

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 27, 2026

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-25150

STRATTEC SECURITY CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Wisconsin
(State of Incorporation)

39-1804239
(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	Trading Symbol	Name of exchange on which registered
Common stock, \$.01 par value	STRT	The Nasdaq Global Stock Market

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. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller Reporting Company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock, par value \$0.01 per share: 4,029,566 shares outstanding as of October 23, 2026 (which number includes all restricted shares previously awarded that have not vested as of such date).

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES **CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)** *(in thousands, except per share amounts)*

	Three Months Ended	
	September 27, 2026	September 28, 2025
Net sales	\$ 147,197	\$ 152,399
Cost of goods sold	122,882	126,064
Gross profit	24,315	26,335
Selling, administrative and engineering expenses	17,892	15,888
Income from operations	6,423	10,447
Interest income	989	877
Interest expense	(37)	(156)
Other expense, net	(183)	(275)
Income before income taxes and non-controlling interest	7,192	10,893
Income tax expense	1,881	2,356
Net income	5,311	8,537
Net income attributable to non-controlling interest	478	8
Net income attributable to Strattec	<u>\$ 4,833</u>	<u>\$ 8,529</u>
Earnings per share attributable to Strattec		
Basic	<u>\$ 1.22</u>	<u>\$ 2.10</u>
Diluted	<u>\$ 1.19</u>	<u>\$ 2.07</u>
Weighted average shares outstanding:		
Basic	3,970	4,054
Diluted	4,053	4,127

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(in thousands)

	Three Months Ended	
	September 27, 2026	September 28, 2025
Net income	\$ 5,311	\$ 8,537
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(356)	1,013
Pension and postretirement funded status adjustment, net of tax	20	32
Total other comprehensive income (loss), net of tax	(336)	1,045
Comprehensive income	4,975	9,582
Comprehensive income attributable to non-controlling interest	351	393
Comprehensive income attributable to Strattec	<u>\$ 4,624</u>	<u>\$ 9,189</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(in thousands, except share amounts and per share amounts)

	September 27, 2026	June 28, 2026
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 111,766	\$ 108,243
Receivables, net	95,117	99,109
Inventories:		
Finished products	10,851	11,775
Work in process	11,712	11,905
Purchased materials	42,340	40,630
Inventories, net	64,903	64,310
Pre-production costs	5,072	6,489
Value-added tax recoverable	9,827	10,069
Income tax recoverable	1,145	2,243
Other current assets	5,106	5,810
Total current assets	292,936	296,273
Noncurrent Assets:		
Property, plant and equipment:		
Land and improvements	6,873	6,915
Buildings and improvements	43,279	42,969
Machinery and equipment	225,932	225,548
Total property, plant and equipment	276,084	275,432
Less: accumulated depreciation	208,763	205,587
Property, plant and equipment, net	67,321	69,845
Deferred income taxes	16,143	16,080
Other noncurrent assets	5,143	5,281
Total Assets	\$ 381,543	\$ 387,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 55,113	\$ 54,973
Accrued payroll and benefits	15,001	20,773
Value-added tax payable	7,667	7,429
Income tax payable	324	197
Warranty reserve	5,677	6,673
Other current liabilities	13,143	12,186
Total current liabilities	96,925	102,231
Noncurrent Liabilities:		
Post-employment benefits	12,800	13,350
Other noncurrent liabilities	6,760	6,401
Total Liabilities	116,485	121,982
Shareholders' Equity:		
Common stock, authorized 18,000,000 shares, \$.01 par value, 7,738,324 issued shares at September 27, 2026, and 7,704,994 issued shares at June 28, 2026	77	77
Capital in excess of par value	107,766	107,138
Retained earnings	294,728	289,895
Accumulated other comprehensive loss	(14,352)	(14,143)
Less: treasury stock, at cost (3,807,746 shares at September 27, 2026, and 3,727,322 shares at June 28, 2026)	(150,363)	(144,321)
Total Strattec shareholders' equity	237,856	238,646
Non-controlling interest	27,202	26,851
Total Shareholders' Equity	265,058	265,497
Total Liabilities and Shareholders' Equity	\$ 381,543	\$ 387,479

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended	
	September 27, 2026	September 28, 2025
OPERATING ACTIVITIES:		
Net income	\$ 5,311	\$ 8,537
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,492	3,785
Foreign currency transaction (gain) loss	(194)	671
Unrealized loss (gain) on peso contracts	1,425	(293)
Stock-based compensation expense	618	669
Other, net	272	316
Change in operating assets and liabilities:		
Receivables	3,934	(574)
Inventories	(593)	3,109
Prepays and other assets	2,239	3,804
Accounts payable	170	(4,817)
Accrued liabilities	(5,909)	(3,880)
Net cash provided by operating activities	10,765	11,327
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,185)	(1,529)
Net cash used in investing activities	(1,185)	(1,529)
FINANCING ACTIVITIES:		
Repayments under credit facilities	—	(3,000)
Payment for taxes withheld from stock-based awards	(1,039)	(919)
Repurchases of common stock under share repurchase program	(4,973)	—
Employee stock purchases	15	16
Net cash used in financing activities	(5,997)	(3,903)
Foreign currency impact on cash	(60)	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,523	5,894
CASH AND CASH EQUIVALENTS:		
Beginning of period	108,243	84,579
End of period	\$ 111,766	\$ 90,473
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes, net	\$ 466	\$ 582
Interest	—	\$ 123
Non-cash investing activities:		
Change in capital expenditures in accounts payable	\$ 20	\$ 13

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance -- June 28, 2026	\$ 77	\$ 107,138	\$ 289,895	\$ (14,143)	\$ (144,321)	\$ 26,851	\$ 265,497
Net income	—	—	4,833	—	—	478	5,311
Currency translation adjustments	—	—	—	(229)	—	(127)	(356)
Pension and postretirement funded status adjustment, net of tax	—	—	—	20	—	—	20
Stock-based compensation	—	618	—	—	—	—	618
Shares withheld for taxes on stock-based awards	—	—	—	—	(1,039)	—	(1,039)
Share issuances	—	10	—	—	5	—	15
Repurchase of common stock under share repurchase program	—	—	—	—	(5,008)	—	(5,008)
Balance -- September 27, 2026	<u>\$ 77</u>	<u>\$ 107,766</u>	<u>\$ 294,728</u>	<u>\$ (14,352)</u>	<u>\$ (150,363)</u>	<u>\$ 27,202</u>	<u>\$ 265,058</u>

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total Shareholders' Equity
Balance -- June 29, 2025	\$ 76	\$ 103,784	\$ 269,297	\$ (16,113)	\$ (135,452)	\$ 24,839	\$ 246,431
Net income	—	—	8,529	—	—	8	8,537
Currency translation adjustments	—	—	—	628	—	385	1,013
Pension and postretirement funded status adjustment, net of tax	—	—	—	32	—	—	32
Stock-based compensation	—	669	—	—	—	—	669
Shares withheld for taxes on stock-based awards	—	—	—	—	(919)	—	(919)
Share issuances	—	11	—	—	5	—	16
Balance -- September 28, 2025	<u>\$ 76</u>	<u>\$ 104,464</u>	<u>\$ 277,826</u>	<u>\$ (15,453)</u>	<u>\$ (136,366)</u>	<u>\$ 25,232</u>	<u>\$ 255,779</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Strattec Security Corporation (the "Company" or "Strattec"), headquartered in Milwaukee, Wisconsin, is a leading global manufacturer and provider of highly engineered advanced automotive access and security products and solutions. Products include power access solutions, locks & locksets, keys & fobs, engineered latches, vehicle start systems, door handles, and other vehicle access products. Power access solutions provide the motion control for power liftgates, sliding power doors, and power tailgates. While the Company serves major automotive OEMs globally, the majority of sales are to the three largest automobile original equipment manufacturers ("OEMs") in North America.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial reporting and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet data as of June 28, 2026, was derived from the Company's audited financial statements but does not include all disclosures required by GAAP. For additional information, including the Company's significant accounting policies, refer to the consolidated financial statements and related footnotes in the Annual Report.

In the opinion of management, all adjustments considered necessary for a fair statement of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for the three months ended September 27, 2026, are not necessarily indicative of the results that may be expected for the entire fiscal year ending June 27, 2027. The condensed consolidated financial statements include the results of all wholly owned subsidiaries, as well as the results of a majority owned joint venture.

NOTE 2. RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires more detailed information about specified categories of expenses (purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion) included in certain expense captions presented on the face of the income statement. The ASU is effective for fiscal years beginning after December 15, 2026, (fiscal 2028) and for interim periods beginning after December 15, 2027 (fiscal 2029). The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

NOTE 3. WARRANTY

The Company generally offers its customers an assurance warranty on products sold, although warranty periods may vary by product type and application. The Company has a warranty reserve related to known and potential exposure to warranty claims in the event products fail to perform as expected and in the event the Company may be required to participate in the repair costs incurred by customers for such products. The estimation of the warranty reserve involves judgment and assumptions and is based on an analysis of historical warranty data as well as current trends and information. Changes in the warranty reserve were as follows (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Balance, beginning of period	\$ 6,673	\$ 8,900
Provision charged to expense	4	960
Payments, net of recoveries	(1,000)	(12)
Balance, end of period	<u>\$ 5,677</u>	<u>\$ 9,848</u>

NOTE 4. CREDIT FACILITIES

The Company has a revolving credit agreement with BMO Harris N.A. ("Amended and Restated Credit Agreement"), which provides for a \$40 million revolving line of credit maturing October 2028. The facility bears interest at varying rates based on the bank's prime rate or SOFR plus 1.50%. As of September 27, 2026, the Company had no borrowings outstanding under the facility. The credit facility is secured by U.S. cash balances, accounts receivable, inventory, and fixed assets located in the U.S. and contains a restrictive financial covenant that requires a minimum net worth level.

The Company's joint venture, ADAC-Strattec LLC, has a revolving credit agreement with BMO Harris N.A. ("Amended and Restated JV Credit Facility"), which provides for a \$10 million asset-based revolving line of credit, subject to a borrowing base, maturing October 2028. As of September 27, 2026, the Company had no borrowings outstanding under the facility. The facility bears interest at varying rates based on the bank's prime rate plus 1.00% or SOFR plus 1.75%. The credit facility is secured by substantially all of the joint venture's assets and contains restrictive financial covenants that require a minimum net worth level and a minimum fixed charge coverage ratio.

The Company and the joint venture were in compliance with all financial covenants as of September 27, 2026.

NOTE 5. DERIVATIVE INSTRUMENTS

A significant portion of the Company's manufacturing costs are incurred in Mexican pesos, which causes earnings and cash flows to fluctuate with changes in the U.S. dollar/Mexican peso exchange rate. The Company enters into contracts with a creditworthy counterparty that provide for monthly Mexican peso forward currency contracts for a portion of peso denominated operating costs. The aggregate notional amounts of outstanding foreign currency forward contracts were \$103.5 million and \$92.3 million at September 27, 2026, and June 28, 2026, respectively. The fair values of derivative instruments not designated as hedging instruments recorded in our consolidated balance sheets were as follows (in thousands):

Balance Sheet Classification	September 27, 2026	June 28, 2026
Other Current Assets	\$ 1,434	\$ 2,361
Other Current Liabilities	\$ (463)	\$ (264)
Other Noncurrent Liabilities	\$ (430)	\$ (132)

NOTE 6. INCOME TAXES

The Company's income tax expense and effective tax rate for the three-month periods ended September 27, 2026, and September 28, 2025, were as follows (in thousands and percentage of Income before income taxes and non-controlling interest):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Income before income taxes and non-controlling interest	\$ 7,192	\$ 10,893
Income tax expense	\$ 1,881	\$ 2,356
Effective tax rate	26.2%	21.6%

The Company is subject to income taxes in the United States and foreign jurisdictions, primarily Mexico. The Company's income tax positions are based on interpretations of income tax laws and rulings in each of the jurisdictions in which the Company operates. Interim income tax expense is determined based on an estimate of the overall annual effective income tax rate which can vary due to the relationship of foreign and domestic earnings, state taxes and available deductions, credits, and discrete items. The effective tax rate for the three months ended September 27, 2026, is higher than the U.S. federal statutory rate of 21% as a result of profits generated in foreign jurisdictions (Mexico) which has a higher statutory income tax rate and a \$0.4 million increase in reserves for uncertain tax positions.

NOTE 7. EARNINGS PER SHARE

A reconciliation of the components of the basic and diluted per-share computations follows (in thousands, except per share amounts):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Net income attributable to Strattec	\$ 4,833	\$ 8,529
Basic weighted-average shares outstanding	3,970	4,054
Effect of dilutive securities - employee stock compensation plan	83	73
Diluted weighted-average shares outstanding	4,053	4,127
Earnings per share attributable to Strattec		
Basic	\$ 1.22	\$ 2.10
Diluted	\$ 1.19	\$ 2.07

NOTE 8. STOCK-BASED COMPENSATION

The Company has granted service-based restricted stock awards ("RSAs") and performance stock units ("PSUs") to employees and non-employee directors under existing stock incentive plans. The number of shares of the Company's common stock authorized under the current 2024 Equity Incentive Plan is 550,000. As of September 27, 2026, there were 299,860 shares available for future awards. During the quarter, the Company granted 15,605 PSUs that are subject to performance and market conditions, including the Company's relative total shareholder return, with grant-date fair value determined using a Monte Carlo simulation model. As of September 27, 2026, there was \$2.1 million of unrecognized compensation cost related to nonvested PSUs and \$4.2 million of unrecognized compensation cost related to nonvested RSAs, which will be expensed over the remaining vesting period of approximately 2 years. As of September 28, 2025, there was \$1.7 million of unrecognized compensation cost related to non-vested PSUs and \$3.8 million of unrecognized compensation cost related to nonvested RSAs.

A summary of restricted stock award and performance stock unit activity was as follows:

	RSAs		PSUs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested balance, June 28, 2026	90,402	\$ 48.28	35,533	\$ 54.35
Granted	33,738	69.18	15,605	74.98
Vested	(33,330)	43.27	—	—
Forfeited	(375)	33.27	—	—
Nonvested balance, September 27, 2026	90,435	\$ 57.81	51,138	\$ 60.64

NOTE 9. OTHER EXPENSE, NET

The following table summarizes the components of other expense, net included in the accompanying consolidated statements of income (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Foreign currency transaction gain (loss)	\$ 194	\$ (671)
Realized gain (loss) on peso forward contracts, net	1,261	950
Unrealized gain (loss) on peso forward contracts, net	(1,425)	293
Non-service pension and postemployment cost	(263)	(1,007)
Other	50	160
	<u>\$ (183)</u>	<u>\$ (275)</u>

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS BY COMPONENT

The following tables summarize the changes in accumulated other comprehensive loss ("AOCL") by component (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Foreign currency translation adjustments:		
Balance, beginning of period	\$ 13,757	\$ 15,421
Other comprehensive loss (income) before reclassifications	356	(1,013)
Other comprehensive income attributable to non-controlling interest	(127)	(385)
Balance, end of period	<u>13,986</u>	<u>14,793</u>
Retirement and postretirement benefit plans:		
Balance, beginning of period	\$ 386	\$ 692
Amortizations in net periodic benefit cost	(20)	(32)
Balance, end of period	<u>366</u>	<u>660</u>
Accumulated other comprehensive loss, end of period	<u>\$ 14,352</u>	<u>\$ 15,453</u>

NOTE 11. RELATED PARTY

The Company owns 51% of a joint venture, which was formed in fiscal 2007 to support customers with painted door handles and exterior trim products from operations in Mexico. The following tables summarize the related party transactions that arise as a result of the joint venture operating agreement (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Management fee expense	\$ 2,393	\$ 2,737
Net sales to joint venture partner	\$ 1,622	\$ 1,750

	September 27, 2026	June 28, 2026
Accounts receivable from joint venture partner	\$ 700	\$ 677
Accounts payable to joint venture partner	\$ 1,673	\$ 3,552

NOTE 12. SEGMENT INFORMATION

The Company's Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. The CODM assesses the performance and makes capital and resource allocation decisions based on net income attributable to Strattec.

The CODM considers the impact of significant segment expenses on this measure to assess profitability and guide strategic decision making including entering into significant contracts, expanding into new markets or launching new products, making significant capital expenditures, hiring and terminating key personnel, and approving operating budgets.

Net sales and significant segment expenses are as follows (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Net sales	\$ 147,197	\$ 152,399
Significant expenses:		
Direct material costs	80,936	83,888
Labor and overhead costs	41,946	42,176
Selling costs	2,317	2,820
Administrative costs	9,498	6,071
Engineering costs	6,077	6,997
Interest income	(989)	(877)
Interest expense	37	156
Other expense, net	183	275
Income tax expense	1,881	2,356
Net income	5,311	8,537
Net income attributable to non-controlling interest	478	8
Net income attributable to Strattec	<u>\$ 4,833</u>	<u>\$ 8,529</u>

Sales by product line were as follows (in thousands):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Power access solutions	\$ 33,864	\$ 38,124
Door handles & exterior trim	38,090	38,645
Keys & locksets	29,792	29,330
Latches	19,091	19,729
User interface controls	12,953	12,846
Aftermarket and service	10,054	10,757
Other	3,353	2,968
	<u>\$ 147,197</u>	<u>\$ 152,399</u>

Sales to and receivables from customers that individually accounted for 10% or more of the Company's total net sales were as follows (in thousands and percent of total):

Three Months Ended				
	September 27, 2026		September 28, 2025	
	Net Sales	%	Net Sales	%
General Motors Company	\$ 41,455	28%	\$ 41,778	27%
Ford Motor Company	31,931	22%	33,859	22%
Stellantis	20,520	14%	22,792	15%
	<u>\$ 93,906</u>	<u>64%</u>	<u>\$ 98,429</u>	<u>64%</u>

	September 27, 2026		June 28, 2026	
	Receivables	%	Receivables	%
General Motors Company	\$ 25,866	27%	\$ 24,144	24%
Ford Motor Company	18,398	19%	18,355	19%
Stellantis	14,165	15%	17,087	17%
	<u>\$ 58,429</u>	<u>61%</u>	<u>\$ 59,586</u>	<u>60%</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is party to various legal actions, administrative proceedings, and claims arising in the ordinary course of business, including matters related to alleged product defects and warranties, contract disputes, intellectual property, and employment issues. The Company recognizes accruals for such matters in accordance with U.S. GAAP when a loss is probable and reasonably estimable. While the outcome of these matters cannot be predicted with certainty, based on currently available information, management does not believe the ultimate resolution of these proceedings, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

In this Quarterly Report on Form 10-Q for Strattec Security Corporation ("Strattec," "the Company," "we," "us," or "our"), statements that are not reported financial results or other historic information are "forward-looking statements." These forward-looking statements relate to, among other things, the Company's future financial position, business strategy, targets, projected sales, costs, income, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations. The use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "project," "plan," or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond the Company's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

The Company's operations and financial performance are subject to certain risks and uncertainties, including:

- An uncertain economic environment and inflationary conditions coupled with the cyclical nature of the automotive industry may adversely affect global production and demand for our products;
- macroeconomic and geopolitical conditions, including regional conflicts, could adversely affect our business, results of operations, and financial condition;
- changes in tariffs or international trade policies could adversely affect our results, particularly with respect to goods imported into the United States or produced under U.S. trade agreements such as the USMCA;
- delays, restrictions impacting the import of goods, and components stemming from changes in policies implemented by the U.S. Government related to U.S.-Mexico border crossings could have a negative effect on our business;
- our relatively smaller scale compared to many automotive suppliers may limit our ability to compete effectively and could adversely affect our business, financial condition, and results of operations;
- a significant portion of our net sales is derived from a limited number of customers and vehicle programs, and the loss, cancellation, delay, or reduction of key customer relationships or vehicle programs could materially adversely affect our business, financial condition, and results of operations;
- we operate in a highly competitive market with potential increased competition from Chinese automotive suppliers and rapidly evolving technological developments within our sphere of product offerings;
- our ability to manage changes in the costs of operations, warranty claims, or adverse business and operational issues could be affected by a material global supply chain and logistics disruption;
- future shortages in the supply of semiconductor chips and other matters adversely impacting the timing, availability, and costs of material component parts and raw materials for the production of our products could adversely affect our business, results of operations, and financial condition;
- labor cost inflation or unionization efforts in Mexico, coupled with a shortage of skilled laborers in the United States, could increase our manufacturing expenses and impact production efficiency;
- work stoppages within our operations or at the location of our key customers as a result of labor disputes could adversely impact our business, results of operations, and financial condition;
- an increase in the volume and scope of product returns, warranty claims, or customer cost reimbursement actions could adversely impact our business, results of operations, and financial condition;
- our ability to identify, evaluate, negotiate business development activities on acceptable terms or at all, the costs incurred in pursuing such transactions, and the Company's ability to integrate any acquired business and realize the anticipated benefits;
- interruptions to our information security management systems and cybersecurity incidents could adversely affect our business, results of operations, and financial condition; and
- other matters including, but not limited to, the factors listed in the "Risk Factors" in Part I, Item 1A included in the Company's Annual Report on Form 10-K for the year ended June 28, 2026 filed with the SEC on August 28, 2026 (the "Annual Report").

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-Q and the Company undertakes no obligation to update such forward-looking statements.

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated condensed financial statements and related notes thereto included elsewhere in this Report and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended June 28, 2026.

Business Overview

Strattec is a global automotive access company that designs and delivers safe, secure, and highly engineered access solutions for the automotive and mobility industries. Built on generations of access and security engineering expertise, Strattec partners closely with OEMs to create differentiated, system-level access experiences for end consumers. Strattec's portfolio spans the access journey from Permission, enabling secure vehicle entry through advanced mechanical and electronic systems; to Motion, delivering effortless, reliable powered access that enhances everyday usability; and through to Hold, providing precision-engineered latching solutions that give drivers confidence through proven strength, safety, and durability trusted by OEMs worldwide. As access becomes increasingly intelligent, connected, and central to vehicle experience, Strattec's strategy is to expand its market share, further diversify its customers and geographic reach while becoming the most trusted access partner to drive long-term growth across global automotive and mobility markets. While the Company serves major automotive OEMs globally, the majority of sales are to the three largest automobile original equipment manufacturers in North America.

Our strategic priority is to execute on a business transformation to strengthen the Company's profitability and deliver sustainable sales growth. We expect to improve our business with upgraded systems and processes, modernization of our support functions, and increasing productivity and efficiencies in our manufacturing operations through automation and lean manufacturing. We believe this will result in an optimized cost structure and consistent cash generation through improved working capital velocity and efficient asset utilization. To drive organic growth, we will leverage our technical engineering expertise, market leading positions, and strong customer relationships to generate innovative solutions to capture more content on current platforms, win new platforms with current customers, gain new customers both domestically and abroad, and build opportunities in the broader transportation industry. The strength of our balance sheet also supports continued investments in process modernization, automation, and new product innovation, as well as the flexibility needed to navigate through industry cycles. It also allows for strategic acquisitions to diversify our customers and geographies, increase the scale of our operations, and enhance our product offerings.

Current Business Update

The North American automotive market remained challenging during the first quarter of fiscal 2027, reflecting lower vehicle production volumes and continued economic and trade uncertainty. Industry data indicates that North American automotive production volumes declined 3.8% compared with the prior-year period. Our net sales for the first quarter of fiscal 2027 were \$147.2 million, a decrease of 3.4% compared with the prior-year period, generally consistent with the decline in industry production volumes. For the fiscal year, we continue to expect North American light vehicle production to decline approximately 2%, with production volumes of our primary customers expected to decline nearly 5%. Given the reduced level of new product launches and the long-cycle nature of our business, we are working closely with customers to create future organic growth through increased content on existing vehicle platforms, new platform awards and expansion of our customer base. Our near-term focus is on improving profitability on lower revenue. During the first quarter of fiscal 2027, we continued to take actions to improve our cost structure, including implementation of an additional restructuring program, as well as initiatives to improve supply chain performance. Our supply chain continues to be affected by elevated freight and commodity costs, industry-wide semiconductor shortages, and supplier quality and delivery challenges.

Our balance sheet remains an important strategic asset and provides flexibility to invest in our transformation and organic growth initiatives, return capital to shareholders and pursue strategic growth opportunities. Cash provided by operating activities was \$10.8 million during the first quarter, and cash and cash equivalents were \$111.8 million at September 27, 2026, with no borrowings outstanding under our revolving credit facilities. During the quarter, we repurchased \$5.0 million of common stock under our share repurchase program and incurred costs related to business development activities intended to diversify our customer base and geographic reach, increase the scale of our operations, and enhance our product portfolio. We intend to maintain a disciplined approach to capital allocation as we invest in operational improvements and organic growth and evaluate opportunities to enhance long-term shareholder value.

Analysis of Results of Operations

Three months ended September 27, 2026, (first quarter fiscal 2027) compared with the three months ended September 28, 2025 (first quarter fiscal 2026)

The Company's consolidated results of operations were as follows (in thousands):

	Three Months Ended		Change	
	September 27, 2026	September 28, 2025	\$	%
Net sales	\$ 147,197	\$ 152,399	\$ (5,202)	-3%
Direct material costs	80,936	83,888	(2,952)	-4%
Labor and overhead costs	41,946	42,176	(230)	-1%
Cost of goods sold	122,882	126,064	(3,182)	-3%
Gross profit	24,315	26,335	(2,020)	-8%
Gross margin	16.5%	17.3%		-80 bp
Selling, administrative and engineering expenses	17,892	15,888	2,004	13%
Income from operations	6,423	10,447	(4,024)	-39%
Operating margin	4.4%	6.9%		-250 bp
Interest income	989	877	112	13%
Interest expense	(37)	(156)	119	-76%
Other expense, net	(183)	(275)	92	-33%
Income before income taxes and non-controlling interest	7,192	10,893	(3,701)	-34%
Income tax expense	1,881	2,356	(475)	-20%
Net income	5,311	8,537	(3,226)	-38%
Net income attributable to non-controlling interest	478	8	470	N/M
Net income attributable to Strattec	\$ 4,833	\$ 8,529	\$ (3,696)	-43%
Earnings per share attributable to Strattec:				
Basic	\$ 1.22	\$ 2.10	\$ (0.88)	-42%
Diluted	\$ 1.19	\$ 2.07	\$ (0.87)	-42%

First quarter fiscal 2027 net sales totaled \$147.2 million, a decrease of \$5.2 million, or 3.4%, compared with the prior-year first quarter. The decrease primarily reflected a \$6.2 million decrease in customer production volumes, partially offset by \$1.0 million of net pricing benefit.

Gross profit was \$24.3 million in the first quarter of fiscal 2027, compared with \$26.3 million in the prior-year period. Gross margin was 16.5% of net sales, compared with 17.3% in the prior-year period. The decrease in gross profit primarily reflected the impact of lower production volumes and \$1.4 million of unfavorable foreign currency effects, partially offset by favorable pricing.

Selling, administrative and engineering expenses were \$17.9 million, or 12.2% of net sales, for the first quarter of fiscal 2027, compared with \$15.9 million, or 10.4% of net sales, in the prior-year period. The \$2.0 million increase was the result of \$2.4 million of business development costs and \$0.8 million of additional investments in talent and consultants, which were partially offset by \$1.2 million of incremental engineering recoveries, compared with the prior year.

Interest income increased \$0.1 million due to higher average cash and cash equivalent balances. Interest expense decreased \$0.1 million due to the repayment of all borrowings under our revolving credit facilities in fiscal 2026.

Other expense, net was \$0.2 million in the first quarter of fiscal 2027 and \$0.3 million in the prior-year period.

The effective income tax rate was 26.2% and 21.6% for the first quarter of fiscal 2027 and 2026, respectively. The effective rate for both periods differs from the statutory rate because of the foreign rate differential, state income taxes, research and development tax credits, limitations on the utilization of foreign tax credits, non-deductible items and discrete income tax benefits associated with share-based payments. The effective tax rate for the first quarter of fiscal 2027 included a \$0.4 million increase to reserves for uncertain tax positions.

As a result of the factors described above, net income attributable to Strattec was \$4.8 million, or \$1.19 per diluted share, in the first quarter of fiscal 2027, compared with \$8.5 million, or \$2.07 per diluted share, in the prior-year period.

Liquidity and Capital Resources

At September 27, 2026, we had \$111.8 million of cash and cash equivalents, of which \$3.8 million was held by our foreign subsidiaries and \$108.0 million was held domestically. Excess cash is held in money market funds. The following table summarizes our cash flows provided by (used in) operating, investing and financing activities (in millions):

	Three Months Ended	
	September 27, 2026	September 28, 2025
Cash provided by operating activities	\$ 10.8	\$ 11.3
Cash used in investing activities	(1.2)	(1.5)
Cash used in financing activities	(6.0)	(3.9)
Effect of exchange rate changes on cash	(0.1)	-
Net increase in cash and cash equivalents	\$ 3.5	\$ 5.9

Cash provided by operating activities was \$10.8 million for the first quarter of fiscal 2027, compared with \$11.3 million in the prior-year period. Capital expenditures, primarily to support customer programs, were \$1.2 million during the first quarter of fiscal 2027 compared with \$1.5 million in the prior-year period. Operating cash flow funded \$5.0 million of common-stock repurchases, and \$1.0 million of taxes paid in connection with vested share-based awards. Prior-year financing cash flows included \$3.0 million of repayments under credit facilities and \$0.9 million of taxes paid in connection with vested share-based awards.

At September 27, 2026, no borrowings were outstanding under the \$40.0 million Strattec Credit Facility or the \$10.0 million joint venture revolving credit agreement. The Company was in compliance with all covenants under its credit facilities at September 27, 2026.

We believe that the revolving credit lines, combined with our existing cash and anticipated operating cash flows, will be adequate to meet operating and capital expenditure funding requirements. In the short term, cash generated from operations will be reinvested in our business to fund our transformational efforts, organic and strategic growth initiatives, and opportunistically repurchase shares.

Primary Working Capital Management

We use primary working capital as a percentage of sales (PWC %) as a key metric of working capital management. We define this metric as the sum of net accounts receivable and net inventory less accounts payable, divided by the past three months sales annualized. The following table shows a comparison of primary working capital (in millions):

	September 27, 2026	PWC %	June 28, 2026	PWC %
Accounts Receivable, net	\$ 95.1	16%	\$ 99.1	16%
Inventory, net	\$ 64.9	11%	\$ 64.3	11%
Accounts payable	\$ (55.1)	(9%)	\$ (55.0)	(9%)
Net primary working capital	\$ 104.9	18%	\$ 108.4	18%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk exposures from those described under Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2026.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective at reaching a level of reasonable assurance. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we may be involved in various legal proceedings from time to time. We do not believe we are currently involved in any claim or action the ultimate disposition of which would have a material adverse effect on our financial statements.

ITEM 1A. RISK FACTORS

An investment in our Common Stock involves risks. Before making an investment decision, you should carefully consider all of the information in this Quarterly Report, including the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Condensed Consolidated Financial Statements and related notes. In addition, you should carefully consider the risks and uncertainties described in the section entitled “Risk Factors” in our Annual Report. If any of the identified risks are realized, our business, financial condition and operating results could be materially and adversely affected. In that case, the trading price of our Common Stock may decline. In addition, other risks of which we are currently unaware, or which we currently do not view as material, could have a material adverse effect on our business, financial condition and operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On May 28, 2026, the Board of Directors authorized a new share repurchase program under which the Company may repurchase up to \$40.0 million of its outstanding common stock. In connection with the authorization of the new program, we terminated our previous share repurchase program. The new share repurchase program has no fixed expiration date, does not obligate us to acquire any specific amount of common stock, and may be modified, suspended or terminated at any time at the discretion of the Board of Directors. The following table provides information with respect to the purchases by the Company of Common Stock under this authorization during the three months ended September 27, 2026 (in millions, except share and per share amounts):

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Approx. Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
6/29/2026 - 7/26/2026	-	\$ -	-	\$ 40.0
7/27/2026 - 8/30/2026	21,652	\$ 72.88	21,652	\$ 38.4
8/31/2026 - 9/27/2026	46,252	\$ 73.41	46,252	\$ 35.0
	<u>67,904</u>	<u>\$ 73.24</u>	<u>67,904</u>	<u>\$ 35.0</u>

ITEM 5. OTHER INFORMATION

During the period ended September 27, 2026, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

<u>Exhibit</u>	<u>If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC</u>
10.1 Employment Agreement between the Company and James P. Denis III effective December 1, 2025	Filed herewith
10.2 Non-Employee Director Compensation Program for Fiscal Year 2027	Filed herewith
31.1 Rule 13a-14(a) Certification of Jennifer L. Slater, Chief Executive Officer	Filed herewith
31.2 Rule 13a-14(a) Certification of Matthew Pauli, Chief Financial Officer	Filed herewith
32 18 U.S.C. Section 1350 Certifications	This certification is not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.
101 Inline XBRL documents (the Inline XBRL instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).	
104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	

SIGNATURE

Pursuant to the requirements 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 (Registrant)

Date: October 30, 2026

By: /s/ Matthew Pauli

Matthew Pauli
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made as of the 13th day of November, 2025, by and between Strattec Security Corporation, a Wisconsin corporation (the “Company”), and James Denis (the “Employee”).

RECITAL

The Company desires to employ the Employee and the Employee is willing to make the Employee’s services available to the Company on the terms and conditions set forth below.

AGREEMENTS

In consideration of the premises and the mutual agreements which follow, the parties agree as follows:

1. Employment. The Company hereby employs the Employee and the Employee hereby accepts employment with the Company on the terms and conditions set forth in this Agreement.

2. Term. The Employee shall be employed by the Company for a period beginning on December 1, 2025 (the “Effective Date”) and ending on the day before the first year anniversary of the Effective Date, subject to the terms and conditions set forth in this Agreement; provided, however, that beginning on the first year anniversary of the Effective Date and on each anniversary thereafter, the term of employment under this Agreement shall automatically renew and be extended for an additional one-year period, unless either the Company or the Employee gives written notice of nonrenewal to the other party not less than 60 days prior to the end of the then-current term. The initial term, plus any extension thereof, shall hereinafter be referred to as the “Employment Period.”

3. Position and Duties.

(a) During the Employment Period, the Employee shall serve as the Vice President, General Counsel, and Secretary of the Company. In such capacity, the Employee shall have the powers, duties, responsibilities, and authority customarily held by a person holding such position or its equivalent of an organization of a similar size and nature as the Company, as well as such other powers, duties, responsibilities, and authority as may be determined from time to time by the Company’s President and Chief Executive Officer (the “President and CEO”). The Employee shall also perform such other duties and hold such other positions related to the business of the Company and its Affiliates (as defined below) as may from time to time be reasonably requested by the President and CEO. The Employee shall report directly to the President and CEO. For purposes of this Agreement, an “Affiliate” means any corporation, general or limited partnership, limited liability company, joint venture, trust, association or organization which is, directly or indirectly, controlled by, or under common control with, the Company.

(b) The Employee agrees to devote the Employee’s entire business time, effort, skill and attention to the proper discharge of the Employee’s duties hereunder and in furtherance of the business and interests of the Company and its Affiliates. However, the Employee will not be precluded from

(i) managing the Employee’s passive personal investments, or (ii) subject to the prior written consent of the Company, participation in community, civic, charitable or other similar activities which do not unreasonably interfere with the Employee’s responsibilities hereunder or create a business or fiduciary conflict.

(c) The Employee understands and agrees that the Employee's principal place of employment will be in the Milwaukee, Wisconsin area. The Employee will ensure an effective amount of physical presence in Company offices, and the Employee acknowledges and agrees that the Employee may be required to travel for business in the course of performing the Employee's duties for the Company and its Affiliates.

(d) Upon termination of the Employee's employment hereunder for any reason, the Employee shall cease to hold any position as an officer or director (or any other similar position) of the Company or any Affiliate and shall resign from all positions as an officer or director (or any other similar position) in all corporations, partnerships, limited liability companies or other entities for which the Employee is serving, at the Company's request, as an officer or director (or in such other similar position).

4. Compensation.

(a) Base Salary. During the Employment Period, the Employee shall receive a base salary at a rate of \$385,000 per annum, subject to applicable taxes and withholdings, payable in accordance with the regular payroll practices of the Company, but not less frequently than monthly. The Employee's base salary shall be subject to adjustment as may be determined from time to time in the Company's sole discretion; provided, however, that any decrease in the Employee's base salary can only be proportionately made in connection with Company-wide reductions in the salary rates for senior management of the Company ("Senior Management") as determined by the Board of Directors of the Company (the "Board") or the Compensation Committee of the Board (the "Compensation Committee"). The base salary in effect from time to time is referred to herein as the "Base Salary."

(b) Annual Bonus. Commencing with fiscal year 2026, during the Employment Period, the Employee will be eligible to participate in and receive an annual bonus award (the "Annual Bonus") under an annual incentive program established or maintained by the Company for its Senior Management, subject to the approval and discretion of the Compensation Committee. The initial target value of the Employee's Annual Bonus shall be 60% of the Employee's Base Salary (the "Target Annual Bonus Amount"). The Annual Bonus shall be earned and accrued as of the last day of the applicable annual performance period and paid in a lump sum no later than the 15th day of the third month following the end of the taxable year of the Company or the taxable year of the Employee, whichever is later, in which such Annual Bonus is earned. For purposes of clarity, the Annual Bonus earned for fiscal year 2026 will be subject to pro-ration for the period of the Employee's service during fiscal year 2026. The Annual Bonus shall be subject to the terms and conditions of the annual incentive program, as may be amended from time to time.

(c) Equity-Based Compensation. During the Employment Period, the Employee will be eligible to participate in any equity-based compensation plans established or maintained by the Company for its Senior Management. The target value of Employee's fiscal year 2027 equity-based awards will be 60% of the Employee's Base Salary. Any grants or awards under such plans shall be subject to the approval and discretion of the Compensation Committee and subject to the terms and conditions of the Company's organizational documents, any applicable plan documents, and any individual award agreements, as such documents may be amended from time to time.

5. Benefits and Reimbursements.

(a) Benefits. During the Employment Period, the Employee shall be eligible to participate in and receive benefits under the Company's employee benefit plans, policies and programs applicable generally to other Senior Management, subject to the Employee's satisfaction of all applicable eligibility conditions of such plans, policies, and programs. Notwithstanding anything in this Agreement

to the contrary, the Company may amend, modify, discontinue or terminate at any time any employee benefit plan, policy, or program described in this Section 5(a), now existing or hereafter adopted, to the extent permitted by the terms of such plan, policy, or program and will not be required to compensate the Employee for such amendment, modification, discontinuance or termination. To the extent there is any conflict between the terms of this Agreement and the applicable employee benefit plan, policy, or program document, the terms of the applicable employee benefit plan, policy, or program document shall govern.

(b) Reasonable Business Expenses. Subject to the terms and conditions of the Company's expense reimbursement policy, during the Employment Period, the Company shall pay or reimburse the Employee for reasonable expenses incurred by the Employee in connection with the performance of the Employee's duties pursuant to this Agreement, including, but not limited to, travel expenses, expenses in connection with seminars, professional conventions or similar professional functions and other reasonable business expenses.

6. Termination of Employment.

(a) Termination due to Death. The Employment Period and the Employee's employment with the Company shall automatically terminate upon the death of the Employee. In the event the Employee's employment terminates due to the Employee's death, the Employee's beneficiary (as designated by the Employee in writing with the Company prior to the Employee's death) shall be entitled to the Accrued Benefits. For purposes of this Agreement, "Accrued Benefits" means: (i) any Base Salary that is accrued but unpaid as of the date of the Employee's termination of employment; (ii) any accrued, but unpaid, Annual Bonus for any fiscal year that ended on or prior to the date of the Employee's termination of employment; (iii) any business expenses that are unreimbursed as of the date of the Employee's termination of employment; and (iv) any rights and benefits (if any) provided under the employee benefit plans, policies, and programs of the Company, determined in accordance with the applicable terms and conditions of such plans, policies, and programs. Any amounts due under clauses (i) and (iii) of this Section 6(a) shall be paid in a lump sum within 30 days following the date of the Employee's termination of employment and any amounts due under clause (ii) of this Section 6(a) shall be paid as promptly as practicable in accordance with the terms of the applicable annual incentive program. In the absence of a beneficiary designation by the Employee, or if the Employee's beneficiary does not survive the Employee, payments and benefits described in this Section 6(a) will be paid to the Employee's estate.

(b) Termination due to Disability.

(i) The Company shall be entitled to terminate the Employment Period and the Employee's employment with the Company at any time due to the Employee's Disability (as defined below). In the event the Employee's employment terminates due to the Employee's Disability, the Employee shall be entitled to payment of the Accrued Benefits as described in Section 6(a).

(ii) For purposes of this Agreement, "Disability" means a physical or mental sickness or any injury which renders the Employee incapable of performing the essential functions of the Employee's job (with or without reasonable accommodations) and which does or may be expected to continue for more than four months during any 12-month period, as determined by a physician who is selected by the agreement of the Employee and the Company. In the event of their failure to agree upon such a physician, the Company and the Employee shall each select a physician who together shall select a third physician who shall make the determination. Such determination shall be conclusive and binding upon the parties hereto. In the event the Employee shall be able to perform the essential functions of Employee's job (with or without reasonable accommodations) following a period of Disability, and does so perform such duties, or such other duties as are prescribed by the President and CEO, for a period of three continuous months, any subsequent period of Disability shall be regarded as a new period of Disability

for purposes of this Agreement. Termination of the Employment Period and the Employee's employment hereunder due to the Employee's Disability shall not change the Employee's rights to receive benefits, if any, pursuant to any disability plan or policy then maintained by the Company.

(c) Termination for Cause.

(i) The Company may terminate the Employment Period and the Employee's employment with the Company for Cause (as defined below) upon notice at any time to the Employee. In the event that the Company terminates the Employee's employment for Cause, the Employee will be entitled to payment of the Accrued Benefits as described in Section 6(a); provided, however, that, subject to any applicable law, the Company shall have the right to set off any damages it incurs as a result of the Employee's actions which constitute Cause from any amounts due to the Employee. For purposes of clarity, the Employee shall not be entitled to any bonus, including any Annual Bonus, that has not been paid as of the date of the Employee's termination of employment for Cause.

(ii) For purposes of this Agreement, "Cause" means:

(A)(I) the Employee's continued failure substantially to perform in good faith the Employee's assigned duties in any material respect (other than as a result of total or partial incapacity due to physical or mental illness), or (II) a material breach or default of any term of this Agreement, in each case which continued failure, breach or default is not substantially cured in all material respects within 30 days after the Company provides the Employee with written notice thereof in sufficient detail describing such failure or material breach or default;

(B)the Employee's engagement in (I) fraud, embezzlement, theft or dishonesty in the course of the Employee's employment with the Company, or (II) other conduct that results or could reasonably be expected to result in material harm to the business or reputation of the Company or any of its Affiliates as determined in good faith by the Company;

(C)the Employee's indictment for, charge with, arrest for, conviction of, or plea of guilty or nolo contendere to, (I) a felony or (II) a crime other than a felony which involves moral turpitude or a breach of trust or fiduciary duty owed to the Company or any of its Affiliates;

(D)the Employee's disclosure of trade secrets or confidential information of the Company or any of its Affiliates that results or could reasonably be expected to result in material harm to the business or reputation of the Company or any of its Affiliates as determined in good faith by the Company; or

(E)the Employee's material violation of any policy of the Company or any of its Affiliates that applies to the Employee which violation is not substantially cured in all material respects within 30 days after the Company provides the Employee with written notice thereof in sufficient detail describing such violation.

(d) Termination by the Company Without Cause or by the Employee for Good Reason.

(i) The Company may terminate the Employment Period and the Employee's employment with the Company for any reason upon 30 days' prior written notice to the Employee. The Employee may resign and terminate the Employment Period and the Employee's employment with the

Company for Good Reason (as defined below). If the Employee's employment is terminated by the Company for any reason other than the reasons set forth in Sections 6(a), (b) or (c) or the Employee resigns and terminates the Employee's employment for Good Reason, the Employee will be entitled to the following payments and benefits:

(A) payment of the Accrued Benefits as described in Section 6(a);

(B) a single lump sum payment equal to one year of the Employee's Base Salary in effect on the date of the Employee's termination of employment. Such payment shall be made on the first business day following the date that is 60 days after the date of the Employee's termination of employment; and

(C) if the Employee timely elects COBRA continuation coverage under the Company's group medical, dental and vision plans, the Company shall pay directly or reimburse the Employee for a portion of such COBRA premiums (on a monthly, after-tax basis) equal to the employer portion of the premium for active Company employees until the earlier of (I) 12 months following the date of the Employee's termination of employment or (II) the date the Employee becomes eligible for coverage under the group health plan of another employer.

(ii) For purposes of this Agreement, the following shall constitute "Good Reason," unless the Employee shall have consented otherwise in writing:

(A) a material diminution in the Employee's Base Salary or Target Annual Bonus Amount, other than a general reduction in salary rates or target annual bonuses that (I) affect all Senior Management in substantially the same proportions as approved by the Board or the Compensation Committee, and (II) is no greater than 15% of the Employee's then-current Base Salary and Target Annual Bonus in the aggregate;

(B) any material breach by the Company or any of its Affiliates of this Agreement;

(C) a material diminution in the Employee's authority, duties or responsibilities as set forth in Section 3 of this Agreement, provided that it is understood that a change in title alone shall not constitute a material diminution in authority, duties, or responsibilities; or

(D) a change in the Employee's principal office to a location that is more than 50 miles from the Employee's principal office on the Effective Date.

Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless (x) the Employee gives the Company written notice within 90 days after the Employee first has knowledge of the occurrence of the event which the Employee believes constitutes the basis for Good Reason, specifying the particular act or failure to act which the Employee believes constitutes the basis for Good Reason, (y) the Company fails to cure such act or failure to act within 60 days after receipt of such notice, and (z) the Employee terminates the Employee's employment within 60 days after the end of the period specified in clause (y).

(e) Termination by the Employee without Good Reason. The Employee may resign and terminate the Employment Period and the Employee's employment with the Company without Good Reason upon providing the Company at least 30 days' prior written notice. In such event, the Employee shall be entitled to the Accrued Benefits as described in Section 6(a). For purposes of clarity, the Employee

shall not be entitled to any bonus, including any Annual Bonus, that has not been paid as of the date of the Employee's termination of employment.

(f) Change of Control.

(i) In the event that, during the Employment Period, a Change of Control of the Company occurs and, within three months prior to or within 24 months following such Change of Control, the Employment Period and the Employee's employment with the Company is terminated without Cause or is terminated by the Employee for Good Reason, in each case as described in Section 6(d) of this Agreement, then, in lieu of any payment or benefit that might be provided under Section 6(d), the Employee will be entitled to the following payments and benefits:

(A) payment of the Accrued Benefits as described in Section 6(a);

(B) a single lump sum payment equal to one and one-half times the sum of (I) the Employee's Base Salary in effect on the date of the Employee's termination of employment, plus (II) an amount equal to the average of the Annual Bonuses paid to the Employee for the two completed fiscal years immediately preceding the date of the Employee's termination of employment or, if less than two completed fiscal years have occurred during the Employment Period, the current target Annual Bonus amount. Such payment shall be made on the first business day following the date that is 60 days after the date of the Employee's termination of employment;

(C) if the Employee timely elects COBRA continuation coverage under the Company's group medical, dental and vision plans, the Company shall pay directly or reimburse the Employee for a portion of such COBRA premiums (on a monthly, after-tax basis) equal to the employer portion of the premium for active Company employees for a period of 18 months immediately following the date of the Employee's termination of employment; and

(D) reimbursement of up to \$10,000 for reasonable executive outplacement service expenses incurred by the Employee within one year following the date of the Employee's termination of employment, provided that such services are provided by a nationally recognized executive outplacement firm and are at a level appropriate for the most senior officers.

(ii) For purposes of this Agreement, a "Change of Control" means the occurrence of any of the following events:

(A) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (I) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or

(II) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company,

or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (I), (II) and (III) of subsection (C) of this Section 6(f)(ii); or

(B) individuals who, as of the Effective Date, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) the consummation by the Company of a reorganization, merger or consolidation (a “Business Combination”), in each case, unless, following such Business Combination, (I) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (II) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (III) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(D) the consummation of (I) a complete liquidation or dissolution of the Company or (II) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, (a) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (b) less than 20% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation

entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 20% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition, and (c) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.

All references in this Section 6(f)(ii) to common stock shall include, to the extent applicable, references to equity interests, and all references in this Section 6(f)(ii) to directors or board of directors shall include, to the extent applicable, references to any other applicable management body of a person.

(g) Non-Renewal of the Employment Period. The Employee's employment shall terminate automatically upon expiration of the Employment Period if either party gives written notice of non-renewal as set forth in Section 2. For purposes of clarity, (i) a notice of non-renewal by the Company shall be considered a termination by the Company without Cause under Section 6(d), and (ii) a notice of non-renewal by the Employee shall be considered a termination by the Employee without Good Reason under Section 6(e).

(h) Release. All payments and benefits, other than the Accrued Benefits, that may be payable or provided to the Employee under this Section 6 (the "Conditioned Benefits") are subject to (i) the Employee's (or, to the extent applicable, the Employee's estate's) execution and non-revocation of a release of claims, in a form to be provided by the Company (the "Release"), and (ii) the expiration of any revocation period contained in the Release, in each case, within 60 days following the date of the Employee's termination of employment. To the extent that any of the Conditioned Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), any payment or provision of such Conditioned Benefits otherwise scheduled to occur prior to the 60th day following the date of the Employee's termination of employment, but for the condition on executing the Release set forth herein, shall not be made until the first regularly scheduled payroll date following such 60th day (regardless of when the Release is delivered), after which any remaining Conditioned Benefits shall thereafter be provided to the Employee according to the applicable schedule set forth herein.

(i) Effect of Termination. The termination of the Employee's employment pursuant to Sections 6(b), (c), (d), (e) or (f) shall not affect the Employee's obligations as described in Sections 7, 8, 9 and 10. The rights and duties of the parties under Sections 6 through 25 of this Agreement shall survive the termination of this Agreement.

7. Noncompetition. The parties agree that the Company's customer contacts, customer relations, and goodwill are established and maintained at great expense, and that by virtue of the Employee's employment with the Company, the Employee will have unique and extensive exposure to and personal contact with the Company's customers, and that the Employee will be able to establish a unique relationship with the Company's customers that will enable the Employee, both during and after employment, to unfairly compete with the Company. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Company's legitimate business interests, trade secrets, and Confidential Information (as defined below) and to prevent great damage or loss to the Company as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of Confidential Information restrictions contained in this Agreement are reasonable and that the consideration provided in this Agreement is sufficient to fully and

adequately compensate the Employee for agreeing to such restrictions. The Employee acknowledges that the Employee could continue to actively pursue the Employee's career and earn sufficient compensation in the same or similar business without breaching any of the restrictions contained in this Agreement. For purposes of this Section 7, the Company shall include any Affiliates.

(a) During Term of Employment. The Employee hereby covenants and agrees that, during the Employee's employment with the Company, the Employee shall not, directly or indirectly, either individually or as an employee, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant, or in any other capacity, participate in, become associated with, provide assistance to, engage in, or have a financial or other interest in any business, activity, or enterprise which is competitive with or a supplier to the Company or any successor or assign of the Company. The ownership of less than a one percent interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Company, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. The Employee agrees that during a period after termination of the Employee's employment with the Company equal to the shorter of one year or the duration of the Employee's employment with the Company, the Employee will not, directly or indirectly, either individually or as an employee, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass or solicit from any person or entity who is a Customer (as defined below) of the Company any business in competition with the business of the Company or the successors or assigns of the Company, including the canvassing or soliciting of Competitive Business (as defined below) from any individual or entity which is or was a Customer of the Company. For purposes of this Agreement:

(A) "Customer" means any customer of the Company or any of its Affiliates with whom the Employee has had contact in connection with the performance of the Employee's services under this Agreement in the five year period preceding the effective date of the Employee's termination of employment for any reason and who has purchased the products or services offered by the Company or its Affiliates during the 24-month period preceding the effective date of the Employee's termination of employment for any reason; and (B) "Competitive Business" means a business which is involved in designing, developing, manufacturing, or marketing mechanical, electro-mechanical, and/or electronic security and access control products in the global motor vehicle industry.

(ii) Request or advise any of the Customers or suppliers of the Company with whom the Employee had contact in connection with the performance of the Employee's services in the five year period preceding the effective date of the Employee's termination for any reason and who currently have or have had business relationships with the Company within the 24-month period preceding the date of the Employee's termination of employment for any reason, to withdraw, curtail, or cancel any of their business or relations with the Company.

(iii) Induce or attempt to induce any executive or management level employee or other employee with a specialized position that could be used to unfairly compete against the Company as may be identified in writing to the Employee by the Company from time to time, to terminate his or her relationship or breach his or her agreements with the Company in order to provide competing services to a Competitive Business; provided, however, that publication of general solicitations not targeted (A) to an individual employee, sales representative, consultant or other personnel of the Company, or (B) primarily to employees, sales representatives, consultants or other personnel of the Company (and any hiring pursuant to such general solicitations) shall not constitute inducement for purposes of, or otherwise violate, this Section 7(b)(iii).

8. Confidential Information. For purposes of this Agreement, "Confidential Information" means proprietary non-public information that is possessed by or developed for the Company and that relates to the Company's business or technology, including but not limited to inventions and other intellectual property (to the extent not a trade secret as described in Section 9), computer program object and source codes, business plans and strategies, existing or proposed bids, technical developments, existing or proposed research projects, financial or business projections, investments, marketing plans and strategies, pricing and cost information, negotiations strategies, sales strategies, training information and materials, employee compensation and other confidential personnel information, customer or potential customer lists, customer purchasing history, and information generated for customer engagements. Confidential Information also includes information received by the Company from others which the Company has an obligation to treat as confidential, including information obtained in connection with customer engagements. Confidential Information shall not include information that is or becomes available to the public through no wrongful act or omission of the Employee. The parties agree that the Company's Confidential Information was established at great expense and protected as confidential information and provides the Company with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the Company, the Employee will have access to, and be entrusted with, Confidential Information and that the Company would suffer great loss and injury if the Employee would disclose this information or use it to compete with the Company. Therefore, the Employee agrees that, during the term of the Employee's employment, and until the first to occur of (a) such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) such time as the Confidential Information no longer provides a benefit to the Company, or (c) the second anniversary of the date of the Employee's termination of employment with the Company, the Employee will not, directly or indirectly, in any capacity, use or disclose, or cause to be used or disclosed, any Confidential Information in any geographic area in which such use or disclosure could harm the Company's business interests. This provision does not prohibit the Employee's use of general skills acquired prior to or during employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information or trade secrets. The restrictions contained in this Section 8 apply to Confidential Information regardless of the fact that the Employee may have participated in the discovery and the development of that information. The Employee also agrees and acknowledges that the Employee will comply with all applicable laws regarding insider trading or the use of material nonpublic information in connection with the trading of securities. For purposes of this Section 8, the Company shall include any Affiliates.

9. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Company with broader protection than that provided herein. During the Employee's employment with the Company, the Employee shall do what is reasonably necessary to prevent misappropriation or unauthorized disclosure of the Company's trade secrets. After termination of the Employee's employment, the Employee shall not use or disclose the Company's trade secrets for as long as they remain trade secrets.

10. Non-Disparagement. The Employee agrees that, during the Employee's employment with the Company and following the Employee's termination of employment, the Employee shall not make, publish, or communicate any public statements which disparage or defame the Company or any Affiliate or any of their respective directors, officers, or employees. Nothing in the foregoing is intended to prohibit the Employee from making truthful statements or providing information when required by law, regulation, or order of a court, governmental body, or regulatory body having appropriate jurisdiction, provided that such compliance does not exceed that required by the law, regulation, or order.

11. Specific Performance and Injunctive Relief. The Employee acknowledges and agrees that irreparable injury to the Company may result in the event the Employee breaches any covenant and agreement contained in Sections 7, 8, 9, and 10 and that the remedy at law for the breach of any such

covenant will be inadequate. Therefore, if the Employee engages in any act in violation of the provisions of Section 7, 8, 9, or 10, the Employee agrees that the Company shall be entitled, in addition to specific performance and such other remedies and damages as may be available to it by law or under this Agreement, to injunctive relief to enforce the provisions of Sections 7, 8, 9, and 10.

12. Defend Trade Secrets Act Notice. The Employee is hereby advised that, pursuant to the federal Defend Trade Secrets Act, an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law, or (b) is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. Further, an individual who files a lawsuit alleging retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding if the individual (1) files any document containing the trade secret under seal and (2) does not otherwise disclose the trade secret, except pursuant to court order. The Employee understands that any disclosure by the Employee of the Company's trade secrets not done in good faith consistent with the above may subject the Employee to substantial damages, including punitive damages and attorney's fees.

13. Return of Property. The Employee agrees that, upon the Employee's termination of employment, the Employee shall promptly return to the Company any keys, credit cards, passes, confidential documents or material, or other property belonging to the Company or any Affiliate, and the Employee shall also return all writings, files, records, correspondence, notebooks, notes and other documents and things (including any copies thereof) containing Confidential Information or relating to the business or proposed business of the Company or any Affiliate or containing any Confidential Information relating to the Company of any Affiliate, except any personal diaries, calendars, rolodexes or personal notes or correspondence.

14. Cooperation. The Employee agrees that during the Employee's employment with the Company and following the Employee's termination of employment, the Employee shall be reasonably available to testify truthfully on behalf of the Company or any Affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any Affiliate, in all reasonable respects in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board, or its representatives or counsel, or representatives or counsel to the Company or any Affiliate, as requested; provided, however, that the same does not materially interfere with Employee's then-current professional activities.

15. Representations of the Employee; Obligations to Former Employers. As a material term of this Agreement, the Employee represents that the Employee has disclosed to the Company all agreements, restrictions, or obligations that: (i) purport to impose on the Employee any post-employment obligations with respect to a current or former employer; (ii) may affect the Employee's ability to assume employment with the Company; (iii) may affect the Employee's ability to perform the duties of Vice President, General Counsel, and Secretary of the Company; or (iv) may result in forfeiture or recoupment of any compensation (whether in the form of cash or equity) paid or payable by a current or former employer. As a material term of this Agreement, the Employee represents that the Employee is in compliance with, and will continue to comply with, the terms of all lawful, enforceable, and ongoing post-employment restrictions from the Employee's current or prior employment with respect to (I) nondisclosure of confidential information and trade secrets, (II) noncompetition, and (III) non-solicitation of employees, customers, and suppliers. The Employee understands and agrees that the Company does not wish to receive, and the Employee shall not provide to the Company, any confidential, proprietary or trade secret information that is owned by a third party, including any former employer of the Employee, that the

Employee is contractually or otherwise legally prohibited from providing to the Company or any of its Affiliates.

16. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

17. Notices. Any notice to be given hereunder shall be deemed sufficient if addressed in writing, and delivered by registered or certified mail or delivered personally, in the case of the Company, to the Chief People Officer at the Company's principal business office, and in the case of the Employee, to the Employee's address appearing on the records of the Company, or to such other address as the Employee may designate in writing to the Company.

18. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the above covenant not to compete in Section 7 and covenant not to disclose Confidential Information in Section 8 are separate and independent agreements.

19. Entire Agreement; Amendment. This instrument contains the entire agreement of the parties relating to the subject matter hereof, and the parties have made no agreement, representations, or warranties relating to the subject matter of this Agreement that are not set forth herein. This Agreement may be amended only by mutual written agreement of the parties. This Agreement may be executed in one or more counterparts.

20. Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of the State of Wisconsin, regardless of choice of law requirements. The parties hereby consent to the jurisdiction of the state courts of the State of Wisconsin and of any federal court in the venue of Wisconsin for the purpose of any suit, action or proceeding arising out of or related to this Agreement, and expressly waive any and all objections they may have as to venue in any of such courts.

21. Dispute Resolution. The parties hereto shall attempt in good faith to resolve disputes arising out of or relating to this Agreement as provided in this Section 21. Subject to a party's right to seek equitable remedies, including but not limited to specific performance and injunctive relief, as provided by Section 11 above, any dispute not resolved in writing within 21 days may be referred by either party to mediation involving a mediator (a third party neutral), trained and experienced in the mediation process and mutually agreed to by the parties. The mediator shall ascribe to and follow the commercial rules for the American Arbitration Association then in effect unless the parties mutually agree in writing to waive this provision for mediators in conducting and managing the mediation process. Expenses for the mediation shall be shared equally by the parties unless otherwise agreed during the mediation process. The parties may be accompanied in the mediation process by legal counsel and/or other persons mutually agreed to by the parties and the mediator. All participants will openly, honestly, and in good faith participate in the mediation. The mediation may be terminated at any time, for any reason, by the mediator or by either party. Any resolution reached by the parties during the mediation shall be recorded in writing and agreed to by the parties. Such resolution may be drafted and/or revised by the parties' legal counsel and shall be legally binding on the parties. Each party shall bear their own costs for their legal counsel unless otherwise agreed during the mediation process.

22. Assignment and Survivorship of Benefits. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company and its successors and assigns and the Employee and the Employee's heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned.

23. Clawback Policy. The Employee acknowledges and agrees that any compensation or benefits received under this Agreement shall be subject to the Company's clawback policy, as amended or modified from time to time, and compliance with any rules and regulations relating to recovery of erroneously awarded compensation, and that the Employee shall take all action necessary or appropriate to comply with such policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy).

24. Certain Tax Matters.

(a) Taxes. Notwithstanding anything in this Agreement to the contrary, all payments and benefits required to be made or provided to the Employee under this Agreement will be subject to withholding of such amounts relating to taxes as the Company may reasonably determine that it should withhold pursuant to any applicable laws or regulations.

(b) Excise Taxes. Notwithstanding anything to the contrary in this Agreement, to the extent that the payment and benefits to be provided under this Agreement and any payments and benefits provided to the Employee or for the Employee's benefit under any other Company plan or agreement (collectively, the "Employment Payments") would be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), the Employment Payments shall be reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax, but only if, by reason of such reduction, the net after-tax benefit (taking all income, employment and excise taxes into account) received by the Employee shall exceed the net after-tax benefit that would be received by the Employee if no such reduction was made. Any reduction pursuant to this Section 24(b) shall be applied consistent with the requirements of Section 409A of the Code.

(c) Section 409A of the Code.

(i) To the extent applicable, it is intended that this Agreement and any payments and benefits made or provided hereunder shall comply with the requirements of Section 409A of the Code or any exemption or exclusion therefrom, and any related regulations or other guidance promulgated with respect to such section by the Internal Revenue Service, and shall in all respects be administered in accordance with Section 409A of the Code. Any provision that would cause this Agreement or any payment or benefit hereunder to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code in the least restrictive manner necessary and without any diminution in the value of the payments to the Employee, which amendment may be retroactive to the extent permitted by Section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute "nonqualified deferred compensation" under Section 409A of the Code would otherwise be payable or distributable hereunder by reason of the Employee's termination of employment, such amount or benefit will not be payable or distributable to the Employee by reason of such circumstance unless (i) the circumstances giving rise to such termination of employment meet any description or definition of "separation from service" in Section 409A of the Code or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a compliant "separation from service" under Section 409A of the Code. For purposes of Section 409A of the Code, each individual

payment payable under the Agreement shall be deemed to be a “separate payment” within the meaning of Section 409A of the Code.

(ii) All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation and where applicable, that (A) any reimbursement is for expenses incurred during the period of time specified in this Agreement, (B) in no event shall reimbursements by the Company under this Agreement be made later than the last day of the Employee’s taxable year next following the taxable year in which the applicable fees and expenses were incurred, (C) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any taxable year of the Employee may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Employee; and (D) the Employee’s right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit.

(iii) To the extent the Employee is a “specified employee,” as defined in Section 409A of the Code and any elections made by the Company in accordance therewith, notwithstanding the timing of payment provided in any other section of this Agreement, no payment, distribution or benefit under this Agreement that constitutes a distribution of nonqualified deferred compensation (within the meaning of Treasury Regulation Section 1.409A-1(b)) upon the Employee’s “separation from service” (within the meaning of Treasury Regulation Section 1.409A-1(h)), after taking into account all available exemptions, that would otherwise be payable during the six-month period after the Employee’s separation from service, will be made during such six-month period, and any such payment, distribution or benefit will instead be paid on the first business day after such six-month period (the “Delayed Payment Date”); provided, however, that if the Employee dies following a separation from service but before the Delayed Payment Date, such amounts shall be paid to the personal representative of the Employee’s estate within 30 days following the Employee’s death.

(iv) Nothing herein shall be construed as the guarantee of any particular tax treatment to the Employee, and none of the Company, the Board or any of the Affiliates shall have any liability with respect to any failure to comply with the requirements of Section 409A of the Code.

25. Opportunity to Review; No Presumption. The Employee represents that the Employee has been provided with an opportunity to review the terms of this Agreement with legal counsel. The parties agree that this Agreement is the product of negotiations between parties represented by legal counsel and that the presumption of interpreting ambiguities against the drafter of this Agreement shall not apply.

[Remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties have executed or caused this Agreement to be executed as of the day, month and year first above written.

EMPLOYEE

Strattec Security Corporation

/s/ James Denis
James Denis

By: /s/ Jennifer L. Slater
Jennifer L. Slater
President and Chief Executive Officer

STRATTEC SECURITY CORPORATION
Non-Employee Director Compensation Program
Fiscal Year 2027

Each non-employee director of Strattec Security Corporation (the “Corporation”) shall receive with respect to fiscal year 2027 service an annual retainer fee of \$190,000, payable \$95,000 in cash, quarterly in arrears, and \$95,000 in restricted stock or restricted stock units, generally to be awarded on the day of the annual meeting of shareholders during the fiscal year, subject to vesting on the date of the following year’s annual meeting of shareholders at the completion of the non-employee directors’ elected terms.

Non-employee directors with significant additional duties shall receive the following additional annual retainers: (i) \$75,000 for the Chair of the Board of Directors; (ii) \$25,000 for the Chair of the Audit Committee, and (iii) \$15,000 for the Chairs of the Compensation and Nominating and Corporate Governance Committees.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jennifer L. Slater, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Strattec Security Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2026

/s/ Jennifer L. Slater
Jennifer L. Slater,
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Pauli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Strattec Security Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2026

/s/ Matthew Pauli
Matthew Pauli,
Chief Financial Officer

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Strattec Security Corporation (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 27, 2026, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2026

/s/ Jennifer L. Slater
Jennifer L. Slater,
Chief Executive Officer

Dated: October 30, 2026

/s/ Matthew Pauli
Matthew Pauli,
Chief Financial Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.
