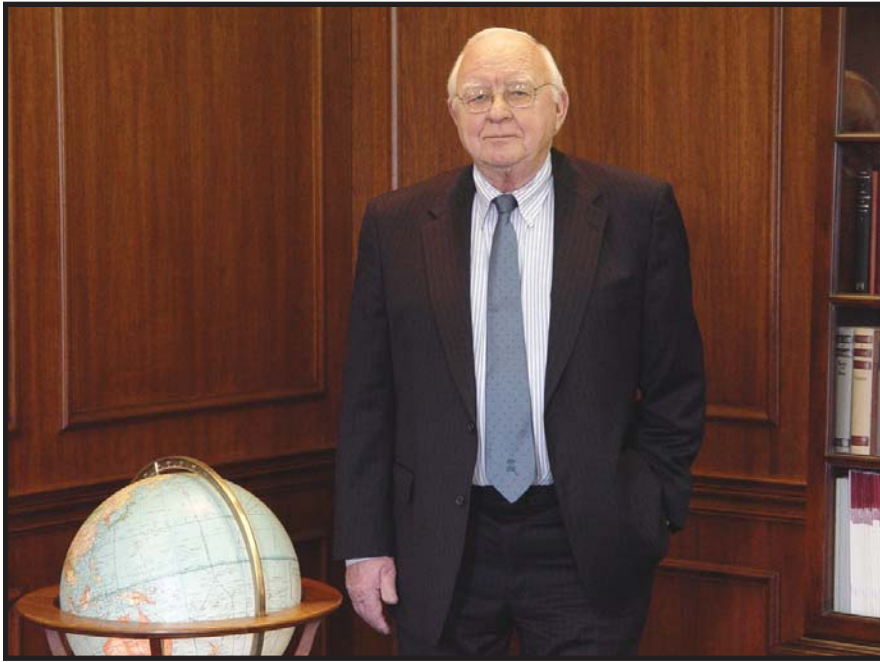


ANNUAL REPORT



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Letter to our Shareholders



We passed an historic milestone in 2004—\$100 million of sales—and we are quite confident that we will achieve further sales improvements in 2005 if current economic conditions persist.

Sales in 2004 increased 13% to \$100.1 million from \$88.3 million in 2003, while net income grew by 42% to \$4.8 million from \$3.4 million in 2003.

Sales increased from their year-earlier level in each quarter of the year, reflecting the upturn in the economy that began in 2003 and continued into 2004. The fourth quarter of 2004, in fact, was our ninth consecutive period of improved year-to-year results. As happens in most manufacturing environments, the additional sales volumes enabled us to achieve a more efficient use of our production facilities, which resulted in greater productivity and improved margins.

The manufacturing sector of the economy was especially robust during 2004 in the markets we serve with our industrial hardware and security products. This economic vigor resulted in a 47% increase in our backlogs at the end of 2004.

Notwithstanding the improvement in net income for the year, we did have to deal with some unexpected situations that

negatively affected our earnings performance. For example:

- The cost of steel and other raw materials rose dramatically during the year, adding \$1.6 million to our production expenses. It was not competitively possible to recover all of that rising cost by instituting price increases. As a result, margins on some of our products were eroded.
- A patent infringement suit at our Greenwald division, which had no merit, caused us to bear legal expenses of \$398,000 in 2004 as well as the \$400,000 cost of a mediated settlement. The legal expenses combined with the settlement resulted in charges to earnings net of taxes of \$484,000, or \$0.13 per diluted share.
- Energy costs, which are an extremely important factor in our Metal Products Group, rose very sharply in 2004, affecting that group's profit results. The increased costs for 2004 totaled approximately \$200,000, which was equal to a 23% upsurge in cost per ton produced. Energy costs are continuing to rise in 2005, but we do

anticipate some abatement in natural gas prices later in the year. To control our electric costs, we have implemented an energy monitoring system designed to reduce consumption and high-demand charges.

Unfortunately, unexpected developments such as those discussed above are unavoidable as we pursue our long-term growth objectives. Additionally, internal actions—such as a decision to establish a foreign subsidiary and incur attendant start-up costs—may have some impact on the short-term operating results of the Company. We intend to bear such short-term impacts without abandoning our longer-term plans.

One of our long-term objectives has been to establish our presence in China with a U.S.-owned subsidiary. As a manufacturing company operating in a global economy, we consider this to be an essential move. In 2004, we advanced toward our goal by investing in the operations of Eastern Industrial Ltd. (EIS). This subsidiary, which is located in Shanghai, is now operational and producing competitively priced, high-quality products to support the marketing needs of our U.S. divisions. We are also exploring the possible introduction of some of The Eastern Company's products into the Chinese market. This project will require time and further investment as we move along.

Segment Results

The Industrial Hardware segment of the Company generated record sales and earnings results in 2004. Sales increased



New lightweight composite CCV Ramp Door introduced this year for use in the RV market.

30% and operating profits increased 52% from 2003. An important part of that achievement was the continuing success of Canadian Commercial Vehicles Corporation (CCV) in Kelowna, British Columbia. CCV produces "sleeper boxes" used to provide sleeping accommodations on Class 8 trailer trucks. The manufacture of large trailer trucks grew significantly in 2004 and, according to trucking industry projections, will continue to grow during the next few years. CCV has also introduced the honeycomb composite material it uses for the sleeper boxes into new markets, such as recreational vehicles. Last November, we exhibited an RV Ramp Door made from the composite material at the 2004 National RV Trade Show in Louisville, KY. We recently received our first order for this product, which in turn has led to other opportunities for our honeycomb composite material in the RV market. Our goal is to expand our presence in markets beyond trucking, since the unique characteristics of our composite material make it suitable for use in many applications.

Industrial Hardware's Eberhard units, both in the U.S. and Canada, had record years in 2004, continuing the development of "high-style," quality hardware for the vehicular markets. Overall, our backlogs in Industrial Hardware have increased significantly, and we anticipate a very strong performance in this segment during 2005.

The Security Products segment had mixed results in 2004. Sales increased 8% but operating profits decreased 4% from 2003. While our traditional lock products generated gains for the year, sales of our coin collecting and metering systems declined from 2003, and operating profits were adversely affected by the patent lawsuit settlement.

One of the strong performers last year was our "SearchAlert™" keyless luggage lock. This product—which we developed in conjunction with the Transportation Security Administration and introduced in December 2003—was well accepted in the marketplace. That trend is continuing. The "SearchAlert" lock enables travelers to lock their luggage without being concerned that the lock might be destroyed by the TSA screeners. It also features a distinctive green and red color code to indicate if the lock has been opened without using the combination. The lock is a good example of the type of R&D effort which our Illinois Lock/CCL division is known for. Other products resulting from such R&D work include a modular lock adaptable for several applications and new high-security mechanical and switch locks.

Security Products' Greenwald division celebrated its 50th anniversary in 2004. Greenwald is a leading producer of traditional coin acceptance and "smart card" products primarily for the commercial laundry market. We are continuing our R&D efforts and searching for "smart card" applications beyond the commercial laundry market. We believe that the security characteristics of "smart cards" present us with several potential opportunities in new markets, which we are actively exploring.

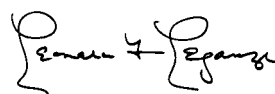
In the Metal Products Group, sales were down 14% and operating income was down 48% from 2003. Demand for our proprietary mine roof support anchors declined in 2004 as a supply agreement with one of our customers expired and the customer began to source product from lower-cost offshore suppliers. Our contract casting work also declined in 2004 as two large customers continued their plan to similarly source product from lower-cost offshore suppliers.

To offset the decreased demand for our mine roof support anchors, we are exploring the feasibility of exporting the anchors into the Chinese mining industry. During 2004, we entered into a technical agreement with the China University of Mining and Technology to field-test and appraise the acceptability of our product in their underground coal mines. These tests have been substantially and successfully completed. We will now begin our strategy to penetrate the mining market in China.

As always, we are diligently keeping our eyes on our financial fundamentals. We are especially concerned with containing, wherever possible, the ever-rising costs of doing business. A particular expense which will begin to impact our earnings in 2005 is the cost of becoming compliant with Section 404 of the Sarbanes-Oxley Act of 2002. This portion of the law requires us to document, assess and test our internal financial controls. Compliance will require extensive outside accounting costs in addition to substantial use of internal manpower resources.

The enclosed 10-K report contains the detailed and audited financial reports of the Company. I urge all of you to read it.

Our dedicated management team continues to focus on profitably growing the Company and improving shareholder value. I am very proud of all of them and thank them for all their efforts.



Leonard F. Leganza
President and Chief Executive Officer



The Eastern Company mine roof anchor test site in the Daliuta Mine of the Shendong Coal Company in Inner Mongolia. Pictured in the left photo are representatives of the Eastern Company, China Mining University and Shendong Mining Co. On the right are our installed test anchors.

Financial Highlights (in thousands)

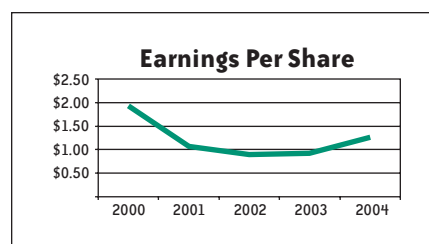
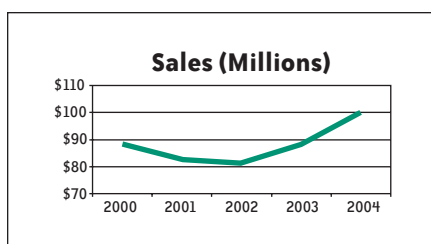
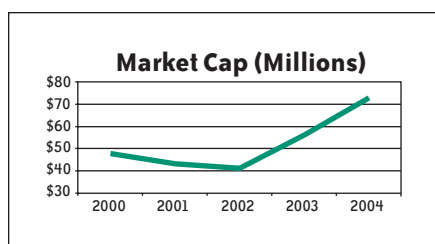
	2004	2003	2002	2001	2000
Net Sales	\$100,130	\$88,307	\$81,337	\$82,825	\$88,192
Net Income	4,758	3,362	3,292	3,913	7,055
Income Taxes	2,071	2,028	1,442	2,172	3,602
Income Before Taxes	6,829	5,390	4,734	6,085	10,657
Interest Expense	1,044	1,303	1,716	2,259	1,786
Depreciation and Amortization	3,461	3,619	3,565	4,461	3,639
Capital Expenditures	2,062	2,763	1,560	1,895	5,065
Dividends Paid	1,596	1,593	1,598	1,599	1,601

PER SHARE DATA

Net Income (Diluted)	\$1.27	\$0.92	\$0.89	\$1.07	\$1.93
Net Book Value	11.70	11.07	10.30	10.92	10.53
Tangible Net Worth	8.12	7.37	6.56	7.36	6.66
Net Working Capital	7.13	6.80	6.95	7.40	7.05
Dividends	0.44	0.44	0.44	0.44	0.44
Average Shares Outstanding (Diluted)	3,745,701	3,658,965	3,681,084	3,667,179	3,660,923

FINANCIAL RATIOS

Return on Investment	12%	9%	8%	10%	21%
Net Income as a % of Sales	5%	4%	4%	5%	8%
Gross Profit Margin	25%	24%	25%	27%	29%
Sales per Employee (in thousands)	\$171	\$161	\$151	\$139	\$139
Net Income Per Employee (in thousands)	\$8	\$6	\$6	\$7	\$11
Current Ratio	2.9	3.5	3.5	3.7	3.2



SECURITY PRODUCTS GROUP



Greenwald Industries Division

The Greenwald Industries Division has been a leading supplier of coin acceptors, metering and security products for the self-service laundry market throughout the world for over 50 years. Greenwald is also a leading developer of Smart Card technology applications. Smart Cards contain embedded microchip(s) and are more secure and durable than magnetic strip cards. They contain secure “purses” of electronic stored value or data to accommodate multiple applications.

The Illinois Lock Company/ CCL Security Products Division World Lock Co. Ltd. World Security Industries Co. Ltd.

The Illinois Lock Company/CCL Security Products Division produces custom-engineered locks for a variety of original equipment manufacturers and is a leading producer of keyless locks sold under well-known brand names such as Sesamee, Presto and Huski. With our Asian operations, World Lock and World Security, the Company can offer competitive pricing, service and delivery in a global economy.



Eberhard Manufacturing Division

The Eberhard Manufacturing Division of Cleveland, Ohio is a leading designer and manufacturer of industrial latching systems servicing various Original Equipment Manufacturers throughout North America. The extensive selection of products Eberhard provides includes external and internal operating handles and rotary latches for military, fire and rescue, service body, and other specialty and commercial vehicles; operating push buttons and slam latches for the automotive and truck accessory toolboxes and tonneau covers. Eberhard also provides many other enclosure devices such as locking gear for over the road tractor trailers, operating devices for school and commercial busses as well as many access door devices for electrical, electronic and specialty metal enclosures.



Eberhard Hardware Manufacturing Division

Eberhard Hardware Manufacturing Limited of Ontario, Canada provides the wide line of traditional industrial latching products to the Canadian market as well as specialty hardware items for global markets. Working with toolbox OEM's 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.



Sesamee Mexicana, S.A. de C.V.

Sesamee Mexicana is a distribution center for the Eberhard Manufacturing Division as well as other North American based manufacturers of industrial and vehicular components. Located near Mexico City, Sesamee services the Original Equipment Manufacturers in the vehicular body, electrical enclosure and instrument case markets with hardware, drawer slides, rubber gaskets, and pneumatic gas springs as well as other complementary components.

Canadian Commercial Vehicles Corporation

Canadian Commercial Vehicles ("CCV") is a full state-of-the-art lightweight honeycomb structural assemblies for transport, construction, and industrial applications.





Full-service custom manufacturer of
parts, fabricated metal products and
industrial applications.



Eastern Industrial Limited

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



METAL PRODUCTS GROUP



Frazer & Jones Division

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 and construction industries.



Summarized Financial Data

	2004	2003	2002
Statement of Earnings			
Net sales	\$ 100,130,158	\$ 88,306,581	\$ 81,337,207
Cost of products sold	74,999,119	66,718,641	60,637,151
Other expenses	18,302,000	16,197,450	15,965,748
	<u>93,301,119</u>	<u>82,916,091</u>	<u>76,602,899</u>
Income before income taxes	6,829,039	5,390,490	4,734,308
Income taxes	2,071,338	2,028,868	1,442,408
NET INCOME	<u>\$ 4,757,701</u>	<u>\$ 3,361,622</u>	<u>\$ 3,291,900</u>
Net Income per share:			
Basic	\$ 1.31	\$ 0.93	\$ 0.91
Diluted	\$ 1.27	\$ 0.92	\$ 0.89
Balance Sheets			
ASSETS			
Current assets	\$ 40,424,441	\$ 34,965,337	\$ 36,006,517
Property, plant and equipment, net	23,906,547	24,930,425	25,049,969
Prepaid pension cost	348,634	1,192,281	1,338,010
Other assets, net	13,392,143	13,529,373	13,738,041
TOTAL ASSETS	<u>\$ 78,071,765</u>	<u>\$ 74,617,416</u>	<u>\$ 76,132,537</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	\$ 13,732,694	\$ 10,071,232	\$ 10,406,518
Deferred federal income taxes	1,452,134	1,243,264	737,987
Long-term debt, less current portion	11,804,861	15,814,669	18,920,747
Accrued postretirement benefits	2,219,821	2,384,770	2,578,156
Accrued pension cost	4,885,160	4,015,858	4,448,197
Accrued interest rate swap	160,417	580,055	1,138,086
Shareholders' equity	43,816,678	40,507,568	37,902,846
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 78,071,765</u>	<u>\$ 74,617,416</u>	<u>\$ 76,132,537</u>
CASH FLOWS			
CASH FLOWS FROM OPERATIONS:			
Net income	\$ 4,757,701	\$ 3,361,622	\$ 3,291,900
Depreciation and amortization	3,461,411	3,619,328	3,565,460
Other, net	(3,365,299)	(610,733)	4,510,363
Net cash provided by operating activities	<u>4,853,813</u>	<u>6,370,217</u>	<u>11,367,723</u>
INVESTING ACTIVITIES:			
Purchases of equipment	(2,062,313)	(2,763,130)	(1,559,863)
Acquisitions	-	-	(303,746)
Other	13,367	915,133	-
Net cash used by investing activities	<u>(2,048,946)</u>	<u>(1,847,997)</u>	<u>(1,863,609)</u>
FINANCING ACTIVITIES:			
Payments on debt	(2,007,357)	(3,732,726)	(6,853,694)
Sales of Common Stock	324,800	-	-
Treasury Stock purchases	(142,193)	(317,726)	(55,855)
Dividends paid	(1,595,985)	(1,593,118)	(1,597,864)
Net cash (used) provided by financing activities	<u>(3,420,735)</u>	<u>(5,643,570)</u>	<u>(8,507,413)</u>
Effect of exchange rate changes on cash	<u>139,558</u>	<u>78,934</u>	<u>(12,489)</u>
Net increase (decrease) in cash	<u>(476,310)</u>	<u>(1,042,416)</u>	<u>984,212</u>
Cash at beginning of year	<u>4,896,816</u>	<u>5,939,232</u>	<u>4,955,020</u>
Cash at end of year	<u>\$ 4,420,506</u>	<u>\$ 4,896,816</u>	<u>\$ 5,939,232</u>

The information presented above has been derived from the audited consolidated financial statements of the Company as presented in the Form 10-K included in this report.

Board of Directors

John W. Everets

*President and Chief Executive Officer
G.E. H.P.S.C.
Boston, Massachusetts*

Charles W. Henry

*Partner of Kernan & Henry
Waterbury, Connecticut*

Leonard F. Leganza

*President and Chief Executive Officer
of the Company*

David C. Robinson

*Managing Director
Sinclair Robinson
Waterbury, Connecticut*

Donald S. Tuttle, III

*Vice President Investments
USB PaineWebber
Middlebury, Connecticut*

Russell G. McMillen

Director Emeritus

Officers & Executives

Leonard F. Leganza

*President and
Chief Executive Officer*

John L. Sullivan III

*Vice President,
Secretary and Treasurer*

Gene A. Finelli

Assistant Treasurer

Theresa P. Dews

Assistant Secretary

Brian H. Kay

*Vice President
Eberhard Manufacturing Division
Eberhard Hardware Manufacturing, Ltd.
Sesamee Mexicana, S.A. de C.V.
Canadian Commercial Vehicles Corporation*

Thomas D. Melkus

*Vice President
Illinois Lock Company/
CCL Security Products Division*

Leonard V. Samela

*Vice President
Greenwald Industries Division*

Roger Chang

*Managing Director
World Lock Co. Ltd.
World Security Industries Co. Ltd.*

Richard E. Luehr

*Managing Director
Canadian Commercial Vehicles Corporation*

Mark F. Novakowski

*Managing Director
Frazer & Jones Division*

Zaven Zafirian

*Managing Director
Eberhard Hardware Manufacturing, Ltd.*

Steven Zhang

*U.S. Managing Director
of Asian Operations
Eastern Industrial, Ltd.*

Notes

Annual Meeting

The annual meeting of shareholders of The Eastern Company will be held on Wednesday, April 27, 2005 at 11:00 a.m., local time, at the office of the Company, 112 Bridge Street, Naugatuck, CT 06770

Independent Registered Public Accounting Firm

Ernst & Young LLP, Hartford, Connecticut

Transfer Agent and Registrar

American Stock Transfer & Trust Co.
40 Wall Street, New York, NY 10005
1-800-937-5449

Dividend Reinvestment & Stock Purchase Plan

The Eastern Company offers a Dividend Reinvestment Plan (DRP) 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 Eastern Company stock. To receive a brochure and application form for this plan, contact The Eastern Company directly at (203) 729-2255, ext. 110, 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.

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.

Common Stock Market Prices and Dividends Paid

The Company's Common Stock is traded on the American Stock Exchange (ticker symbol **EML**). High and low stock prices and dividend payments for the past two years were:

2004				2003			
Quarter	Sales Price		Cash Dividends Declared	Quarter	Sales Price		Cash Dividends Declared
	High	Low			High	Low	
First	\$16.37	\$14.50	\$.11	First	\$12.34	\$11.02	\$.11
Second	16.70	15.25	.11	Second	15.70	12.14	.11
Third	16.73	15.10	.11	Third	15.70	14.00	.11
Fourth	20.60	16.15	.11	Fourth	15.64	14.24	.11

THE EASTERN COMPANY

P.O. Box 460, Naugatuck, CT 06770-0460

INDUSTRIAL HARDWARE GROUP

Eberhard Manufacturing Division
Cleveland, Ohio
www.eberhard.com

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

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

Eastern Industrial, Ltd.
Shanghai, China
www.eischina.com

Sesamee Mexicana, S.A.deC.V.
Lerma, Mexico
www.sesamee.com.mx

SECURITY PRODUCTS GROUP

Greenwald Industries Division
Chester, Connecticut
www.greenwaldindustries.com

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

World Lock Co. Ltd.
World Security Industries Co. Ltd.
Taipei, Taiwan; 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 Homepage: www.easterncompany.com