



September 8, 2022

Dear STRATTEC Shareholder,

Our earnings were reduced this year primarily because of the impact of spikes in material costs. For the most part, our industry was unable to pass along many of those significantly higher costs to our customers.

In addition, production volumes by our customers were reduced because of the continuing shortage of semiconductor chips. Given the unusually low inventory on dealer lots, at some point we expect to see the benefits of higher production levels.

Our operations in China were negatively impacted by government mandates related to COVID. Their COVID mandates resulted in the shut down of our main facility for over a month. In addition, we also suffered from a fire which severely damaged an automated paint line for door handles. We are currently in the process of rebuilding it, but it is still not yet operational. Outside of these two challenges, there has been good progress in our China operations.

With our strong balance sheet, we have been able to continue our strategy of carrying higher than normal inventories. This has been a valuable buffer against supply chain disruptions. It also gives us the opportunity to continue to invest in internal R&D as well as exploring acquisitions and new partnerships.

We have continued to make progress on many fronts, many of which will result in long term benefits. We have had a good year in winning new business for both the combustion engine vehicles and the electric vehicle market. We will see the bottom line benefit of this new business in a couple of years when it goes into production.

We have also used this time to implement programs for continuous improvement and cost efficiencies. These are often challenging to put into place when production levels are high.

We have accomplished much with the things we could control over the past year. We feel that we have proved that we can deal with market challenges while still creating opportunities for our future. Therefore, look forward to the year ahead with both a sense of realism and optimism.

Frank Krejci

President & CEO

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