as tariffs and other trade protection measures put in place by the United States or other countries, acts of terrorism, developments in the war on terrorism, civil unrest, conflicts in international situations, weather events, natural disasters, outbreaks of infectious diseases, such as the COVID- 19 pandemic, and government or political related developments or issues, including changes in tax laws and regulations. These factors could have a material adverse impact on our results of operations, financial condition, and cash flows. Additionally, political and social turmoil, international conflicts (such as the Ukraine conflict) and terrorist acts may put pressure on global economic conditions that may adversely impact our operating results. Unstable political, social or economic conditions may make it difficult for us, our customers and our suppliers to accurately forecast and plan future business activities. If such conditions arise or persist, they could have a material adverse impact on our results of operations, financial condition and cash flows.