Dear fellow shareholders:

This is an exciting time at The Eastern Company. With a new Chief Executive Officer and new members on our Board of Directors, the Company’s senior leaders and dedicated associates are energized and eager to begin a new chapter in the Company’s history. We are focused on accelerating value creation for our customers and our shareholders.

Throughout its 158-year history, Eastern has periodically reinvented itself to meet the needs of a changing world. In each of these new eras, the Company has thrived by staying true to its core mission and core strengths. Eastern excels when it works closely with its customers to provide uniquely engineered products that meet their design and product specifications. Our core strengths include our engineering know-how, insight into customer needs, international manufacturing base, and access to a global supplier network. These advantages have enabled us to consistently deliver significant value to our customers. For example, we introduced a unique Whale Tail T-handle (the handle appears on the cover of this annual report). Our Eberhard engineering team developed this value-added design with input from a core customer and support from the Cleveland Institute of Art.

2015 Financial Results

Despite headwinds in several end markets, our total sales grew by 3% in 2015, to $144.6 million from $140.8 million in 2014. Sales from new products grew by 9%. Net income, however, decreased by 25% to $5.7 million from $7.7 million in 2014. Earnings per share fell by the same percentage, to $0.92 from $1.23. The decline in profitability was due to one-time expenses related to our 2015 annual meeting of shareholders as well as to lower capacity utilization in our Metal Products segment. Return on invested capital\(^1\) declined to 6.6% percent in 2015 from 8.7% percent in 2014, primarily because of the decline in earnings and a 4% increase in working capital. We paid regular quarterly dividends of $0.44 per share in 2015 plus an additional $0.01 per share redemption fee related to the termination of the 2008 Shareholder Rights Agreement.

In March 2015, our new composite panel facility in North Carolina made its initial shipments of lightweight sleeper cabs for the Class 8 truck market. We hired a new leader for this location and anticipate that our investment in the North Carolina facility will open new opportunities for its products. Eastern now has four panel-making facilities in North America.

Also in 2015, we completed the integration of Argo Transdata, which we acquired in December 2014. An assembler of printed circuit boards, Argo contributed $4.9 in incremental sales during 2015. In December, the prior owner and leader of Argo retired. We hired a new leader with the expertise and relevant experience to help grow the business.

The mining industry continues to be affected by lower natural gas prices, excess coal inventories and stricter EPA regulations. As a result, sales in our Metal Products segment declined throughout 2015. Our largest customer in the U.S. mining industry serves a significant portion of the coal mining market in the Eastern (i.e., Appalachian) region. Of all U.S. mining regions, this one has seen the

\[^1\text{We define return on invested capital as tax adjusted EBIT / [Fixed assets + intangible assets + current assets - current liabilities - cash]}\]
The sharpest drop in its production because of its higher mining costs, which have made it difficult for the region to compete with natural gas and even coal mined in other areas of the U.S. Growth in our sales to other U.S. mining regions and to the Canadian mining market partially offset the drop in our sales to the Eastern region. In addition, our introduction of new products (including a shell and a small hole flange nut) helped offset some of the overall decrease in our sales of mining products.

At the Company’s annual shareholders meeting on May 20, 2015, shareholders elected James Mitarotonda and Michael McManus Jr. to the Company’s Board. The Board quickly began to make positive changes: It terminated the Company’s “poison pill” shareholder rights agreement, and also took steps to declassify the Board and adopt a majority-vote standard for the election of directors. At the end of the year, the Board named James Mitarotonda as its Chairman and appointed August (Gus) Vlak to serve as President and Chief Executive Officer of the Company, effective January 1, 2016.

The Board has proposed adding a new independent director, nominating Fred DiSanto for election at the 2016 annual meeting. Mr. DiSanto is the Chairman and Chief Executive Officer of The Ancora Group, a registered investment advisor. He is currently on the boards of Axia NetMedia Corporation and LNB Bancorp Inc. Mr. DiSanto was recommended to the Board by GAMCO Investors, Inc., the Company’s largest shareholder.

A New Chapter
Looking ahead, we are focusing on accelerating value creation and growth. We are developing a plan for optimizing our diverse portfolio of businesses and for improving our capital allocation.

Our plan seeks to take advantage of our engineering capabilities, enduring brands and strong position in selected markets by pursuing new end markets and finding more ways to go to market. We are also taking advantage of our combined strengths by increasing collaboration between our businesses.

We are simultaneously exploring merger and acquisition opportunities, including complementary acquisitions that further strengthen our high-return, high-potential businesses which can benefit from greater scale. We have developed a disciplined approach for identifying potential acquisition targets and for evaluating the strategic benefits and return on capital of potential transactions.

Finally, we are improving our allocation and management of capital in order to increase our return on invested capital. We have introduced new capital investment guidelines and have increased our emphasis on working capital.

Our plan relies on the hard work of everyone at Eastern, and we are thankful for the talent and unwavering commitment of our associates, senior operating executives and directors.

Looking ahead to the rest of 2016, we anticipate that increasingly challenging economic conditions in many of our end markets will likely further affect the performance of some of our businesses. As a result, we believe that it is more important than ever to implement our plan for the future. We look forward to reporting to you on our progress as we write the next chapter in the history of The Eastern Company.

Yours sincerely,

August M. Vlak
President and Chief Executive Officer

James A. Mitarotonda
Chairman of the Board
Eberhard Hardware Manufacturing, Ltd. of Ontario, Canada provides a wide line of traditional Eberhard industrial latching products to the Canadian markets as well as specialty hardware items for global markets. Working with toolbox OEMs in Canada and the United States, new and improved latching systems have also been developed. Additional specialty products include various connectors, brackets, stampings and assemblies for the appliance and electrical OEM markets, and most recently, composite panels made of our lightweight honeycomb structures.
Canadian Commercial Vehicles Corporation (“CCV”) is a full-service custom manufacturer of fabricated products and assemblies utilizing its state-of-the-art lightweight honeycomb polypropylene structures made to meet the demand of many different market segments. In addition to the main facility in Kelowna, British Columbia, we have opened two additional facilities for the production of this product. The first, CPT – Canada, is located in Tillsonburg, Ontario as part of our Eberhard Hardware subsidiary. In 2015, we began manufacturing products in a new facility in Salisbury, North Carolina.

CCV/CPT has built a solid reputation in the custom manufacturing industry building class 8 custom sleeper truck boxes for Western Star Trucks, effectively reducing overall vehicle weight by approximately 800 pounds while maintaining the highest standards of strength and durability. This resulted in significant fuel savings and increased unit payload capacity, an innovation that helped Western Star Trucks maintain its post as an industry leader.

By custom manufacturing lightweight structures and durable and recyclable components for the transportation industry, CCV/CPT is supporting its customers to meet environmental initiatives – both in waste reduction and in reduced energy consumption.

Eastern Industrial, Ltd., offers comprehensive capabilities for Asian sourcing, machine tool design, engineering, rapid prototyping, extensive manufacturing including metal stampings, plastic injection molding and final assembly.

Sesamee has historically been a distribution center for the Eberhard Manufacturing Division as well as other manufacturers of industrial and vehicular components. More recently, Sesamee has begun manufacturing truck body kits made from our lightweight composite material that is then mounted on a truck frame. These vehicles are used in a variety of industries where small trucks are a necessity, including food and snack distribution.
The Illinois Lock Company/CCL Security Products Division designs and manufactures custom-engineered locks for a variety of household name OEMs and is a leading supplier of keyless locks sold under the well-known brand names Sesamee®, Prestolock® and SearchAlert™. The combination of our U.S. engineering and Asian manufacturing resources enables the division to provide its customers with high-value engineering services and competitively priced products across a broad range of markets.
GREENWALD INDUSTRIES DIVISION

Founded in 1954, Greenwald is a major supplier of coin and Smart Card vending solutions found primarily in the Commercial Laundry Market. Our full-line of traditional products includes coin acceptors, money boxes, meter cases and mechanical timers. Our state-of-the-art Smart Card products for both our “contact” and “contactless” payment systems include Smart Cards, Readers, Add Value Stations and Cloud based management software.

ARGO TRANSDATA DIVISION

Acquired in December 2014, Argo is a contract manufacturer of printed circuit board assemblies. Argo was established in 1969 as a manufacturer of chip-on-board and bare die attached PCB Assemblies. Argo has the ability to manufacture surface mount, through hole and wire bond assemblies or any combination of the three technologies, from very basic to extremely complex. Production lines can accommodate “kitted” or “turn-key” assemblies and Argo offers “quick turn” and prototype builds as well as support and production quantities with KANBAN releases. Our customers represent leaders in industries such as measurement systems, industrial controls, medical and military.
The Frazer & Jones Division is the leading producer of rock anchors in North America. These proprietary anchoring devices are a key component for underground mine roof support in coal and metallurgical mines. In the construction industry the rock anchors are used in tunneling, securing cross-country transmission towers and hydro construction. The Frazer & Jones Division is the only producer in the Western Hemisphere to combine design, engineering and the manufacturing of these products. Frazer & Jones also produces ductile and malleable iron castings to customer engineered specifications for the industrial hardware, pipefitting, construction and railroad industries.
**BOARD OF DIRECTORS**

James A. Mitarotonda  
Chairman of the Board;  
Chairman, President and CEO of  
Barington Capital Group, L.P.

John W. Everets  
Former Chairman and CEO  
SBM Financial Inc.  
Portland, Maine

Charles W. Henry  
Partner of Henry & Federer, LLP  
Woodbury, Connecticut

Leonard F. Leganza  
Former Chairman, President and  
CEO of the Company

Michael A. McManus, Jr.  
Chairman, President and CEO  
of Misonix, Inc.

**OFFICERS AND EXECUTIVES**

August M. Vlak  
President and Chief Executive Officer

John L. Sullivan III  
Vice President and Chief Financial Officer

Angelo Labbadia  
Vice President and Chief Operating Officer

Gene A. Finelli  
Treasurer

Theresa P. Dews  
Secretary

Brian H. Kay  
Vice President  
Eberhard Manufacturing Division  
Composite Panel Technologies Division  
Eberhard Hardware Manufacturing, Ltd.  
Sesamee Mexicana, S.A. de C.V.

Leonard V. Samela  
Vice President  
Greenwald Industries Division  
Argo Transdata Division  
The Illinois Lock Company/  
CCL Security Products Division

Richard E. Luehr  
Managing Director  
Canadian Commercial Vehicles Corporation  
CPT -- Canada  
Composite Panel Technologies Division

Sadmir Brkanovic  
Director of Operations  
Frazer & Jones Division

Allen Chang  
General Manager  
Dongguan Reeworld Security Products Ltd.  
World Lock Company Ltd.  
World Security Industries Co. Ltd.

Xia Jai  
General Manager  
Eastern Industrial Ltd.
## Financial Highlights

### Selected Financial Data

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$144,568</td>
<td>$140,825</td>
<td>$142,458</td>
<td>$157,509</td>
<td>$142,856</td>
</tr>
<tr>
<td>Net Income</td>
<td>5,727</td>
<td>7,661</td>
<td>6,902</td>
<td>8,626</td>
<td>5,505</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>2,294</td>
<td>3,867</td>
<td>3,212</td>
<td>4,599</td>
<td>3,002</td>
</tr>
<tr>
<td>Income Before Taxes</td>
<td>8,021</td>
<td>11,529</td>
<td>10,114</td>
<td>15,225</td>
<td>8,507</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>185</td>
<td>255</td>
<td>323</td>
<td>369</td>
<td>231</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>3,921</td>
<td>3,486</td>
<td>3,825</td>
<td>3,440</td>
<td>3,707</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>2,538</td>
<td>3,633</td>
<td>5,524</td>
<td>4,217</td>
<td>3,395</td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>2,811</td>
<td>2,987</td>
<td>2,613</td>
<td>3,109</td>
<td>2,224</td>
</tr>
</tbody>
</table>

### Per Share Data

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Diluted)</td>
<td>$0.92</td>
<td>$1.23</td>
<td>$1.11</td>
<td>$1.38</td>
<td>$0.89</td>
</tr>
<tr>
<td>Net Book Value</td>
<td>12.71</td>
<td>12.02</td>
<td>13.07</td>
<td>11.48</td>
<td>11.13</td>
</tr>
<tr>
<td>Tangible Net Worth</td>
<td>9.98</td>
<td>9.19</td>
<td>10.59</td>
<td>8.96</td>
<td>8.58</td>
</tr>
<tr>
<td>Dividends</td>
<td>0.45#</td>
<td>0.48*</td>
<td>0.42</td>
<td>0.50*</td>
<td>0.36</td>
</tr>
<tr>
<td>Average Shares Outstanding (Diluted)</td>
<td>6,245,057</td>
<td>6,237,914</td>
<td>6,237,758</td>
<td>6,233,375</td>
<td>6,216,193</td>
</tr>
</tbody>
</table>

### Financial Ratios

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Return on Investment</td>
<td>8%</td>
<td>9%</td>
<td>10%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Net Income as a % of Sales</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>22%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Sales per Employee (in thousands)</td>
<td>$159</td>
<td>$149</td>
<td>$193</td>
<td>$216</td>
<td>$208</td>
</tr>
<tr>
<td>Net Income per Employee (in thousands)</td>
<td>$6</td>
<td>$8</td>
<td>$9</td>
<td>$12</td>
<td>$8</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>5.0</td>
<td>5.3</td>
<td>5.2</td>
<td>4.8</td>
<td>4.0</td>
</tr>
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</table>

# Includes $0.01 per share redemption for the termination of the 2008 Shareholder Rights Agreement.
* The Company paid an additional one-time extra dividend of $0.04 in the third quarter of 2014; and $0.10 in the fourth quarter of 2012.

### Common Stock Market Prices and Dividends Paid

The Company’s Common Stock is traded on the NASDAQ (ticker symbol EML).

High and low stock prices and dividend payments for the past two years were:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Market Price High</th>
<th>Market Price Low</th>
<th>Cash Dividends Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>First</td>
<td>$20.67</td>
<td>$17.71</td>
<td>$0.11</td>
</tr>
<tr>
<td>Second</td>
<td>20.66</td>
<td>17.74</td>
<td>0.11</td>
</tr>
<tr>
<td>Third</td>
<td>18.74</td>
<td>16.45</td>
<td>0.12 #</td>
</tr>
<tr>
<td>Fourth</td>
<td>19.27</td>
<td>18.49</td>
<td>0.11</td>
</tr>
</tbody>
</table>

# Includes $0.01 per share redemption for the termination of the 2008 Shareholder Rights Agreement.
** The Company paid an additional one-time extra dividend of $0.04 in the third quarter of 2014.
ANNUAL MEETING
The annual meeting of shareholders of The Eastern Company will be held on Wednesday, April 27, 2016 at 11:00a.m., local time, at the office of the Company, 112 Bridge Street, Naugatuck, Connecticut.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
Fiondella, Milone & LaSaracina LLP, Glastonbury, Connecticut

TRANSFER AGENT AND REGISTRAR
American Stock Transfer & Trust Co.
Operations Center, 6201 15th Avenue, Brooklyn, NY 11219
1-800-937-5449

DIVIDEND REINVESTMENT & STOCK PURCHASE PLAN
The Eastern Company offers a Dividend Reinvestment Plan which also features a no-load stock purchase program. It is available to all interested investors who would like to initiate or increase their holdings in The Eastern Company stock. To receive a brochure and application form for this plan, contact The Eastern Company directly at (203) 729-2255, ext. 104, or phone the program administrator, American Stock Transfer & Trust Co. at 1-800-278-4353. You may also enroll online by logging onto www.INVESTPOWER.com and by entering the Company Ticker Symbol EML under Plan Search.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS
This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect the Company’s current expectations regarding its products, its markets and its future financial and operating performance. These statements, however, are subject to risks and uncertainties that may cause the Company’s actual results in future periods to differ materially from those expected. Such risks and uncertainties include, but are not limited to, unanticipated slowdowns in the Company’s major markets, changing customer preferences, lack of success of new products, loss of customers, competition, increased raw material prices, problems associated with foreign sourcing of parts and products, worldwide conditions and foreign currency fluctuations that may affect results of operations and other factors discussed from time to time in the Company’s filings with the Securities and Exchange Commission. The Company is not obligated to update or revise the aforementioned statements for those new developments.
INDUSTRIAL HARDWARE GROUP

Eberhard Manufacturing Division
Cleveland, Ohio
www.eberhard.com

Eberhard Hardware Manufacturing, Ltd.
Tilsonburg, Ontario, Canada
www.eberhardcanada.com

Canadian Commercial Vehicles Corporation
Kelowna, British Columbia, Canada
www.ccvbc.com
www.cptpanels.com

Composite Panel Technologies
Salisbury, North Carolina
www.cptpanels.com

Eastern Industrial, Ltd.
Shanghai, China
www.easternindustrialchina.com.cn

Sesamee Mexicana, S.A. de C.V.
Composite Panel Technologies, S.A de C.V.
Lerma, Mexico
www.sesamee.com.mx
www.cptech.com.mx

SECURITY PRODUCTS GROUP

Greenwald Industries Division
Chester, Connecticut
www.greenwaldindustries.com

The Illinois Lock Company/
CCL Security Products/
Wheeling, Illinois
www.illinoislock.com
www.cclsecurity.com

Argo Transdata Division
Clinton, Connecticut
www.argotransdata.com

World Lock Co. Ltd.
World Security Industries Co. Ltd
Taipei, Taiwan; China
Dongguan Reeworld Security Products Limited
Dongguan City, China
www.worldlock.com.tw

METAL PRODUCTS GROUP

Frazer & Jones Division
Syracuse, New York
www.frazerandjones.com

Phone: 203-729-2255   Fax: 203-723-8653
E-mail: ir@easterncompany.com   www.easterncompany.com