SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 1998

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

3333 WEST GOOD HOPE ROAD, MILWAUKEE, WI 53209
(Address of Principal Executive Offices)

(414) 247-3333
(Registrant's Telephone Number, Including Area Code)

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 X 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: 5,708,150 shares outstanding as of March 29, 1998.

STRATTEC SECURITY CORPORATION

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Item 1 Financial Statements

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	March 29, 1998	March 30, 1997	March 29, 1998	March 30, 1997
	(unaudited)		(unaudited)	

Net sales	$ 47,420	$ 41,836	$ 140,010	$ 115,976
Cost of goods sold	36,797	32,800	110,757	92,159
Gross profit	10,623	9,036	29,253	23,817
Engineering, selling and administrative expenses	4,672	4,412	14,060	12,930
Income from operations	5,951	4,624	15,193	10,887
Interest income	98	2	153	2
Interest expense	-	(30)	(19)	(167)
Other income, net	41	10	26	24
Income before provision for income taxes	6,090	4,606	15,353	10,746
Provision for income taxes	2,255	1,704	5,687	4,045
Net income	$ 3,835	$ 2,902	$ 9,666	$ 6,701
Earnings per share:				
Basic	$ 0.67	$ 0.51	$ 1.69	$ 1.17
Diluted	$ 0.65	$ 0.50	$ 1.65	$ 1.16

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	March 29, 1998	June 29, 1997
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 4,494	$ 404
Receivables, net	31,423	29,687
Inventories-		
Finished products	4,219	3,599
Work in process	11,685	12,446
Raw materials	1,145	1,671
LIFO adjustment	(2,837)	(2,837)
Total inventories	14,212	14,879
Customer tooling in progress	8,658	6,615
Other current assets	3,969	4,390
Total current assets	62,756	55,975
Deferred income taxes	186	186
Property, plant and equipment	73,737	69,123
Less: accumulated depreciation	33,768	29,615
Net property, plant and equipment	39,969	39,508
	$ 102,911	$ 95,669
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 12,591	$ 12,367
Environmental	2,884	2,911
Other accrued liabilities	9,392	8,298
Total current liabilities	24,867	23,576

Borrowings under revolving credit facility	--	5,037
Accrued pension and postretirement obligations	11,838	10,963
Shareholders' equity:		
Common stock, authorized 12,000,000 shares $.01 par value, issued 5,861,150 shares at March 29, 1998, and 5,799,150 shares at June 29, 1997	59	58
Capital in excess of par value	42,131	41,094
Retained earnings	28,613	18,947
Cumulative translation adjustments	(1,863)	(1,863)
Less: treasury stock, at cost (153,000 shares at March 29, 1998 and 132,000 shares at June 29, 1997)	(2,734)	(2,143)
Total shareholders' equity	66,206	56,093
	$ 102,911	$ 95,669

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Nine Months Ended March 29, 1998	Nine Months Ended March 30, 1997
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,666	$ 6,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,069	4,039
Change in operating assets and liabilities:		
Increase in receivables	(1,758)	(2,795)
Decrease in inventories	667	230
(Increase) Decrease in other assets	(1,647)	1,228
Increase (Decrease) in accounts payable and accrued liabilities	2,243	(198)
Other, net	212	74
Net cash provided by operating activities	14,452	9,279
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(5,706)	(6,136)
Net cash used in investing activities	(5,706)	(6,136)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on borrowings under revolving credit facility	(5,037)	(1,295)
Purchase of treasury stock	(591)	(1,907)
Exercise of stock options	1,038	49
Net cash used in financing activities	(4,590)	(3,153)
EFFECT OF FOREIGN CURRENCY FLUCTUATIONS ON CASH	(66)	2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,090	(8)
CASH AND CASH EQUIVALENTS		
Beginning of period	404	441
End of period	$ 4,494	$ 433
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$ 5,273	$ 2,612
Interest paid	33	182

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

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF FINANCIAL STATEMENTS

STRATTEC SECURITY CORPORATION (the "Company") designs, develops, manufacturers and markets mechanical locks, electro-mechanical locks and related security products for North American and select European automotive manufacturers. The accompanying financial statements reflect the consolidated results of the Company, its wholly owned Mexican subsidiary, and its foreign sales corporation.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments which are of a normal recurring nature, necessary to present fairly the financial position as of March 29, 1998, and the results of operations and cash flows for the periods then ended. All significant intercompany transactions have been eliminated. Interim financial results are not necessarily indicative of operating results for an entire year.

Certain amounts previously reported have been reclassified to conform to the March 29, 1998 presentation.

(2) ENVIRONMENTAL MATTERS

In 1995, the Company recorded a provision of $3 million for estimated costs to remediate a site at the Company's Milwaukee facility that was contaminated by a solvent spill which occurred in 1985. The environmental reserve reflects this provision.

(3) EARNINGS PER SHARE (EPS)

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

	Nine Months Ended					
	March 29, 1998			March 30, 1997		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	$9,666	5,706	$1.69	$6,701	5,731	$1.17
Stock Options		148			65	
Diluted Earnings Per Share	$9,666	5,854	$1.65	$6,701	5,796	$1.16

	Three Months Ended					
	March 29, 1998			March 30, 1997		
	Net Income	Shares	Per-Share Amount	Net Income	Shares	Per-Share Amount
Basic Earnings Per Share	$3,835	5,725	$0.67	$2,902	5,670	$0.51
Stock Options		155			80	
Diluted Earnings Per Share	$3,835	5,880	$0.65	$2,902	5,750	$0.50

Options to purchase 80,000 shares of common stock at $31.98 per share and 153,528 shares of common stock at prices ranging from $19.28 to $19.68 per share were outstanding as of March 29, 1998, and March 30, 1997, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares.

Item 2

STRATTEC SECURITY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following Management's Discussion and Analysis should be read in conjunction with the Company's accompanying Financial Statements and Notes thereto and the Company's 1997 Annual Report. Unless otherwise indicated, all references to years refer to fiscal years.

Analysis of Results of Operations

Three months ended March 29, 1998 compared to the three months ended March 30, 1997

Net sales increased 13 percent to $47.4 million for the three months ended March 29, 1998, from $41.8 million for the three months ended March 30, 1997. The sales increase is primarily due to increased sales to all three of the Company's largest customers in the current quarter compared to prior year levels, with General Motors Corporation increasing $2.2 million or 11 percent, Chrysler Corporation increasing $1.1 million or 19 percent and Ford Motor Company increasing $.5 million or 5 percent. This sales growth is due to higher value mechanical and electro-mechanical content. In addition, sales to Chrysler Corporation reflect their production ramp-up of newly introduced models.

Gross profit as a percentage of net sales was 22.4 percent in the current quarter compared to 21.6 percent in the prior year quarter. Gross profit margins improved primarily due to decreased expedited freight costs in the current quarter as compared to the prior year quarter. The cost of zinc, the Company's primary raw material, during the current year quarter was comparable to the prior years cost at an average of approximately $.62 per pound but was lower than the cost during the first six months of the current year at an average of approximately $.74 per pound. Gross profit margins were negatively impacted as inflationary cost pressures in Mexico over the past two years have resulted in higher U.S. dollar costs. The rate of inflation in Mexico during the current quarter and during calendar years 1997 and 1996 was approximately 5, 16 and 28 percent, respectively. The U.S. dollar/Mexican peso exchange rate remained relatively stable during this period with moderate devaluation during the six months ended March 29, 1998. The exchange rate ranged from approximately 7.40 to 7.90 pesos to the dollar during the period January 1996 through September 1997 and from approximately 7.80 to 8.65 pesos to the dollar during the six months ended March 29, 1998.

Engineering, selling and administrative expenses were $4.7 million in the current quarter, compared to $4.4 million in the prior year quarter.

Income from operations was $6.0 million in the current quarter, compared to $4.6 million in the prior year quarter. Income from operations increased reflecting the increased sales volume and improved gross profit margins as previously discussed above.

Nine months ended March 29, 1998 compared to the nine months ended March 30, 1997

Net sales increased 21 percent to $140.0 million for the nine months ended March 29, 1998, from $116.0 million for the nine months ended March 30, 1997. The sales increase is primarily due to increased sales to all three of the Company's largest customers in the current year period compared to prior year levels, with General Motors Corporation increasing $16.7 million or 33 percent, Chrysler Corporation increasing $3.0 million or 19 percent and Ford Motor Company increasing $2.5 million or 8 percent. This sales growth is due to higher value mechanical and electro-mechanical content, strong production levels of vehicles the Company supplies, and

sales to Chrysler Corporation reflecting their production ramp-up of newly introduced models. In addition, prior year sales to General Motors Corporation had been negatively affected by labor disruptions at their operations.

Gross profit as a percentage of net sales was 20.9 percent in the nine months ended March 29, 1998, compared to 20.5 percent in the nine months ended March 30, 1997. Gross profit margins improved slightly compared to the prior year period as scrap and expedited freight costs decreased in the current year period as compared to the prior year period. The gross profit margin was negatively impacted by a $750,000 charge during the current year period as a result of cash payments to the Company's represented employees upon ratification of a new collective bargaining agreement. During the first six months of the current year period, the cost of zinc, the Company's primary raw material, remained significantly above prior year levels increasing to an average of approximately $.74 per pound in the six months ended December 28, 1997 from an average of approximately $.53 per pound in the six months ended December 29, 1996 resulting in a negative effect on gross profit margins. The market cost of zinc declined in the second quarter of fiscal 1998 after increasing dramatically over the previous 12 months. Gross profit margins were also negatively impacted as inflationary cost pressures in Mexico over the past two years have resulted in higher U.S. dollar costs. The rate of inflation in Mexico during the three months ended March 29, 1998 and during calendar years 1997 and 1996 was approximately 5, 16 and 28 percent, respectively. The U.S. dollar/Mexican peso exchange rate remained relatively stable during this period with moderate devaluation during the six months ended March 29, 1998. The exchange rate ranged from approximately 7.40 to 7.90 pesos to the dollar during the period January 1996 through September 1997 and from approximately 7.80 to 8.65 pesos to the dollar during the six months ended March 29, 1998.

Engineering, selling and administrative expenses were $14.1 million for the nine months ended March 29, 1998, compared to $12.9 million for the nine months ended March 30, 1997. The increase is primarily due to increased engineering expenses in support of current and future vehicle programs.

Income from operations was $15.2 million in the nine months ended March 29, 1998, compared to $10.9 million in the nine months ended March 30, 1997. Income from operations increased reflecting the increased sales volume and improved gross margin as previously discussed above.

The effective income tax rate for the nine months ended March 29, 1998 was 37.0 percent compared to 37.6 percent for the nine months ended March 30, 1997. The current period rate is comparable to the effective rate for the entire 1997 fiscal year. The effective rate differs from the federal statutory tax rate primarily due to the effects of state income taxes.

Liquidity and Capital Resources

The Company generated cash from operating activities of $14.4 million in the nine months ended March 29, 1998. In the nine months ended March 30, 1997, the Company generated $9.3 million in cash from operating activities. The increased generation of cash is primarily due to increased income and increases in accounts payable and accrued liabilities in support of increased production activities.

The Company's investment in accounts receivable increased by approximately $1.7 million to $31.4 million at March 29, 1998, as compared to $29.7 million at June 29, 1997, primarily due to increased sales levels. Inventories of $14.2 million at March 29, 1998, are consistent with the June 29, 1997 levels.

Capital expenditures during the nine months ended March 29, 1998 were $5.7 million compared to $6.1 million during the nine months ended March 30, 1997. The Company anticipates that capital expenditures will be approximately $8 million to $9 million in 1998, primarily in support of requirements for additional product programs.

The Board of Directors of the Company has authorized a stock repurchase program to buy back up to 289,395 outstanding shares. A total of 153,000 shares have been repurchased as of March 29, 1998, at a cost of approximately $2.7 million. Additional repurchases may occur from time to time. Funding for the repurchases was provided by cash flow from operations and borrowings under existing credit facilities.

The Company has a $25 million unsecured, revolving credit facility (the "Credit Facility") which expires October 2000. There are no outstanding borrowings under the Credit Facility at March 29, 1998. Interest on borrowings under the Credit Facility are at varying rates based, at the Company's option, on the London Interbank Offering Rate, the Federal Funds Rate, or the bank's prime rate. The credit facility contains various restrictive covenants including covenants that require the Company to maintain minimum levels for certain financial ratios such as tangible net worth, ratio of indebtedness to tangible net worth and fixed charge coverage. The Company believes that the Credit Facility will be adequate, along with cash flow from operations, to meet its anticipated capital expenditure, working capital and operating expenditure requirements.

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

The Company has developed a plan to ensure its information systems are compliant with the requirements to process transactions in the year 2000. The Company does not expect that the cost to modify its information systems to be year 2000 compliant will be material to its financial condition or results of operations. The Company does not anticipate any material disruption in its operations as a result of any failure by the Company to be year 2000 compliant.

Mexican Operations

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

Forward Looking Statements

A number of the matters and subject areas discussed in this Form 10-Q that are not historical or current facts deal with potential future circumstances and developments. These include expected future financial results, liquidity needs, financing ability, planned capital expenditures, management's or the Company's expectations and beliefs and similar matters discussed in the Company's Management Discussion and Analysis of Results of Operations and Financial Condition. The discussions of such matters and subject areas are qualified by the inherent risk and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience. The Company's business, operations and financial performance are subject to certain risks and uncertainties which could result in material differences in actual results from the Company's current expectations. These risks and uncertainties include, but are not limited to, general economic conditions, demand for the Company's products, competitive and technological developments, foreign currency fluctuations, year 2000 compliance issues and costs of operations.

Part II

Other Information

Item 1 Legal Proceedings - None

Item 2 Changes in Securities and Use of Proceeds - None

Item 3 Defaults Upon Senior Securities - None

Item 4 Submission of Matters to a Vote of Security Holders - None

Item 5 Other Information - None

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits

- 3.1* Amended and Restated Articles of Incorporation of the Company
- 3.2* By-Laws of the Company
- 4.1* Rights Agreement dated as of February 6, 1995 between the Company and Firstar Trust Company, as Rights Agent
- 27 Financial Data Schedule

(b) Reports on Form 8-K - None

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* Incorporated by reference to Amendment No. 2 to the Company's Form 10 filed on February 6, 1995.

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: May 8, 1998

By /S/ John G. Cahill

John G. Cahill
Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary
(Principal Accounting and Financial Officer)

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