UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

for the quarterly period ended **October 2, 2021**

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 001-35383

THE EASTERN COMPANY

(Exact name of registrant as specified in its charter)

Connecticut	**06-0330020**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
112 Bridge Street, Naugatuck, Connecticut	**06770**
(Address of principal executive offices)	(Zip Code)

(203)-729-2255
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	EML	NASDAQ Global 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 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 ☒

As of October 2, 2021, 6,275,180 shares of the registrant's common stock, no par value per share, were issued and outstanding.

The Eastern Company
Form 10-Q

FOR THE QUARTERLY PERIOD ENDED OCTOBER 2, 2021

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PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		**Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Net sales	**$ 63,876,906**	$ 55,705,597	**$ 186,897,930**	$ 147,059,497
Cost of products sold	**(48,661,374)**	(42,315,555)	**(142,196,527)**	(110,427,295)
Gross margin	**15,215,532**	13,390,042	**44,701,403**	36,632,202
Product development expense	**(962,924)**	(556,469)	**(3,068,866)**	(2,395,932)
Selling and administrative expenses	**(9,440,583)**	(8,536,752)	**(27,760,514)**	(23,289,068)
Operating profit	**4,812,025**	4,296,821	**13,872,023**	10,947,202
Interest expense	**(427,222)**	(485,300)	**(1,388,512)**	(1,560,962)
Other income	**407,192**	365,701	**3,359,065**	969,023
Income from continuing operations before income taxes	**4,791,995**	4,177,222	**15,842,576**	10,355,263
Income taxes	**(971,884)**	(1,021,607)	**(3,573,308)**	(2,476,640)
Net income from continuing operations	**3,820,111**	3,155,615	**12,269,268**	7,878,623
Discontinued Operations (see note B)				
Gain (loss) from operations of discontinued units	**1,492,063**	(222,773)	**2,831,530**	(5,054,259)
Gain (loss) on classification as held for sale	**1,308,639**	-	**(9,274,439)**	-
Income tax (expense) benefit	**(659,285)**	51,833	**1,516,661**	1,167,345
Gain (loss) on discontinued operations	**2,141,417**	(170,940)	**(4,926,248)**	(3,886,914)
Net income	**$ 5,961,528**	$ 2,984,675	**$ 7,343,020**	$ 3,991,709
Earnings per share from continuing operations:				
Basic	**$ 0.61**	$ 0.51	**$ 1.96**	$ 1.26

Diluted	**$ 0.61**	$ 0.51	**$ 1.96**	$ 1.26
Earnings (loss) per share from discontinued operations:				
Basic	**$ 0.34**	$ (0.03)	**$ (0.79)**	$ (0.62)
Diluted	**$ 0.34**	$ (0.03)	**$ (0.79)**	$ (0.62)
Total earnings per share:				
Basic	**$ 0.95**	$ 0.48	**$ 1.17**	$ 0.64
Diluted	**$ 0.95**	$ 0.48	**$ 1.17**	$ 0.64
Cash dividends per share:	**$ 0.11**	$ 0.11	**$ 0.33**	$ 0.33

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended		**Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Net income	**$ 5,961,528**	$ 2,984,675	**$ 7,343,020**	$ 3,991,709
Other comprehensive (loss) income:				
Change in foreign currency translation	**(523,632)**	277,618	**(238,837)**	(248,786)
Change in fair value of interest rate swap, net of tax cost (benefit) of: **2021 - $31,759** and **$188,753** respectively; 2020 - $(35,587) and $547,087 respectively	**104,949**	113,180	**602,224**	(1,740,442)
Change in pension and postretirement benefit costs, net of taxes of: **2021 - $107,962** and **$308,117** respectively; 2020 - $81,144 and $243,429 respectively	**346,328**	260,295	**988,401**	780,886
Total other comprehensive (loss) income	**(72,355)**	651,093	**1,351,788**	(1,208,342)
Comprehensive income	**$ 5,889,173**	$ 3,635,768	**$ 8,694,808**	$ 2,783,367

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	October 2, 2021 (unaudited)	January 2, 2021
Current Assets		
Cash and cash equivalents	**$ 8,703,386**	$ 15,320,776
Accounts receivable, less allowances: 2021 - **$583,891**; 2020 - $486,707	**41,295,019**	31,804,207
Inventories	**56,698,552**	43,121,737
Current portion of notes receivable	**588,926**	398,414
Prepaid expenses and other assets	**7,314,511**	3,152,720
Current assets held for sale	**35,044,564**	17,937,918
Total Current Assets	**149,644,958**	111,735,772
Property, Plant and Equipment	**50,934,225**	52,173,305
Accumulated depreciation	**(26,031,846)**	(25,976,187)
Property, Plant and Equipment, Net	**24,902,379**	26,197,118
Goodwill	**70,992,398**	70,994,178
Trademarks	**5,393,868**	5,404,284
Patents and other intangibles net of accumulated amortization	**23,803,304**	27,089,071

Long term notes receivable, less current portion	**791,802**	1,677,277
Right of Use Assets	**11,774,102**	12,594,663
Long-term assets held for sale	**-**	19,894,688
Total Other Assets	**112,755,474**	137,654,161
TOTAL ASSETS	**$ 287,302,811**	$ 275,587,051

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 2, 2021 (unaudited)	January 2, 2021
Current Liabilities		
Accounts payable	**$ 31,480,819**	$ 21,311,619
Accrued compensation	**4,182,611**	3,474,686
Other accrued expenses	**1,648,486**	3,362,032
Current portion of lease liability	**2,785,950**	2,798,712
Current portion of long-term debt	**7,500,000**	6,437,689
Current liabilities held for sale	**7,086,138**	3,281,225
Total Current Liabilities	**54,684,004**	40,665,963
Deferred income taxes	**2,957,771**	2,957,771
Other long-term liabilities	**1,068,580**	1,144,126
Lease liability	**9,159,274**	9,834,853
Long-term debt, less current portion	**76,772,649**	82,255,803
Accrued postretirement benefits	**1,138,148**	1,185,139
Accrued pension cost	**29,132,453**	33,188,623
Long-term liabilities held for sale	**-**	48,315
Total Liabilities	**174,912,879**	171,280,593
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value, Authorized: 50,000,000 shares	**32,591,987**	31,501,041
Issued: 9,024,909 shares in 2021 and 8,996,625shares in 2020		
Outstanding: 6,275,180 shares in 2021 and 6,246,896 shares in 2020		
Treasury Stock: 2,749,729 shares in 2021 and 2,749,729 shares in 2020	**(20,537,961)**	(20,537,962)
Retained earnings	**128,480,870**	122,840,131
Accumulated other comprehensive income (loss):		
Foreign currency translation	**715,026**	953,863
Unrealized loss on interest rate swap, net of tax	**(789,368)**	(1,391,592)
Unrecognized net pension and postretirement benefit costs, net of tax	**(28,070,622)**	(29,059,023)
Accumulated other comprehensive loss	**(28,144,964)**	(29,496,752)
Total Shareholders' Equity	**112,389,932**	104,306,458
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 287,302,811**	$ 275,587,051

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	October 2, 2021	October 3, 2020
Operating Activities		
Net income	**$ 7,343,020**	$ 3,991,709
Less: Loss from discontinued operations	**(4,926,248)**	(3,886,914)
Income from continuing operations	**$ 12,269,268**	$ 7,878,623
Adjustments to reconcile net income to net cash provided		

by (used in) operating activities:		
Depreciation and amortization	**5,188,863**	4,966,934
Unrecognized pension and postretirement benefits	**(3,056,642)**	(1,066,777)
Gain on sale of equipment and other assets	**(1,469,218)**	(418,872)
Provision for doubtful accounts	**73,097**	156,286
Stock compensation expense	**1,090,946**	652,232
Changes in operating assets and liabilities:		
Accounts receivable	**(9,553,337)**	3,013,523
Inventories	**(13,686,268)**	3,092,768
Prepaid expenses and other	**(3,903,388)**	132,623
Other assets	**47,534**	4,755,718
Accounts payable	**11,156,105**	(949,971)
Accrued compensation	**697,735**	(1,191,856)
Other accrued expenses	**(2,173,142)**	(1,587,475)
Net cash (used in) provided by operating activities	**(3,318,447)**	19,433,756
Investing Activities		
Marketable securities	**28,951**	7,741
Business disposition	**—**	(5,994,267)
Issuance of notes receivable	**—**	(1,251,943)
Payments received from notes receivable	**694,962**	54,069
Proceeds from sale of equipment	**1,980,729**	445,212
Purchases of property, plant and equipment	**(2,112,990)**	(1,531,082)
Net cash provided by (used in) investing activities	**591,652**	(8,270,270)
Financing Activities		
Principal payments on long-term debt	**(4,424,757)**	(3,846,861)
Financing leases, net	**132,221**	—
Purchase common stock for treasury	**—**	(368,864)
Dividends paid	**(2,062,492)**	(2,058,943)
Net cash used in financing activities	**(6,355,028)**	(6,274,668)
Discontinued Operations		
Cash provided by (used in) operating activities	**3,546,530**	(2,744,115)
Cash used in investing activities	**(794,519)**	(245,288)
Cash provided by (used in) discontinued operations	**2,752,011**	(2,989,403)
Effect of exchange rate changes on cash	**239,561**	(344,534)
Net change in cash and cash equivalents	**(6,090,251)**	1,554,881
Cash and cash equivalents at beginning of period	**16,101,635**	17,996,505
Cash and cash equivalents at end of period [1]	**$ 10,011,384**	$ 19,551,386
Supplemental disclosure of cash flow information:		
Interest	**$ 1,839,729**	$ 2,085,953
Income taxes	**866,850**	1,453,775
Non-cash investing and financing activities		
Right of use asset	**(820,561)**	(428,510)
Lease liability	**688,341**	428,510

[1] *includes cash from assets held for sale of $1.3 million as of October 2, 2021 and $1.8 million as of October 3, 2020*

See accompanying notes

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THE EASTERN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
October 2, 2021

Note A – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X and do not include all of the information and footnotes required by generally accepted accounting principles in the United States ("GAAP") for complete financial statements. Refer to the consolidated financial statements of The Eastern Company (together with its consolidated subsidiaries, the "Company," "we," "us" or our") and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 2, 2021, filed with the Securities and Exchange Commission on March 16, 2021 (the "2020 Form 10-K"), for additional information.

The accompanying condensed consolidated financial statements are unaudited. However, in the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for interim periods have been reflected therein. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. All intercompany accounts and transactions are eliminated.

The condensed consolidated balance sheet as of January 2, 2021 has been derived from the audited consolidated balance sheet at that date.

The Company's fiscal year is a 52-53-week fiscal year ending on the Saturday nearest to December 31. References to 2020 or the 2020 fiscal year mean the 53-week period ended on January 2, 2021 and references to 2021 or the 2021 fiscal year mean the 52-week period ending on January 1, 2022. In a 52-week fiscal year, each quarter is 13 weeks long. In a 53-week fiscal year, each of the first two fiscal quarters and the fourth quarter are 13 weeks long, and the third fiscal quarter is 14 weeks long. References to the third quarter of 2020, the third fiscal quarter of 2020 or the three months ended October 3, 2020 mean the period from June 28, 2020 to October 3, 2020. References to the third quarter of 2021, the third fiscal quarter of 2021 or the three months ended October 2, 2021 mean the 13-week period from July 4, 2021 to October 2, 2021. References to the nine months ended October 3, 2020 or the first nine months of fiscal 2020 mean the period from December 29, 2019 to October 3, 2020, and references to the nine months ended October 2, 2021 or the first nine months of fiscal 2021 mean the period from January 3, 2021 to October 2, 2021.

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation with no impact or change to previously reported net income or shareholder's equity.

The Company now reports continuing operations as one segment – Engineered Solutions.

Note B – Discontinued Operations

We have determined that the companies included in our Diversified Products segment no longer fit with our long-term strategy and we have initiated the process of selling the companies within the Diversified Products segment. Selling the companies within this segment will allow management to focus on our core capabilities and offerings.

The Diversified Products segment met the criteria to be held for sale and furthermore, we determined that the assets held for sale qualify for discontinued operations. As such, the financial results of the Diversified Products segment are reflected in our unaudited condensed consolidated statements of operations as discontinued operations for all periods presented. Additionally, current and non-current assets and liabilities of discontinued operations are reflected in the unaudited condensed consolidated balance sheets for both periods presented.

On November 3, 2021 the Company sold its Greenwald Industries, Inc. division ("Greenwald") for a sales price of $8.0 million, subject to a final working capital adjustment. Greenwald, which is located in Chester, CT, is an OEM manufacturer offering a range of payment solutions from coin-vending products to smart card systems and payment applications.

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Summarized Financial Information of Discontinued Operations

The following table represents income from discontinued operations, net of tax:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Net sales	**$ 11,477,553**	$ 10,099,961	**$ 36,495,452**	$ 32,905,085
Cost of products sold	**(8,749,365)**	(9,096,533)	**(29,793,971)**	(29,929,876)
Gross margin	**2,728,188**	1,003,428	**6,701,481**	2,975,209
Selling and administrative expenses	**(1,093,716)**	(1,064,433)	**(3,407,113)**	(7,509,147)
Restructuring costs	**1,308,639**	-	**(9,274,439)**	-
Operating income (loss)	**2,943,111**	(61,005)	**(5,980,071)**	(4,533,938)
Interest expense	**(142,409)**	(161,768)	**(462,838)**	(520,321)
Gain (Loss) from discontinued operations before income taxes	**2,800,702**	(222,773)	**(6,442,909)**	(5,054,259)
Income tax (expense) benefit	**(659,285)**	51,833	**1,516,661**	1,167,345
Income (loss) from discontinued operations, net of tax	**$ 2,141,417**	$ (170,940)	**$ (4,926,248)**	$ (3,886,914)

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The following table represents the assets and liabilities from discontinued operations:

	October 2, 2021	January 2, 2021
	(unaudited)	
Cash	**$ 1,307,998**	$ 809,809
Accounts receivable	**6,982,532**	5,944,922
Inventory	**11,006,353**	9,990,656
Prepaid expenses	**1,527,417**	1,192,530
Property, plant and equipment, net	**14,139,198**	13,813,553

Patents and other intangibles net of accumulated amortization	-	6,935
Goodwill	-	5,900,837
Right of use assets	**81,066**	173,364
Total assets of discontinued operations	**$ 35,044,564**	$ 37,832,606
Current assets of discontinued operations[1]	**$ 35,044,564**	$ 17,937,917
Non-current assets of discontinued operations	-	19,894,689
Total assets of discontinued operations	**$ 35,044,564**	$ 37,832,606
Accounts payable	**$ 3,125,295**	$ 2,196,101
Accrued compensation and other accrued expenses	**3,804,230**	960,074
Current portion of lease liability	**75,547**	125,049
Other long-term liabilities	**81,066**	48,315
Total liabilities of discontinued operations	**$ 7,086,138**	$ 3,329,539
Current liabilities of discontinued operations[1]	**$ 7,086,138**	$ 3,281,224
Non-current liabilities of discontinued operations	-	48,315
Total liabilities of discontinued operations	**$ 7,086,138**	$ 3,329,539

[1] The total assets and liabilities of discontinued operations are presented as current in the October 2, 2021 balance sheet as we expect to sell the discontinued operations and collect proceeds within one year.

Note C – Earnings Per Share

The denominators used to calculate earnings per share are as follow:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Basic:				
Weighted average shares outstanding	**6,270,147**	6,237,758	**6,259,380**	6,235,747
Diluted:				
Weighted average shares outstanding	**6,270,147**	6,237,758	**6,259,380**	6,235,747
Dilutive stock appreciation rights	**2,140**	1,722	**2,140**	1,722
Denominator for diluted earnings per share	**6,272,287**	6,239,480	**6,261,520**	6,237,469

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Note D – Inventories

Inventories from continuing operations consist of the following components:

	October 2, 2021	January 2, 2021
Raw material and component parts	$ 21,532,974	$ 16,376,772
Work in process	6,999,016	5,323,059
Finished goods	28,166,562	21,421,906
Total inventories	$ 56,698,552	$ 43,121,737

Note E - Goodwill

The aggregate carrying amount of goodwill from continuing operations is approximately $71.0 million as of October 2, 2021. A goodwill write-off of approximately $5.9 million was recognized in discontinued operations in the second quarter of 2021 when classifying the disposal group as held for sale. See Note B – Discontinued Operations for further discussion.

The Company tests its reporting units for impairment annually in December, or more frequently if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Such events and circumstances could include, among other things, increased competition or unexpected loss of market share, significant adverse changes in the markets in which the Company operates, or unexpected business disruptions. The Company tests reporting units for impairment by comparing the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, the Company records an impairment loss based on the difference between fair value and carrying amount not to exceed the associated carrying amount of goodwill. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources.

Note F – Leases

The Company presents right-of-use (ROU) assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months, in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases. The Company accounts for non-lease components as part of the lease component to which they relate. Lease accounting involves significant judgements, including making estimates related to the lease term, lease payments, and discount rate.

The Company has operating leases for buildings, warehouses and office equipment. The Company determines whether an arrangement is, or contains, a lease at contract inception. An arrangement contains a lease if the Company has the right to direct the use of and obtain substantially all of the economic benefits of an identified asset. ROU assets and lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew. The exercise of lease renewal options is at our sole discretion. The Company's option to extend certain leases ranges from 1-110 months. All options to extend, when it is reasonably certain the option will be exercised, have been included in the calculation of the ROU asset and lease liability.

Currently, the Company has 28 operating leases and three finance leases with a lease liability of $11.9 million as of October 2, 2021. The finance lease arrangements are immaterial. The terms and conditions of the leases are determined by the individual agreements. The leases do not contain residual value guarantees, restrictions, or covenants that could cause the Company to incur additional financial obligations. There are no related party lease transactions. There are no leases that have not yet commenced that could create significant rights and obligations for the Company.

Total lease expense for each of the next five fiscal years is estimated to be as follows: remainder of 2021 - $0.8 million; 2022 - $2.6 million; 2023 - $2.1 million; 2024 - $1.7 million; 2025 - $1.0 million; and $3.7 million thereafter. The weighted average remaining lease term is6.4 years. The implicit interest rate used was 5.0%.

Note G - Debt

On August 30, 2019, the Company entered into a credit agreement with Santander Bank, N.A., for itself, People's United Bank, National Association and TD Bank, N.A. as lenders (the "Credit Agreement"), that included a $100 million term portion and a $20 million revolving commitment portion. Proceeds of the term loan were used to repay the Company's remaining outstanding term loan (and to terminate its existing credit facility) with People's United Bank, N.A. (approximately $19 million) and to acquire certain subsidiaries of Big 3 Holdings, LLC (collectively "Big 3 Precision"). The term portion of the loan required quarterly principal payments of $1,250,000 for an 18-month period beginning December 31, 2019. The repayment amount then increased to $1,875,000 per quarter beginning September 30, 2021 and continuing through June 30, 2023. The repayment amount then increases to $2,500,000 per quarter beginning September 30, 2023 and continuing through June 30, 2024. The term loan is a 5-year loan with the remaining balance due on August 30, 2024. The revolving commitment portion has an annual commitment fee of 0.25% based on the unused portion of the revolver. The revolving commitment portion has a maturity date of August 30, 2024. As of October 2, 2021, the Company has not borrowed any funds on the revolving commitment portion of the facility. The term loan bears interest at a variable rate based on the LIBOR rate plus an applicable margin of 1.25% to 2.25%, depending on the Company's senior net leverage ratio. Borrowings under the revolving portion bear interest at a variable rate based on, at the Company's election, a base rate plus an applicable margin of 0.25% to 1.25% or the LIBOR rate plus an applicable margin of 1.25% to 2.25%, with such margins determined based on the Company's senior net leverage ratio. The Company's obligations under the Credit Agreement are secured by a lien on certain of the Company's and its subsidiaries' assets pursuant to a Pledge and Security Agreement, dated August 30, 2019 with Santander Bank, N.A., as administrative agent.

The Company's loan covenants under the Credit Agreement require the Company to maintain a senior net leverage ratio not to exceed 4.25 to 1. In addition, the Company is required to maintain a fixed charge coverage ratio to be not less than 1.25 to 1. The Company was in compliance with all of its covenants under the Credit Agreement at October 2, 2021 and through the date of filing this Form 10-Q.

On August 30, 2019, the Company entered into an interest rate swap contract with Santander Bank, N.A., with an original notional amount of $50,000,000, which was equal to 50% of the outstanding balance of the term loan on that date. The Company has a fixed interest rate of 1.44% on the swap contract and will pay the difference between the fixed rate and LIBOR when LIBOR is below 1.44% and will receive interest when the LIBOR rate exceeds 1.44%. On October 2, 2021,the interest rate for approximately half ($39.7 million) of the term portion was 1.83%, using a one-month LIBOR rate, and 3.19% on the remaining balance ($44.7 million) of the term loan based on a one-month LIBOR rate. The interest rates under the Credit Agreement and the interest rate swap contract are susceptible to changes to the method of determining LIBOR rates and to the phasing out of LIBOR. Information regarding the phasing out of LIBOR is provided below.

On July 27, 2017, the Financial Conduct Authority (the "FCA") (the authority that regulates LIBOR) announced that it would phase out LIBOR by the end of 2021. In December 2020, the ICE Benchmark Administration (the "IBA") announced a market consultation regarding the extension of US dollar LIBOR tenors through June 30, 2023 which the FCA supports. On March 5, 2021, the IBA released its feedback statement reporting the results of the market consultation. Pursuant to its feedback statement, the IBA intends to cease publication of all settings of non-US dollar LIBOR and only the one-week and two-month U.S. dollar LIBOR settings on December 31, 2021, with the publication of the remaining U.S. dollar LIBOR settings being discontinued after June 30, 2023. The Alternative Reference Rates Committee (ARRC), a financial industry group convened by the Federal Reserve Board, has recommended the use of SOFR to replace LIBOR. The difference between LIBOR and SOFR is that LIBOR is a forward-looking rate which means the interest rate is set at the beginning of the period with payment due at the end. SOFR is a backward-looking overnight rate which has implications for how interest and other payments are based. Changes in the method of calculating the replacement of LIBOR with an alternative rate or benchmark are still in flux, and once an alternate rate is adopted, may adversely affect interest rates and result in higher borrowing costs. This could materially and adversely affect the Company's results of operations, cash flows and liquidity. We cannot predict the effect of the potential changes to LIBOR or the establishment and use of alternative rates or benchmarks at this time. We are working with our senior lender and may need to renegotiate our credit facilities as LIBOR phases out in June 2023.

Note H - Stock Options and Awards

The Eastern Company 2010 Executive Stock Incentive Plan (the "2010 Plan"), for officers, other key employees, and non-employee directors expired in February 2020. On February 19, 2020, the Board of Directors of the Company (the "Board") adopted the Eastern Company 2020 Stock Incentive Plan (the "2020 Plan"). On April 29, 2020, at the Company's 2020 Annual Meeting of Shareholders, the shareholders of the Company approved and adopted the 2020 Plan. The 2020 Plan replaced the 2010 Plan. The Company has no other existing plan pursuant to which equity awards may be granted.

Incentive stock options granted under the 2020 Plan must have exercise prices that are not less than 100% of the fair market value of the Company's common stock on the dates the stock options are granted. Restricted stock awards may also be granted to participants under the 2020 Plan with restrictions determined by the Compensation Committee of the Board. Under the 2020 Plan, non-qualified stock options granted to participants will have exercise prices determined by the Compensation Committee of the Board. During the first nine months of fiscal 2021, the Company granted 27,300 stock options that were subject to the meeting of performance measurements. The Company did not issue any stock options or restricted stock in the first nine months of fiscal 2020. For the first nine months of fiscal 2021, the Company used several assumptions which included an expected term of 4.0 years, volatility deviation between 47.25% to 48.55% and a risk-free rate between 0.18% to 0.35% for the purposes of measuring compensation under the Black Scholes Method.

The 2020 Plan also permits the issuance of Stock Appreciation Rights ("SARs"). The SARs are in the form of an option with a cashless exercise price equal to the difference between the fair value of the Company's common stock at the date of grant and the fair value as of the exercise date resulting in the issuance of the Company's common stock. During the first nine months of fiscal 2021 the Company did not issue any SARs. During the first nine months of fiscal 2020 the company issued 44,000 SARs. For the first nine months of fiscal 2020, the Company used several assumptions which included an expected term of 4.0 years, volatility deviation of 38.62% and a risk-free rate of 0.26% for the purposes of measuring compensation under the Black Scholes Method.

Stock-based compensation expense in connection with SARs previously granted to employees was approximately $102,000 and $85,000 in the third quarter of 2021 and the third quarter of 2020, respectively and was approximately $316,000 and $279,000 in the first nine months of fiscal years 2021 and 2020, respectively.

As of October 2, 2021, there were 804,646shares of Company common stock reserved and available for future grant under the 2020 Plan.

The following tables set forth the outstanding SARs for the period specified:

	Nine Months Ended October 2, 2021		Year Ended January 2, 2021	
	Units	**Weighted Average Exercise Price**	Units	Weighted Average Exercise Price
Outstanding at beginning of period	**244,001**	**$ 21.87**	276,000	$ 22.30
Issued	-	-	44,000	20.20
Exercised	**(55,667)**	**19.31**	-	-
Forfeited	**(7,500)**	**21.20**	(75,999)	22.00
Outstanding at end of period	**180,834**	**22.88**	244,001	21.87

SARs Outstanding and Exercisable

Range of Exercise Prices	**Outstanding as of October 2, 2021**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Exercisable as of October 2, 2021**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**
$ 19.10 - $26.30	180,334	1.8	$ 22.88	87,335	0.8	$ 22.46

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The following tables set forth the outstanding stock grants for the period specified:

	Nine Months Ended October 2, 2021		Year Ended January 2, 2021	
	Units	**Weighted Average Exercise Price**	Units	Weighted Average Exercise Price
Outstanding at beginning of period	**25,000**	**$ -**	25,000	$ -
Issued	**27,300**	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of period	**52,300**	-	25,000	-

As of October 2, 2021, outstanding SARs and grants had an intrinsic value of $1,764,000.

Note I – Share Repurchase Program

On May 2, 2018, the Company announced that the Board had authorized a new program to repurchase up to 200,000 shares of the Company's common stock. The Company's share repurchase program does not obligate it to acquire the Company's common stock at any specific cost per share. Under this program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company did not repurchase any shares under its share repurchase program during the third quarter of 2021.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as	Maximum Number of Shares that

			Part of Publicly Announced Plans or Programs	may yet be Purchased Under the Plans or Programs
Balance as of July 3, 2021	55,000	$ 26.04	55,000	145,000
July 4, 2021 - October 2, 2021	-		-	-
Balance as of October 2, 2021	**55,000**	**$ 26.04**	**55,000**	145,000

Note J – Revenue Recognition

The Company's revenues result from the sale of goods and services and reflect the consideration to which the Company expects to be entitled. The Company records revenues based on a five-step model in accordance with FASB Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers". The Company has defined purchase orders as contracts in accordance with ASC Topic 606. For its customer contracts, the Company identifies its performance obligations, which are delivering goods or services, determines the transaction price, allocates the contract transaction price to the performance obligations (when applicable), and recognizes the revenue when (or as) the performance obligation is transferred to the customer. A good or service is transferred when the customer obtains control of that good or service. The Company's revenues are recorded at a point in time from the sale of tangible products. Revenues are recognized when products are shipped.

Customer volume rebates, product returns, discount and allowance are variable consideration and are recorded as a reduction of revenue in the same period that the related sales are recorded. The Company has reviewed the overall sales transactions for variable consideration and has determined that these costs are not material.

The Company has no future performance obligations and does not capitalize costs to obtain or fulfill contracts.

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Note K - Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, and in various states and foreign jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2016 and is no longer subject to non-U.S. income tax examinations by foreign tax authorities for years prior to 2014.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes. The changes implemented in ASU 2019-12 include removing exceptions to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions to the method of recognizing income taxes on interim period losses and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, ASU 2019-12 requires that entities recognize franchise tax based on an incremental method, requires an entity to evaluate the accounting for step-ups in the tax basis of goodwill as inside or outside of a business combination, and removes the requirement to allocate the current and deferred tax provision among entities in standalone financial statement reporting. The ASU also now requires that an entity reflect enacted changes in tax laws in the annual effective rate, and other codification adjustments have been made to employee stock ownership plans. The Company adopted ASU 2019-12 in the first quarter of 2021.

On March 27, 2020, the $2 trillion bipartisan Coronavirus Aid, Relief, and Economic Security Act (H.R. 748) (the "CARES Act") became law. For additional information on the impact of the CARES Act on the Company see Note 8 – Income Taxes in the 2020 Form 10-K.

The Company will also continue to assess the effect of state level tax relief provisions as enacted, such as state net operating loss rule changes and conformity to the federal interest, depreciation and charitable contribution deduction changes.

The total amount of unrecognized tax benefits could increase or decrease within the next 12 months for a number of reasons, including the closure of federal, state and foreign tax years by expiration of the statute of limitations and the recognition and measurement considerations under FASB ASC Topic 740, "Income Taxes." There have been no significant changes to the amount of unrecognized tax benefits during the nine months ended October 2, 2021. The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will not increase or decrease significantly over the next twelve months.

Note L - Retirement Benefit Plans

The Company has four non-contributory defined benefit pension plans covering most U.S. employees. Three of these pension plans are frozen and participants in these three plans have not accrued benefits since the date on which these plans were frozen. A fourth pension plan does not permit new participants but existing participants in this fourth pension plan continue to accrue benefits. Plan benefits are generally based upon age at retirement, years of service and, for the plan covering salaried employees, the level of compensation. The Company also sponsors unfunded non-qualified supplemental retirement plans that provide certain former officers with benefits in excess of limits imposed by federal tax law.

The Company also provides health care and life insurance for retired salaried employees in the United States who meet specific eligibility requirements.

Significant disclosures relating to these benefit plans for the third quarter and the first nine months of fiscal years 2021 and 2020 are as follows:

	Pension Benefits			
	Three Months Ended		**Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Service cost	**$ 271,832**	$ 266,435	**$ 815,500**	$ 799,305

Interest cost	**504,252**	714,143	**1,512,761**	2,142,428
Expected return on plan assets	**(1,448,671)**	(1,365,261)	**(4,346,020)**	(4,095,784)
Amortization of prior service cost	**24,845**	24,845	**74,535**	74,535
Amortization of the net loss	**432,539**	325,033	**1,297,614**	975,101
Net periodic benefit	**$ (215,203)**	$ (34,805)	**$ (645,610)**	$ (104,415)

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	Postretirement Benefits Three Months Ended		**Postretirement Benefits Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Service cost	**13,626**	10,855	**40,878**	32,565
Interest cost	**9,842**	11,667	**29,526**	35,001
Expected return on plan assets	**(6,420)**	(5,589)	**(19,260)**	(16,767)
Gain on significant event	**—**	—	**—**	—
Amortization of prior service cost	**—**	(2,063)	**—**	(6,189)
Amortization of the net loss	**(3,094)**	(6,377)	**(9,282)**	(19,131)
Net periodic benefit cost	**$ 13,954**	$ 8,493	**$ 41,862**	$ 25,479

The Company's funding policy with respect to its qualified plans is to contribute at least the minimum amount required by applicable laws and regulations. In fiscal year 2021, the Company expects to contribute $2,300,000 into its pension plans and $50,000 into its postretirement plan. The Company has reviewed the American Rescue Plan Act(ARPA) for applicable pension funding relief for the minimum required contributions and has adjusted accordingly, ARPA will continue to provide cashflow relief to pension for future years. As of October 2, 2021, the Company has made contributions of approximately $1,856,000 into its pension plans, has contributed $11,000 to its postretirement plan and expects to make the remaining contributions as required during the remainder of the fiscal year.

The Company has a contributory savings plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan") covering substantially all U.S. non-union employees. The 401(k) Plan allows participants to make voluntary contributions from their annual compensation on a pre-tax basis, subject to limitations under the Internal Revenue Code. The 401(k) Plan provides for contributions by the Company at its discretion.

The Company made contributions to the plan as follows:

	Three Months Ended		**Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Regular matching contribution	**$ 135,664**	$ 178,244	**$ 433,061**	$ 551,765
Transitional credit contribution	**32,468**	62,842	**108,337**	209,191
Non-discretionary contribution	**15,001**	13,036	**377,486**	593,084
Total contributions for the period	**$ 183,133**	$ 254,122	**$ 918,884**	$ 1,354,040

The non-discretionary contribution of $332,092 made in the nine months ended October 2, 2021 was accrued for and expensed in the prior fiscal year.

Note M - Recent Accounting Pronouncements

Adopted

In December 2019, FASB issued ASU 2019-12, Simplifying the Accounting for Income Tax. The changes implemented in ASU 2019-12 include removing exceptions to incremental intraperiod tax allocation of losses and gains from different financial statement components, exceptions to the method of recognizing income taxes on interim period losses and exceptions to deferred tax liability recognition related to foreign subsidiary investments. In addition, ASU 2019-12 requires that entities recognize franchise tax based on an incremental method, requires an entity to evaluate the accounting for step-ups in the tax basis of goodwill as inside or outside of a business combination, and removes the requirement to allocate the current and deferred tax provision among entities in standalone financial statement reporting. The ASU also now requires that an entity reflect enacted changes in tax laws in the annual effective rate, and other codification adjustments have been made to employee stock ownership plans. The Company adopted ASU 2019-12 as of January 3, 2021. The adoption of this guidance did not have a material impact on the consolidated financial statements of the Company.

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The Company has implemented all new accounting pronouncements that are in effect and that could impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued, but are not yet effective, that might have a material impact on the consolidated financial statements of the Company.

Note N - Concentration of Risk

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company, as and when they become due. The primary credit risk for the Company is its accounts receivable due from customers. The Company has established credit limits for customers and monitors their balances to mitigate the risk of loss. As of October 2, 2021, there was one significant concentration of credit risk with a customer, who has receivables representing 10% of our total accounts receivable. One single customer represented more than 10% of the Company's net accounts receivable as of January 2, 2021. The maximum exposure to credit risk is primarily represented by the carrying amount of the Company's accounts receivable.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt, which bears interest at variable rates based on the LIBOR rate plus a margin spread of 1.25% to 2.25%. The Company has an interest rate swap with a notional amount of $44.7 million on October 2, 2021, to convert a portion of the borrowing under the Credit Agreement from variable to fixed rates. The valuation of this swap is determined using the one-month LIBOR rate index and mitigates the Company's exposure to interest rate risk. Additionally, interest rates on the Company's debt are susceptible to changes to the method that LIBOR rates are determined and to the potential phasing out of LIBOR after 2021. The potential phasing out of LIBOR is discussed in greater detail in Note G — Debt hereof and under the heading "The phaseout of the London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with a different reference rate, may adversely affect interest rates" in Part I, Item 8 of the 2020 Form 10-K.

Currency Exchange Rate Risk

The Company's currency exposure is concentrated in the British pound, Canadian dollar, Mexican peso, New Taiwan dollar, Chinese RMB and the Hong Kong dollar. Because of the Company's limited exposure to any single foreign market, any currency gains or losses have not been material and are not expected to be material in the future. As a result, the Company does not attempt to mitigate its foreign currency exposure through the acquisition of any speculative or leveraged financial instruments.

Note O – Business Acquisition

Effective August 10, 2020 the Company acquired certain assets, including accounts receivable, inventories, furniture, fixtures and equipment, intellectual property rights and rights existing under all sales and purchase agreements, and assumed certain liabilities, of Hallink, RSB Inc. These assets are held in our subsidiary, Hallink Moulds, Inc. ("Hallink Moulds"). Hallink Moulds produces injection blow mold tooling and is a supplier of blow molds and change parts to the food, beverage, healthcare and chemical industry. Hallink Moulds specializes in the design, development and manufacture of 2-step stretch blow molds, and related components for the stretch blow molding industry offering integrated turnkey solutions to its customers worldwide.

Hallink Moulds is included in the Engineered Solutions segment of the Company from the date of the acquisition. The cost of the acquisition of Hallink Moulds was approximately $7,173,000.

The above acquisition was accounted for under ASU 2014-18, Business Combinations (Topic 805). The acquired business is included in the consolidated operating results of the Company from the effective date of the acquisition. The excess of the cost of Hallink Moulds over the fair market value of the net assets acquired of $2,302,000 has been recorded as goodwill. An independent third party was utilized to establish the fair market value of net assets acquired.

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In connection with the above acquisition, the Company recorded the following intangible assets:

Asset Class/Description	Amount	Weighted-Average Period in Years
Patents, technology, and licenses		
Customer relationships	$ 2,345,000	6
Intellectual property	591,000	6
Non-compete agreements	1,001,000	5
	$ 3,937,000	

There is no anticipated residual value relating to these intangible assets.

Neither the actual results nor the pro forma effects of the acquisition of Hallink are material to the Company's financial statements.

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

The following discussion is intended to highlight significant changes in the financial position and results of operations of The Eastern Company (together with its consolidated subsidiaries, the "Company," "we," "us" or "our") for the quarter and nine months ended October 2, 2021. The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended January 2, 2021 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2021, which was filed with the Securities and Exchange Commission (the "SEC") on March 16, 2021 (the "2020 Form 10-K").

The Company's fiscal year is a 52-53-week fiscal year ending on the Saturday nearest to December 31. References to 2020 or the 2020 fiscal year mean the 53-week period ended on January 2, 2021 and references to 2021 or the 2021 fiscal year mean the 52-week period ending on January 1, 2022. In a 52-week fiscal year, each quarter is 13 weeks long. In a 53-week fiscal year, each of the first two fiscal quarters and the fourth quarter are 13 weeks long, and the third fiscal quarter is 14 weeks long. References to the third quarter of 2020, the third fiscal quarter of 2020 or the three months ended October 3, 2020 mean the period from June 28, 2020 to October 3, 2020. References to the third quarter of 2021, the third fiscal quarter of 2021 or the three months ended

October 2, 2021 mean the 13-week period from July 4, 2021 to October 2, 2021. References to the nine months ended October 3, 2020 or the first nine months of fiscal 2020 mean the period from December 29, 2019 to October 3, 2020, and references to the nine months ended October 2, 2021 or the first nine months of fiscal 2021 mean the period from January 3, 2021 to October 2, 2021.

Safe Harbor for Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intend," "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company's business and the results of its operations and that may cause the actual results of operations in future periods to differ materially from those currently expected or anticipated. These factors include, but are not limited to: effects of the COVID-19 pandemic, vaccination rates, the emergence of virus variants and the measures being taken to limit the spread and resurgence of COVID-19, including supply chain disruptions, delays in delivery of our products to our customers, impact on demand for our products, reductions in production levels, increased costs, including costs of raw materials, the impact on global economic conditions, the availability, terms and cost of financing, including borrowings under credit arrangements or agreements, and risks associated with employees working remotely or operating with reduced workforce; the scope and duration of the COVID-19 pandemic, including the extent of resurgences, the development of variants and how quickly and to what extent normal economic activity can resume; the timing of the distribution of COVID-19 vaccines and rates of vaccination; risks associated with doing business overseas, including fluctuations in exchange rates and the inability to repatriate foreign cash, the impact on cost structure and on economic conditions as a result of actual and threatened increases in trade tariffs and the impact of political, economic and social instability; restrictions on operating flexibility imposed by the agreement governing our credit facility; the inability to achieve the savings expected from global sourcing of materials; the impact of higher raw material and component costs, particularly steel, plastics, scrap iron, zinc, copper and electronic components; lower-cost competition; our ability to design, introduce and sell new products and related components; market acceptance of our products; the inability to attain expected benefits from acquisitions or the inability to effectively integrate such acquisitions and achieve expected synergies; domestic and international economic conditions, including the impact, length and degree of economic downturns on the customers and markets we serve and more specifically conditions in the automotive, construction, aerospace, energy, oil and gas, transportation, electronic, commercial laundry, mining and general industrial markets; costs and liabilities associated with environmental compliance; the impact of climate change or terrorist threats and the possible responses by the U.S. and foreign governments; failure to protect our intellectual property; cyberattacks; materially adverse or unanticipated legal judgments, fines, penalties or settlements; and other risks identified and discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the 2020 Form 10-K and that may be identified from time to time in our quarterly reports on Form 10-Q, current reports on Form 8-K and other filings we make with the SEC. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, future revenue and margin trends cannot be reliably predicted and the Company may alter its business strategies to address changing conditions. Also, the Company makes estimates and assumptions that may materially affect reported amounts and disclosures. These relate to valuation allowances for accounts receivable and excess and obsolete inventories, accruals for pensions and other postretirement benefits (including forecasted future cost increases and returns on plan assets), provisions for depreciation (estimating useful lives), uncertain tax positions, and, on occasion, accruals for contingent losses. The Company undertakes no obligation to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise, except as required by law.

Overview

COVID-19 Update

The direct impact of the COVID-19 pandemic has been minimal at most of our operations through the third quarter of 2021. We continue to follow CDC guidelines, including the use of proper personal protection equipment, social distancing and sanitizing work areas. All of these measures allowed the majority of our facilities to operate at full capacity where possible barring supply chain issues, port congestion, and labor shortages. Many of the Company's employees have received their first COVID-19 vaccination, and we will continue to encourage our workforce to continue to get vaccinated. We do not anticipate further significant interruption in our operations unless a resurgence of the COVID-19 pandemic occurs. A significant resurgence of the COVID-19 pandemic could cause further disruptions in our business and could adversely affect our financial condition, results of operations and cash flow.

During 2020 and continuing into 2021 the Company implemented a broad range of policies and procedures to ensure that employees at all of our locations remain healthy. Steps that we have taken to reduce the risk of COVID-19 to our employees include, among others: protecting employee health by instructing employees to stay home if they exhibit symptoms of COVID-19; requiring employees to wear masks upon entry into the workplace; providing standard surgical masks, unless this conflicts with OSHA requirements; and educating employees on hand hygiene to help stop the spread. We maintain a clean work environment by frequently cleaning all touch points with products that meet EPA criteria for use against COVID-19; educating employees to clean their personal workspace at the beginning and the end of every shift; and providing hand sanitizer and disposable wipes. We have minimized in-person contact between employees and with visitors; required essential employees to work from home if they are able to do so effectively; developed and implemented practices for social distancing in our facilities; and reduced the number and size of in-person meetings. We have eliminated all non-essential workplace travel, discouraged carpooling, and where we have multiple shifts, staggered shift start and stop times, break times, and lunchtimes to minimize congregations at the time clocks or break areas. Where possible, we have closed or restricted break rooms and cafeterias or used extra rotations to reduce the number of employees in the break rooms or cafeterias at one time to achieve social distancing norms. We continue to seek and implement additional methods to further reduce the risk of COVID-19 to our employees.

Although we sustained delays and disruptions in 2020 to our supply chain and operations, the majority of our facilities have returned to normal operations however, one facility experienced an outbreak of COVID-19 among several employees resulting in closure of the factory for a few days at the end of June 2021. Currently, we do not anticipate further interruption of our operations unless a resurgence of the COVID-19 pandemic (including variants) occurs, which could cause further disruptions in our business and could adversely affect our financial condition, results of operations and cash flow. The future extent of the effect of the COVID-19 pandemic on our operational and financial performance will depend in large part on the emergence of virus variants, vaccination rates, continued mask wearing, social distancing and other developments, that cannot be predicted with confidence at this time. With the inherent uncertainty of the COVID-19 pandemic it is difficult to predict with any confidence the likely impact of the COVID-19 pandemic on our future operations and the extent it could have on our consolidated business, results of operations and financial condition. For a discussion of certain COVID-19-related risks, see Part I, Item 1A, "Risk Factors", of the 2020 Form 10-K.

General Overview

We have determined that the companies included in our Diversified Products segment no longer fit with our long-term strategy, and we have initiated the process of divesting the companies within the Diversified Products segment. Selling the companies within this segment will allow management to focus on our core capabilities and offerings.

The Diversified Products segment meets the criteria to be held for sale and, furthermore, we determined that the assets held for sale qualify as discontinued operations. As such, the financial results of the Diversified Products segment are reflected in our unaudited condensed consolidated statements of operations as discontinued operations for all periods presented. Additionally, current and non-current assets and liabilities of discontinued operations are reflected in the unaudited condensed consolidated balance sheets for both periods presented.

The loss recognized in the write-down of the Diversified Products segment to fair value in the second quarter of 2021 was $8.1 million, net of tax. In the third quarter of 2021 a gain of $1.0 million, net of tax was recognized to adjust the Diversified Products segment to fair value. Anticipated cash flow over the next twelve months is approximately $25.0 million. The majority of this cash is expected to be used to pay down debt.

On November 3, 2021 the Company sold its Greenwald Industries, Inc. division ("Greenwald") for a sales price of $8.0 million, subject to a final working capital adjustment. Greenwald, which is located in Chester, CT, is an OEM manufacturer offering a range of payment solutions from coin-vending products to smart card systems and payment applications.

The following analysis excludes discontinued operations.

Net sales in the third quarter of 2021 increased 15% to $63.9 million from $55.7 million in the corresponding period in 2020 and net sales for the first nine months of 2021 increased 27% to $186.9 million from $147.1 million in the same period last year. Sales increased for both the third quarter and nine-month periods due to increased demand for truck accessories, automotive returnable packaging, blow mold tooling, and distribution products. Backlog as of October 2, 2021 was up 44% to $83.1 million from $57.7 million as of October 3, 2020.

Net sales of existing products increased 4% in the third quarter of 2021 and 18% for the first nine months of 2021 compared to the corresponding periods in 2020. Price increases and new products increased net sales by 10% in the third quarter of 2021 and 10% for the first nine months of 2021, compared to the corresponding periods in 2020. New products included various truck mirror assemblies, rotary latches, D-rings, and mirror cams.

Cost of products sold increased $6.3 million, or 15%, in the third quarter of 2021 and increased $31.8 million, or 29% for the first nine months of 2021 compared to the corresponding periods in 2020. The increases are primarily due to higher sales volume, increases in the prices of material, and increases in freight rates. The prices of several frequently used raw materials prices have increased significantly, year-over-year. For example, the price of most common forms of hot-rolled steel increased 245% between the third quarter of 2020 and the third quarter of 2021; cold-rolled steel increased 206%; nickel increased 35%; scrap iron increased 85%; and copper and zinc increased 43% and 29% respectively. Additionally, our freight costs increased $1.4 million, or 110%, in the third quarter of 2021 and increased $3.5 million, or 99%, in the first nine months of 2021 when compared to the corresponding periods in 2020. This increase is due to increased sales volume and freight rates as shipping demand has exceeded available carriers. Price increases to our customers recovered a portion of the increase in raw material prices and freight rates. Finally, the Company paid tariff costs on China-sourced products of approximately $0.6 million and $2.0 million in the third quarter and first nine months of 2021 respectively, compared to $0.6 million and $2.4 million in the third quarter and first nine months of fiscal 2020 respectively. All tariffs on China-sourced products have been recovered through price increases.

Gross margin as a percent of sales was 24% in the third quarter and 24% in the first nine months of fiscal 2021 compared to 24% in the third quarter and 25% in the first nine months of fiscal 2020.

Product development expense increased $0.4 million, or 73% in the third quarter of 2021 and increased $0.7 million, or 28%, in the first nine months of 2021 compared to the corresponding periods in 2020. As a percentage of net sales, product development costs were 1.5% and 1.6% for the third quarter and first nine months of 2021, respectively, and 1.0%, and 1.6% for the corresponding periods in 2020, respectively.

Selling and administrative expense increased $0.9 million, or 11%, in the third quarter of 2021 and increased $4.5 million, or 19% in the first nine months of 2021 compared to the corresponding period in 2020 primarily due to increased commissions and other selling costs, amortization expense, payroll-related expenses, and incentive costs, which were suspended in the first quarter of fiscal 2020.

Interest expense decreased $0.1 million in the third quarter and decreased $0.2 million for the first nine months of 2021 compared to the corresponding periods in 2020.

Other income was flat in the third quarter and increased $2.4 million in the first nine months of 2021 compared to the corresponding periods in 2020. The increase in other income of $2.4 million in the first nine months was driven by a gain on the sale of the Eberhard Hardware Ltd. Building of $1.8 million and a favorable return on pension plan assets of $0.6 million.

Net income from continuing operations for the third quarter of fiscal 2021 was $3.8 million, or $0.61 per diluted share compared to net income of $3.2 million, or $0.51 per diluted share for the comparable period in 2020. In the first nine months of 2021 net income from continuing operations was $12.3 million, or $1.96 per diluted share compared to net income of $7.9 million, or $1.26 per diluted share for the comparable period in 2020.

A more detailed analysis of the Company's results of operations and financial condition follows:

Results of Operations

The following table shows, for the periods indicated, selected line items from the condensed consolidated statements of operations as a percentage of net sales:

	Three Months Ended		Nine Months Ended	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Net sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of products sold	**76.2%**	76.0%	**76.1%**	75.1%
Gross margin	**23.8%**	24.0%	**23.9%**	24.9%
Product development expense	**1.5%**	1.0%	**1.6%**	1.6%
Selling and administrative expense	**14.8%**	15.3%	**14.9%**	15.9%
Operating Profit	**7.5%**	7.7%	**7.4%**	7.4%

The following table shows the change in sales and operating profit for the third quarter and first nine months of fiscal 2021 compared to the third quarter and first nine months of fiscal 2020 (dollars in thousands):

	Three Months Ended October 2, 2021	**Nine Months Ended October 2, 2021**
Net Sales	**$ 8,171**	**$ 39,838**
Volume	4.3%	17.5%
Price	2.4%	1.6%
New products	8.0%	8.0%
	14.7%	27.1%
Operating Profit	**$ 515**	**$ 2,925**

Liquidity and Sources of Capital

The Company consumed approximately $3.3 million of cash from continuing operations during the first nine months of fiscal 2021 compared to generating approximately $19.4 million during the first nine months of fiscal 2020. The cash flows in the first nine months of fiscal 2021 were lower when compared to the corresponding period last year due to an increase in inventory and accounts receivable partially offset by an increase in accounts payable. The effects of the COVID-19 pandemic are continuing to impact the supply chain and as such inventories and accounts payable have increased due to increased shipping time and port congestion as well as selective pre-buying of raw materials to avoid increasing prices. Cash flow from operations coupled with cash at the beginning of the 2021 fiscal year was sufficient to fund capital expenditures, debt service, and dividend payments for the first nine months of fiscal 2021.

Additions to property, plant and equipment were approximately $2.1 million for the first nine months of fiscal 2021 and $1.5 million for the first nine months of fiscal 2020 from continuing operations. Additionally, in the first nine months of 2021 the company received proceeds of $2.0 million from the sale of one of its facilities in Canada. As of October 2, 2021, there were approximately $0.3 million of outstanding commitments for capital expenditures.

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The following table shows key financial ratios at the end of each specified period:

	Third Quarter 2021	Third Quarter 2020	Fiscal Year 2020
Current ratio	**2.7**	3.2	2.8
Average days' sales in accounts receivable	**61**	53	56
Inventory turnover	**3.3**	3.8	3.6
Total debt to shareholders' equity	**75.0%**	89.5%	85.0%

The following table shows important liquidity measures as of the balance sheet date for each specified period (in millions):

	Third Quarter 2021	Third Quarter 2020	Fiscal Year 2020
Cash and cash equivalents			
- Held in the United States	**$ 7.0**	$ 13.9	$ 10.0
- Held by a foreign subsidiary	**3.0**	5.7	6.1
	10.0	19.6	16.1
Working capital	**95.0**	74.5	71.1
Net cash (used in) provided by operating activities	**(3.3)**	16.7	20.7
Change in working capital impact on net cash (used in) provided by operating	**(17.4)**	3.2	2.0

activities			
Net cash provided by (used in) investing activities	**0.6**	7.3	(9.1)
Net cash used in financing activities	**(6.4)**	(7.5)	(13.2)

Inventories of $56.7 million as of October 2, 2021 represent an increase of 31.5% as compared to $43.1 million at the end of fiscal year 2020 and an increase of 46.1% as compared to $38.8 million at the end of the third quarter of fiscal 2020. Accounts receivable, less allowances, were $41.3 million as of October 2, 2021, as compared to $31.8 million at 2020 fiscal year end and $28.0 million at the end of the third quarter of fiscal 2020.

Cash, cash flow from operating activities and funds available under the revolving credit portion of the Credit Agreement are expected to be sufficient to cover future foreseeable working capital requirements. However, based on current macroeconomic conditions resulting from the uncertainty caused by COVID-19, the Company cannot provide any assurances of the availability of future financing or the terms on which it might be available. In addition, the interest rate on borrowings under the Credit Agreement varies based on our senior net leverage ratio, and the Credit Agreement requires us to maintain a senior net leverage ratio not to exceed 4.25 to 1 and a fixed charge coverage ratio to be not less than 1.25 to 1. A decrease in earnings due to the impact of COVID-19 or the resulting harm to the financial condition of our customers or economic conditions generally, or an increase in indebtedness incurred to offset such a decrease in earnings, would have a negative impact on our senior net leverage ratio and our fixed charge coverage ratio, which in turn would increase the cost of borrowing under the Credit Agreement and could cause us to fail to comply with the covenants under our Credit Agreement.

Off-Balance Sheet Arrangements

As of the end of the fiscal quarter ended October 2, 2021, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Non-GAAP Financial Measures

The non-GAAP financial measures we provide in this report should be viewed in addition to, and not as an alternative for, results prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

To supplement the consolidated financial statements prepared in accordance with U.S. GAAP, we have presented Adjusted Net Income from Continuing Operations, Adjusted Earnings Per Share from Continuing Operations and Adjusted EBITDA from Continuing Operations, which are considered non-GAAP financial measures. The non-GAAP financial measures presented may differ from similarly titled non-GAAP financial measures presented by other companies, and other companies may not define these non-GAAP financial measures in the same way. These measures are not substitutes for their comparable U.S. GAAP financial measures, such as net sales, net income, diluted earnings per common share, or other measures prescribed by U.S. GAAP, and there are limitations to using non-GAAP financial measures.

Adjusted Net Income from Continuing Operations is defined as net income from continuing operations excluding, when they occur, the impacts of impairment losses, losses on sale of subsidiaries, transaction expenses, factory start-up costs, factory relocation expenses and restructuring costs. Adjusted Net Income from Continuing Operations is a tool that can assist management and investors in comparing our performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our underlying operations.

Adjusted Earnings Per Share from Continuing Operations is defined as diluted earnings per share from continuing operations excluding, when they occur, the impacts of impairment losses, losses on sale of subsidiaries, transaction expenses, gain on sale of building, factory start-up costs, factory relocation expenses and restructuring costs. We believe that Adjusted Earnings Per Share from Continuing Operations provides important comparability of underlying operational results, allowing investors and management to access operating performance on a consistent basis.

Adjusted EBITDA from Continuing Operations is defined as net income from continuing operations before interest expense, provision for income taxes, and depreciation and amortization and excluding, when they occur, the impacts of impairment losses, losses on sale of subsidiaries, transaction expenses, gain on sale of building, factory start-up costs, factory relocation expenses and restructuring expenses. Adjusted EBITDA from Continuing Operations is a tool that can assist management and investors in comparing our performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our underlying operations.

Management uses such measures to evaluate performance period over period, to analyze the underlying trends in our business including our business segments, to assess our performance relative to our competitors, and to establish operational goals and forecasts that are used in allocating resources. These financial measures should not be considered in isolation from, or as a replacement for, U.S. GAAP financial measures.

We believe that presenting non-GAAP financial measures in addition to U.S. GAAP financial measures provides investors greater transparency to the information used by our management for its financial and operational decision-making. We further believe that providing this information better enables our investors to understand our operating performance and to evaluate the methodology used by management to evaluate and measure such performance.

Reconciliation of Non-GAAP Measures
EPS from Continuing Operations Calculation
For the Three and Nine Months ended October 2, 2021 and October 3, 2020
($000's)

	Three Months Ended		Nine Months Ended	
	October 2,	October 3,	**October 2,**	October 3,

	2021	2020	2021	2020
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 3,820**	$ 3,156	**$ 12,269**	$ 7,879
Earnings per share from continuing operations as reported under generally accepted accounting principles (GAAP):				
Basic	**$ 0.61**	$ 0.51	**$ 1.96**	$ 1.26
Diluted	**$ 0.61**	$ 0.51	**$ 1.96**	$ 1.26
Adjustments:				
Gain on sale of Eberhard Hardware Ltd building, net of tax	**-**	-	**(1,353) A**	-
Factory relocation, net of tax	**45 E**	188 **B**	**105 E**	188 **B**
Transaction expenses		184 **C**		204 **C**
Factory start-up costs, net of tax	**155 D**		**187 D**	
Total adjustments (Non-GAAP)	**$ 200**	$ 372	**$ (1,061)**	$ 392
Adjusted net income from continuing operations	**$ 4,020**	$ 3,528	**$ 11,208**	$ 8,271
Adjusted earnings per share from continuing operations (Non-GAAP):				
Basic	**$ 0.64**	$ 0.57	**$ 1.79**	$ 1.33
Diluted	**$ 0.64**	$ 0.57	**$ 1.79**	$ 1.33

A) Gain on sale of Eberhard Hardware Ltd building
B) Cost incurred on relocation of Velvac factory in Reynosa, MX
C) Costs incurred on the acquisition of Hallink RSB, Inc.
D) Costs incurred on start-up of Eberhard factory in Reynosa, MX
E) Costs incurred on relocation of ILC facility in Wheeling, IL

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Reconciliation of Non-GAAP Measures
EBITDA from Continuing Operations Calculation
For the Three and Nine Months ended October 2, 2021 and October 3, 2020
($000's)

	Three Months Ended		**Nine Months Ended**	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020
Net income from continuing operations as reported per generally accepted accounting principles (GAAP)	**$ 3,820**	$ 3,156	**$ 12,269**	$ 7,879
Interest expense	**427**	485	**1,389**	1,561
Provision for income taxes	**972**	1,022	**3,573**	2,477
Depreciation and amortization	**1,658**	1,754	**5,189**	4,967
Gain on sale of Eberhard Hardware Ltd Building	**-**	-	**(1,841) A**	-
Factory relocation	**59 E**	251 **B**	**139 E**	251 **B**
Transaction expenses	**-**	184 **C**	**-**	204 **C**
Factory start-up costs	**207 D**		**250 D**	
Adjusted EBITDA from continuing operations	**$ 7,143**	$ 6,852	**$ 20,968**	$ 17,339

A) Gain on sale of Eberhard Hardware Ltd building
B) Cost incurred on relocation of Velvac factory in Reynosa, MX
C) Costs incurred on the acquisition of Hallink RSB, Inc.
D) Costs incurred on start-up of Eberhard factory in Reynosa, MX
E) Costs incurred on relocation of ILC facility in Wheeling, IL

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ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of the Company's status as a smaller reporting company pursuant to Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is not required to provide information under this Item 3.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures:

As of October 2, 2021, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-15(e) and 240.15d-15(e)) pursuant to Exchange Act Rule 13a-15. As defined in Exchange Act Rules 240.13a-15(e) and 240.15d-15(e), "the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure".

The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the CEO and CFO have concluded that these controls and procedures are effective at the "reasonable assurance" level as of October 2, 2021.

Changes in Internal Control Over Financial Reporting:

During the period covered by this Quarterly Report on Form 10-Q, there were no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

The Company is a party to various legal proceedings from time to time related to its normal business operations. As of the end of the quarter ended October 2, 2021, the Company does not have any material pending legal proceedings, other than as set forth below, or any material legal proceedings known to be contemplated by governmental authorities.

In 2016, the Company created a plan to remediate a landfill of spent foundry sand maintained at the Company's metal casting facility in New York. This plan was agreed to by the New York State Department of Environmental Conservation (the "NYSDEC") on March 27, 2018. Based on estimates provided by the Company's environmental engineers, the anticipated cost to remediate and monitor the landfill was $430,000. The Company accrued for and expensed the entire $430,000 in the first quarter of 2018 and fiscal 2017. In the fall of 2018, detailed construction drawings were prepared by an outside consultant in conjunction with informal progress reviews by the NYSDEC. Long-term groundwater monitoring commenced in April 2019. Verbal approval for the closure plan was received from the NYSDEC in May 2019. Written approval was received in October 2020. Construction of the closure remedies, including improved drainage system, regrading, and installation of a low permeability cap, were completed on September 29, 2021. In the fourth fiscal quarter of 2021 a closure report and maintenance plan are expected to be prepared for the NYSDEC. This closure report and maintenance plan will document the work done and request acknowledgment of satisfactory completion of the Order on Consent between Frazer & Jones, and the NYSDEC.

ITEM 1A – RISK FACTORS

The Company's business is subject to a number of risks, some of which are beyond its control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the Company's shareholders should carefully consider the risk factors discussed in Part I, Item 1A "Risk Factors" of the 2020 Form 10-K. These risk factors could have a material adverse effect on the Company's business, results of operations, financial condition and/or liquidity and could cause our operating results to vary significantly from period to period. As of October 2, 2021, there have been no material changes to the risk factors disclosed in the 2020 Form 10-K. The Company may disclose changes to such risk factors or disclose additional risk factors from time to time in its future filings with the SEC. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may materially adversely affect its business, financial condition, or operating results.

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

None

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None

ITEM 6 – EXHIBITS

3.1)	Restated Certificate of Incorporation of the Company, as amended (conformed copy) (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2020).
3.2)	Amended and Restated By-Laws of the Company, as amended through April 27, 2016 (conformed copy) (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2020).
31)	Certifications required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32)	Certifications pursuant to Rule 13a-14(b) and 18 USC 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101)	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended October 2, 2021 and October 3, 2020; (ii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended October 2, 2021, and October 3, 2020; (iii) Condensed Consolidated Balance Sheets (Unaudited) as of October 2, 2021 and January 2, 2021; (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended October 2, 2021 and October 3, 2020; and (iv) Notes to the Condensed Consolidated Financial Statements (Unaudited).**
104)	Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101). **

* Filed herewith.
** Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE EASTERN COMPANY
(Registrant)

DATE: November 10, 2021

/s/August M. Vlak
August M. Vlak
President and Chief Executive Officer

DATE: November 10, 2021

/s/John L. Sullivan III
John L. Sullivan III
Vice President and Chief Financial Officer

EXHIBIT 31

CERTIFICATIONS

I, August M. Vlak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Eastern Company;

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(s) 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(s) 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 the 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.

Dated: November 10, 2021

/s/August M. Vlak
August M. Vlak
CEO

EXHIBIT 31

CERTIFICATIONS

I, John L. Sullivan III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Eastern Company;

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(s) 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(s) 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 the 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.

Dated: November 10, 2021

/s/John L. Sullivan III
John L. Sullivan III
CFO

EXHIBIT 32

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
Pursuant to 18 United States Code Section 1350,
as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, August M. Vlak, the Chief Executive Officer of The Eastern Company (the “Company”) and John L. Sullivan III, the Chief Financial Officer of the Company, hereby certify that, to the best of their knowledge:

1) The Company’s Quarterly Report on Form 10-Q for the Period ended October 2, 2021, and to which this certification is attached as Exhibit 32 (the “Periodic Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 10th day of November, 2021.

By: /s/August M. Vlak
August M. Vlak
CEO

By: /s/John L. Sullivan III
John L. Sullivan III
CFO

A signed original of this written statement required by Section 906 has been provided to The Eastern Company and will be retained by The Eastern Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification “accompanies” the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q, irrespective of any general incorporation language contained in such filing.)