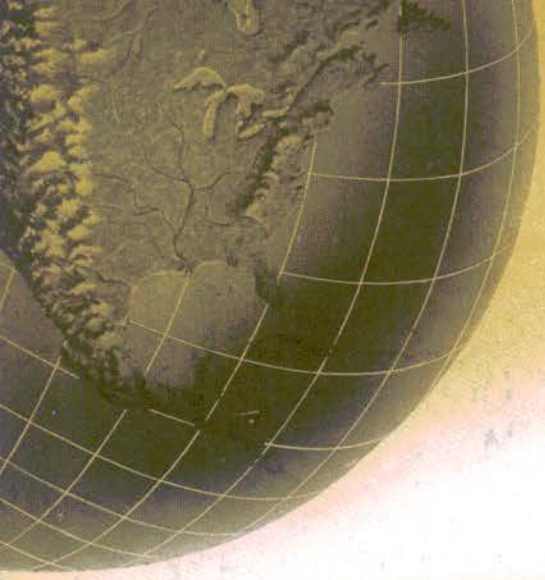


BULOVA

WATCH COMPANY, INC. / annual report march 31, 1956



JOSEPH BULOVA 1851-1935

His were the ideals, the ambition,
the ability and the courage of the pioneer.

On the bedrock of intelligent, honest service, he built this
enterprise, and on that basis has flourished
the organization his genius conceived.

BULOVA WATCH COMPANY, INCORPORATED

EXECUTIVE OFFICES • BULOVA PARK, FLUSHING 70, N. Y.

BOARD OF DIRECTORS

ARDE BULOVA
JOHN H. BALLARD
HARRY D. HENSHEL
EMILY B. HENSHEL
THOMAS A. MORGAN
BEARDSLEY RUMML
STANLEY SIMON

OFFICERS

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Chairman of the Board
SAMUEL P. EPSTEIN
Executive Vice President
EMIL E. FACHON
Vice President
SIMON C. GERSHEY
Vice President
EMANUEL HOCHMAN
Vice President
JOSEPH KANE
Vice President
ABRAHAM CARNOW
Treasurer
FRANK B. SHEINBERG
Assistant Treasurer

JOHN H. BALLARD
President
STANLEY SIMON
Vice President
DAVID C. STAMBAUGH
Vice President
HARRY B. HENSHEL
Secretary
SEYMOUR HERSCHER
Assistant Secretary
ROLAND P. TALBOT
Assistant Secretary

BULOVA WATCH COMPANY, CANADA, LIMITED

EXECUTIVE OFFICES • STERLING TOWER, TORONTO

BOARD OF DIRECTORS

ARDE BULOVA
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ROBERT E. DAY
HARRY D. HENSHEL
R. DOUGLAS JENNINGS

OFFICERS

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Chairman of the Board
ROBERT E. DAY
President
HARRY B. HENSHEL
Vice President

ABRAHAM CARNOW
Treasurer
FRED T. BAILEY
Vice President
MURIEL McCULLUM
Secretary

BULOVA RESEARCH AND DEVELOPMENT LABORATORIES, INC.

EXECUTIVE OFFICES • WOODSIDE, LONG ISLAND, N. Y.

BOARD OF DIRECTORS

Chairman — GENERAL OMAR N. BRADLEY

ARDE BULOVA
JOHN H. BALLARD
HARRY D. HENSHEL
HARRY B. HENSHEL

BEARDSLEY RUMML
THOMAS A. MORGAN
STANLEY SIMON
ALEXANDER SHAYNE

THE PRESIDENT'S REPORT TO THE STOCKHOLDERS

I am happy to report to the stockholders of the Bulova Watch Company on our operations and performance for the fiscal year ended March 31, 1956.

Your company made the following record during this period:

Our net profit (before income taxes) was \$7,658,190, compared with \$6,500,921 for the previous year.

Our net profit, after the payment of all taxes, was \$3,483,190, compared with \$2,951,821 for the previous year.

Each share of Bulova Stock earned \$1.79, as compared with \$1.51 for the previous year.

Each share of Bulova Stock received a dividend of \$1.35, as compared with \$1.17 last year.

The total dividends paid to our stockholders were \$2,596,591, as compared with \$2,230,641 for the previous year.

The balance of our net earnings (\$886,599) has been retained—in the pattern of our established policy—for necessary capital and for use in programs of expansion and improvement.

The favorable results reflected in these figures flow from the policies which your management has vigorously enforced under the trying conditions which prevail in the retail watch market today. The Bulova Watch Company has remained determined to offer the American consumer the finest product possible—in performance, design, and value—and to support that policy through imaginative merchandising which could take the fullest advantage of the priceless prestige which the Bulova name enjoys among retailers and consumers alike. This policy has demonstrated once more that healthy profits can be earned by ourselves and our distributors, the retail jewelers of America, so long as we firmly resist the reckless and ill-considered marketing practices (price wars, inventory liquidations, misleading claims) which, employed by some of our competitors, have plagued our industry.

Bulova watches remain unsurpassed in quality, styling, and value. Bulova watches, as always, are worth 100 cents on the dollar in the inventory of retail jewelers throughout the country. The Bulova Watch Company continues to control its pricing policy and inventory position so that neither we nor our retailers need face the pressures inherent in being periodically overstocked or out of balance. We are proud to report that in the watch industry itself your company remains the acknowledged leader.

A review of the highlights of the past year must

begin with the extraordinary success which greeted another Bulova "first"—the 23-jewel "La Petite" series of ladies' watches. The introduction of this group of watches offered the women of America, for the first time, a 23-jewel watch with the same six precision-adjustments found in the famous Bulova "23" for men. The Bulova "23" remains unchallenged as the largest selling watch in any line sold in the United States. The 23-jewel Bulova "La Petite" has been characterized as "jewelled inside and jewelled outside" because it also features diamond-set cases of beauty and distinction, important factors in a market which places increasing emphasis upon fashion.

This Spring our special presentation for men was the Bulova "President," an ultra-thin men's watch, popularly priced and styled in a manner formerly available only in the highest priced lines.

The problems relating to the Swiss-American trade dispute remain difficult and unresolved. President Eisenhower's decision in 1954 to preserve the irreplaceable skills of the jewelled watch industry (a decision based on the findings of several Congressional committees, prolonged investigations, and the recommendations of the military) has been openly attacked and covertly undermined by the combination of Swiss manufacturers who constitute what our Department of Justice has identified as the watch cartel of Switzerland. They have spent large sums inside our country to confuse the central issue and to obscure the inescapable fact that our national security demands an in-being nucleus of precision watch manufacture inside the United States.

Your company enjoys the unique advantage of owning manufacturing facilities both in Switzerland and the United States. We operate, therefore, both as manufacturers and as importers. The outcome of the continuing conflict between American manufacturers and importers, and between the Swiss watch trust and American manufacturers, does not threaten either our business or our profits. We can adjust our production program in an orderly and flexible manner—either in Switzerland or the United States. But your management, as Americans, cannot remain silent when the clear interests of our country appear to be threatened. We will continue to identify the issue and speak the truth. We will do everything in our power to maintain at least a minimum organization of skilled craftsmen, capable of producing unmatched precision devices inside the boundaries of our own country.

Bulova radios in the last fiscal year gained a more rapid acceptance than any other radio line in America.

Our sales of radios—table models, portables, clock radios—increased 92% over last year; today our radio division represents an important segment of our over-all production.

Several new radio models were introduced during the course of the year. Of particular interest was our entrance into the field of transistor radios. Here our production was oversold in a very short period of time. Additional models in this field are presently appearing on the market.

Our electric shaver, the plans for which were revealed in our last report, is now being tooled for mass production. Our research and design people have perfected certain features and worked on certain improvements for over two years. These were incorporated into a prototype model which, in exhaustive test operations, provided even finer performance than had been anticipated. We hold high hopes for the success of this fine new precision product. We expect Bulova electric shavers to be coming out of our plant in Jackson Heights for delivery to our retail jewelers—in time for the Christmas season, 1956.

I am sure you will be interested to know that your management has completed negotiations to co-sponsor the new Jackie Gleason one-hour live television program on CBS, from eight to nine o'clock each Saturday night, beginning at the end of September. This program, which is in addition to our TV spot schedule, will give us the most popular comedian and comedy show in America. This is the first time in the history of our industry, or any industry allied with the jewelry business, that a commitment of such magnitude—in excess of \$5,000,000—has been made to back up the retailer in the sale of one brand name.

The Bulova Watch Company, through its various branches and subsidiaries, delivered over \$28,000,000 of defense items, during the fiscal year, to the U. S. Army, Navy, and Air Force. This represented the highest point of the scheduled volume of material ordered by defense agencies some years ago.

The changing nature of weapons is reflected in the changed nature of our orders from the armed services. Today, for instance, instead of receiving large-volume orders for fuzes, we receive orders for guided-missile components of the most extreme complexity—devices which demand unprecedented precision, miniaturization, and tolerances. These items are ordered in small quantities because they are subject to continuing change, according to new weapons concepts. Our backlog of defense orders at the close of the fiscal year was over \$18,000,000.

Under the inspiring direction of General of the Army Omar N. Bradley, the Bulova Research and Development Laboratories, our subsidiary, continues to

pioneer in new fields for all the armed services. Some of these projects are described, though briefly, in later pages; those which are most significant cannot be either described or identified because of the secrecy classification which they must carry.

During the year under review, your company committed approximately \$2,240,000 towards the purchase of stock in Tiffany & Company. We intended to acquire a controlling interest in Tiffany and assume the management of that company. This intention was frustrated when members of the Tiffany management, and their associates, sold a majority of the outstanding Tiffany stock to the Hoving Corporation, which operates the Bonwit Teller stores.

Our commitment in Tiffany stock was made pursuant to agreements under which the owners hold an option (until October 15, 1956) to decide whether to repay your company the sums advanced against their shares or whether to turn over full title to this stock to your company. Until these options expire, it will not be possible for your company to make any final decisions with reference to its interest in Tiffany and Company. Your Directors believe, however, that the Tiffany stock represented by your company's commitment will be worth at least the amount of that commitment.

You are all, of course, familiar with the fact that at our last annual meeting our stockholders voted to increase our authorized capital stock from 1,000,000 to 3,000,000 shares. Subsequently, your Directors declared a dividend of two additional shares of \$5 par-value common stock for each share outstanding to stockholders of record as of September 9, 1955. This increased the total number of shares outstanding from 649,762 to 1,949,286. Your Directors felt that this 3-for-1 split in our stock would result in a wider distribution of the shares and a broader market for the stock—both of which will enhance the interests of the stockholders.

The regular dividend policy of the company is reflected in the 30¢ quarterly dividend per new share, amounting to \$1.20 per year, or \$3.60 per old share of stock (on which the regular dividend formerly was 75¢ quarterly, or \$3.00 per year). Future consideration of extra dividends will, of course, depend upon our performance and earnings record during the year.

On behalf of the Directors of your company, I wish to thank the officers, the executives, and the personnel throughout the entire Bulova organization for their loyalty, their dedication, and their contribution to the continuing success and growth of our company. We look back upon a productive and profitable year. We look forward with confidence to the coming year. We are a company rich in talent and promise. We shall continue to extend our horizons.

John H. Ballard

WORLD CAPITOL OF FINE WATCHMAKING.

Bulova Park, near New York City, is the headquarters of a world-wide organization unsurpassed for skill and experience in the mass production of fine precision watches, devices, and instruments.

Here, in one of America's finest buildings, are the administration headquarters of Bulova, the watch manufacturing division, and certain special produc-

tion facilities for the armed forces.

Bulova's headquarters—soundproof, air-conditioned, humidity-controlled—have been cited many times as an architectural model of industrial construction.

The only 23-jewel, precision adjusted watches made in America are fabricated at Bulova Park. Bulova watch cases are made in our plant at Providence, R. I.



TORONTO, CANADA



WOODSIDE, L. I., N. Y.



BIENNE, SWITZERLAND



SAG HARBOR, L. I., N. Y.

HEADQUARTERS FOR HIGH PRECISION WORK

Bulova watch cases and bracelets are manufactured at Sag Harbor, L. I. Bulova radios are made at Valley Stream, L. I. Bulova watch movements are manufactured in Bienne, Switzerland.

Many of these plants also produce key devices for the military. The Valley Stream plant makes electronic equipment, as well as radios; the Providence plant

makes fire-control devices, as well as watch cases.

The Bulova manufacturing organization is a vast, growing complex of the most advanced precision techniques and equipment. It represents a pool of brains, skills and know-how unique in the ranks of American industry. Its value to the security of our nation, according to our military leaders, is irreplaceable.



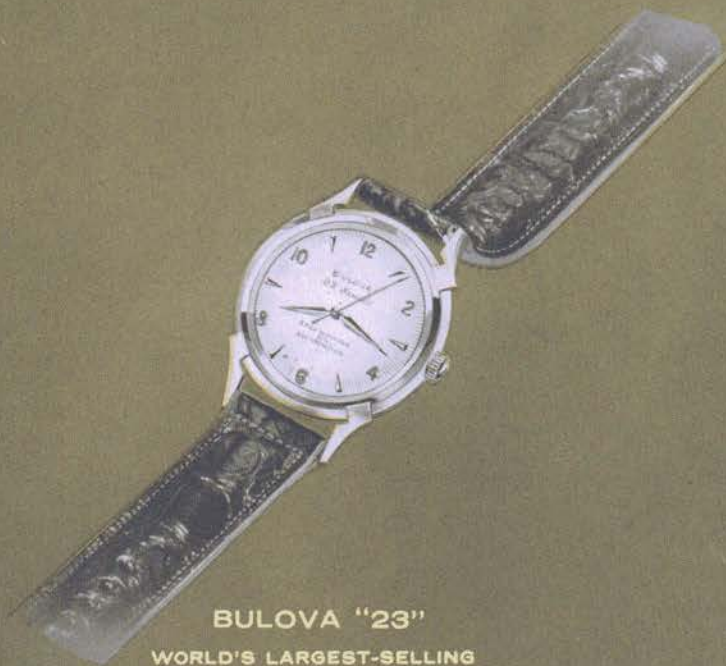
WOODSIDE, L. I., N. Y.



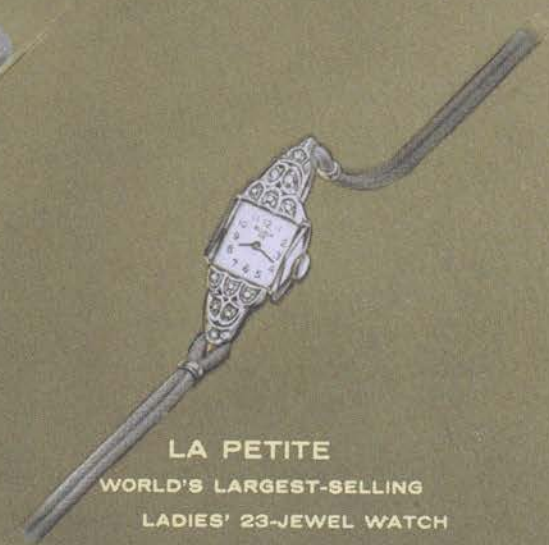
PROVIDENCE, R. I.



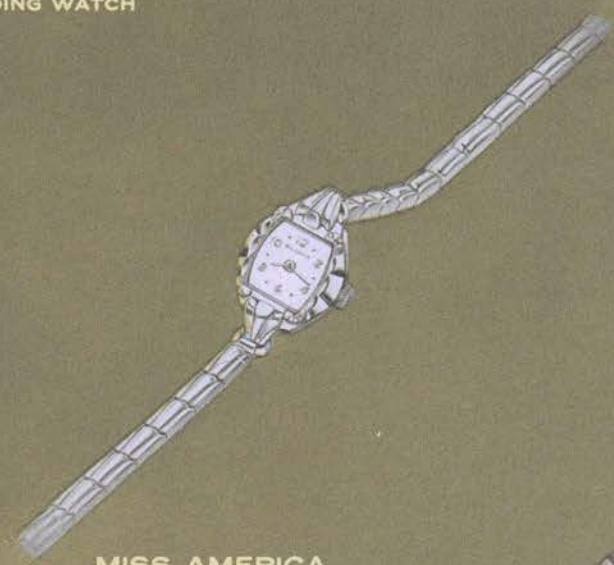
VALLEY STREAM, L. I., N. Y.



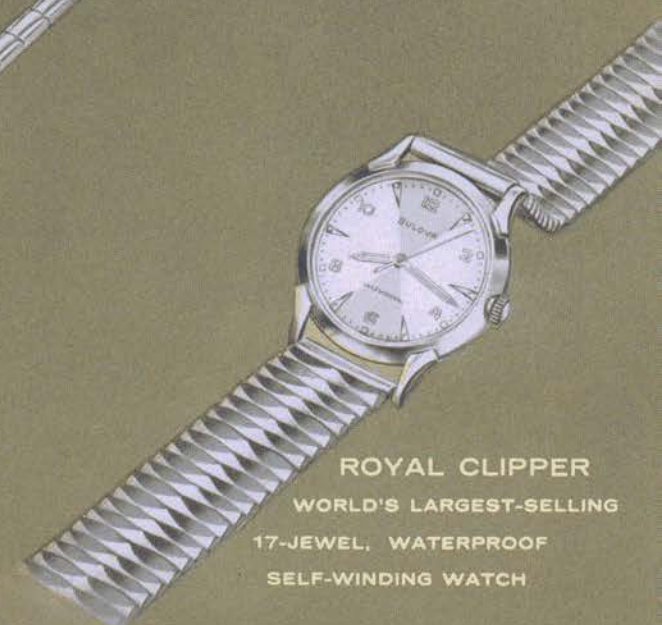
BULOVA "23"
WORLD'S LARGEST-SELLING
23-JEWEL, WATERPROOF
SELF-WINDING WATCH



LA PETITE
WORLD'S LARGEST-SELLING
LADIES' 23-JEWEL WATCH



MISS AMERICA
WORLD'S LARGEST-SELLING
LADIES' 17-JEWEL WATCH



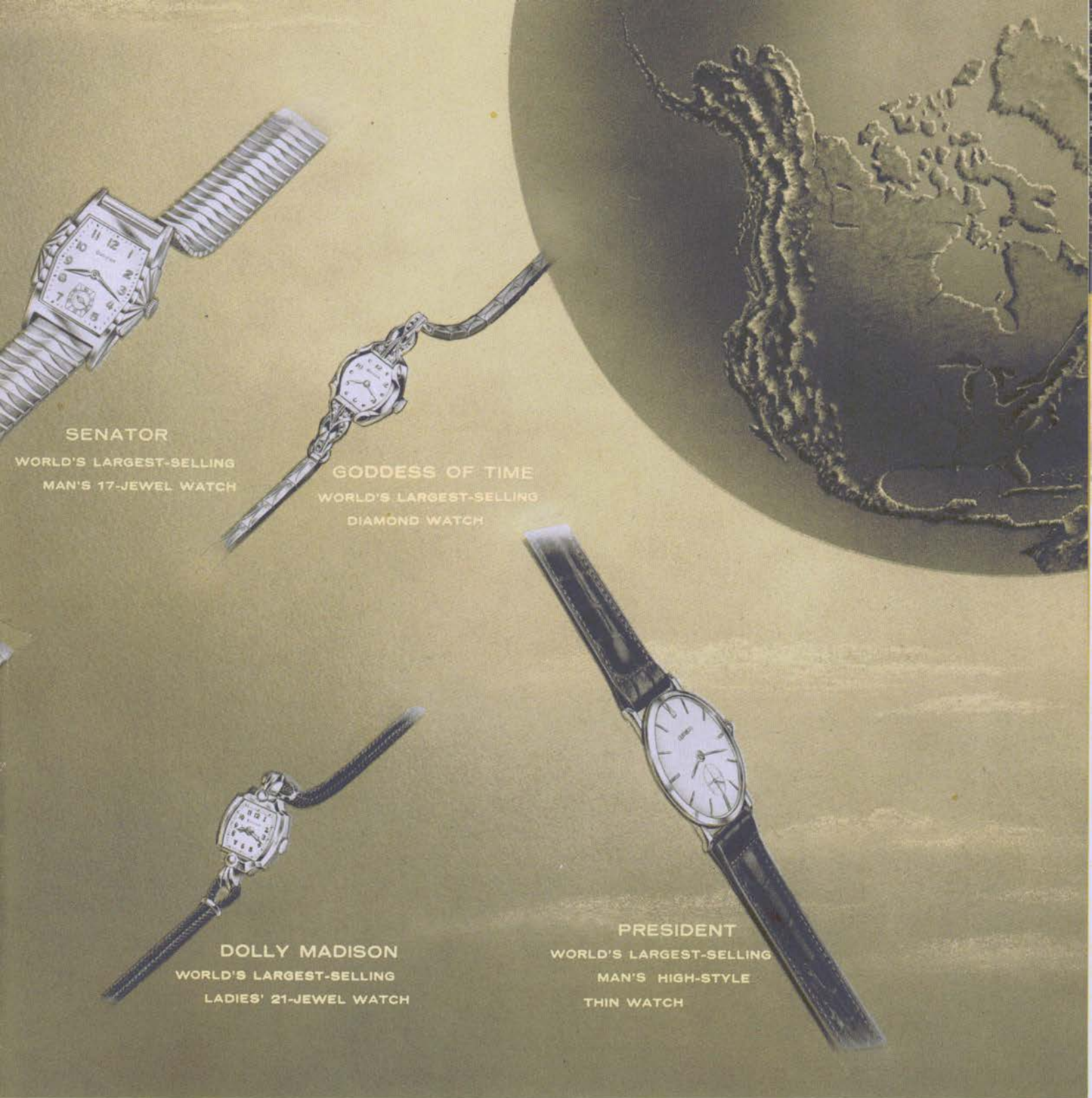
ROYAL CLIPPER
WORLD'S LARGEST-SELLING
17-JEWEL, WATERPROOF
SELF-WINDING WATCH

IN THE WORLD OF TIME... IN EVERY CATEGORY

Over the years, Bulova watch sales have surpassed those of any other jewelled-watch company in the world. In every important category of fine watches —

23 jewels, diamond, waterproof, self-winding — Bulova outsells all others.

Your company's sales leadership rests on many factors —



SENATOR

WORLD'S LARGEST-SELLING
MAN'S 17-JEWEL WATCH

GODDESS OF TIME

WORLD'S LARGEST-SELLING
DIAMOND WATCH

DOLLY MADISON

WORLD'S LARGEST-SELLING
LADIES' 21-JEWEL WATCH

PRESIDENT

WORLD'S LARGEST-SELLING
MAN'S HIGH-STYLE
THIN WATCH

FINE WATCHES... BULOVA OUTSELLS ALL OTHERS

chief among them is the fact that Bulova watches are unequalled for performance, quality and value.

The "product satisfaction" enjoyed by those who own

a Bulova watch creates invaluable personal recommendations and word-of-mouth publicity to supplement our advertising and merchandising programs.

BULOVA... AN OUTSTANDING SUCCESS IN

FIRST IN ADVANCING THE ART OF PRECISION

The merchandiser in a competitive economy faces the challenge of both pleasing the public and anticipating changes in the public's taste.

The Bulova "23" and the Bulova "La Petite" have won a commanding place among consumers. These watches are the only 23-jewel timepieces made completely in America. The movements provide unsurpassed accuracy through six precision adjustments — for varying temperatures, different positions, and at varied mainspring tension.

The Bulova "President" is "a masterpiece of thin-thin design," with a shock-resistant movement in a case as thin as a coin.

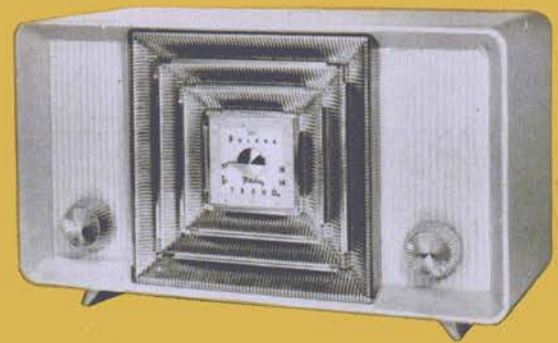


FIRST IN ADVANCING THE USE OF PRECISION

Bulova continues to offer the public the only radios in the world made with watchmaker precision. This outstanding line is constantly being widened and improved — with new models, fresh styling and special performance features.



THE MERCHANDISING OF PRECISION PRODUCTS



BULOVA WATCH ADVERTISING INFLUENCES MORE PEOPLE

Bulova advertising reaches more people, more often, more effectively than all other watch advertising combined. Spearheaded by a vast and continuous TV Spot Campaign, Bulova national advertising pre-sells potential customers at a lower cost per impression than that of any other watch advertiser.

Merchandising strategy revolves around "Bulova TV Specials" such as the "23," "La Petite" and "President." Our television commercials register an enduring impact on consumer awareness. They present watches which are unmatched for perform-

ance, beauty, and value. Each best-selling model in the Bulova line is nationally advertised as a "TV Special."

To add even greater impact to its TV advertising, Bulova this year shared the sponsorship of the popular panel show, "Two For The Money," starring Herb Shriver and, later, Sam Levenson, on the CBS Network Saturday nights.

Special Bulova advertising appears in many publications in the United States and overseas.

BULOVA ALL-OUT MERCHANDISING PROGRAM DELIVERS POWERFUL SELLING SUPPORT TO BULOVA SALESMEN, RETAILERS, RETAIL SALES CLERKS

"Total advertising — totally merchandised." This is the heart of the sales strategy which delivers maximum results from every Bulova dollar spent in advertising.

Bulova advertising works *before it appears*. The very announcement of the power and size of our advertising program assures the jewelry trade that Bulova products will move over the counter rapidly.

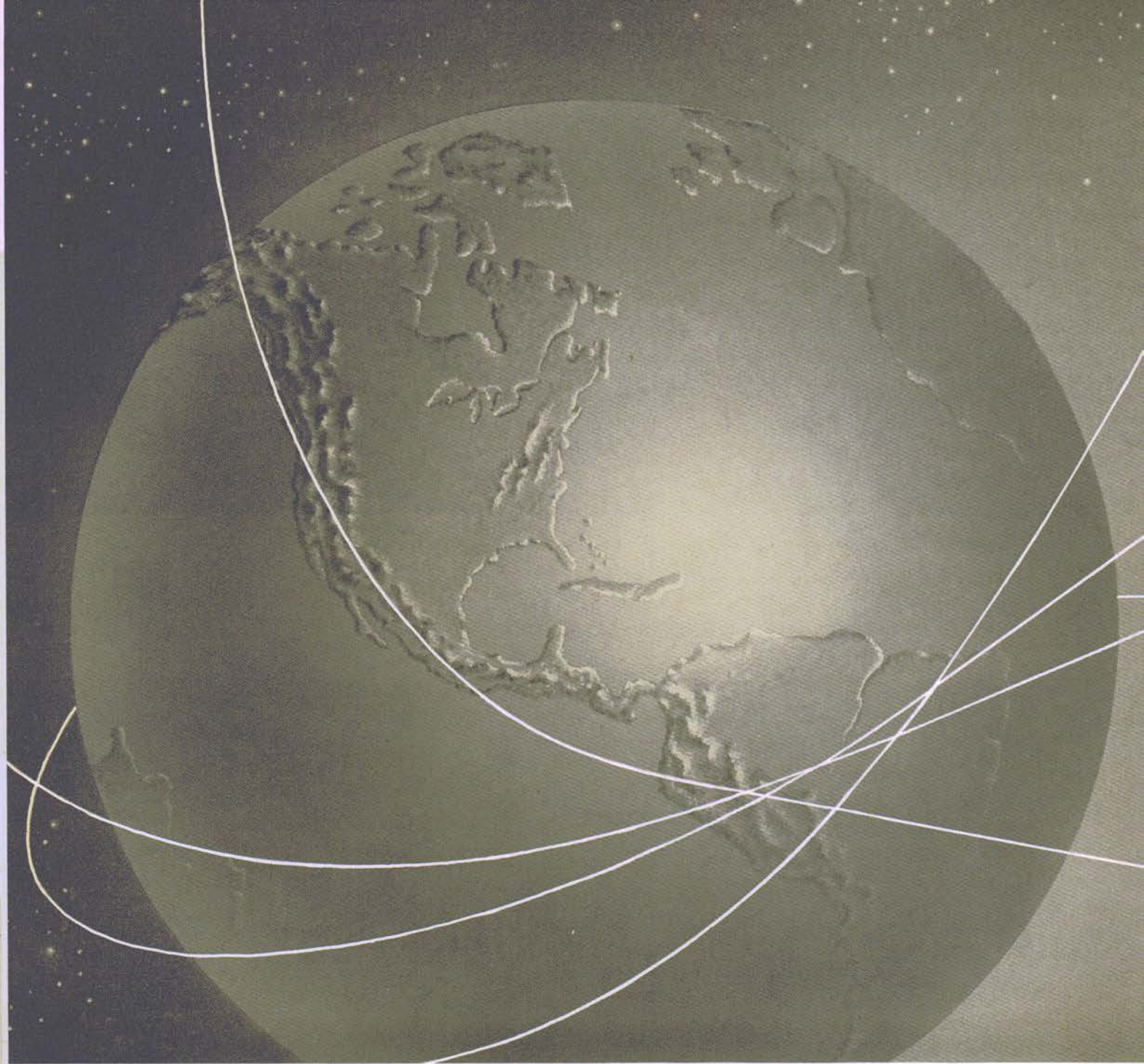
Bulova advertising works *while it is being seen*. It creates wide consumer acceptance for the Bulova brand name while selling a particular Bulova product.

Bulova advertising works *after it appears*. It is merchandised to every link in the chain of national distribution — dealers, salesmen, retail clerks, consumers.

To tie our national advertising directly into the retail store, Bulova provides retailers with selling aids of great variety, from basic sales ideas to finished promotional materials. Newspaper mats, direct mail, point-of-sales displays, films, radio scripts, TV spot announcements and scripts, sales training materials — all these are mobilized to help the jeweler sell Bulova products.

THAN ALL COMPETITIVE WATCH ADVERTISING COMBINED!



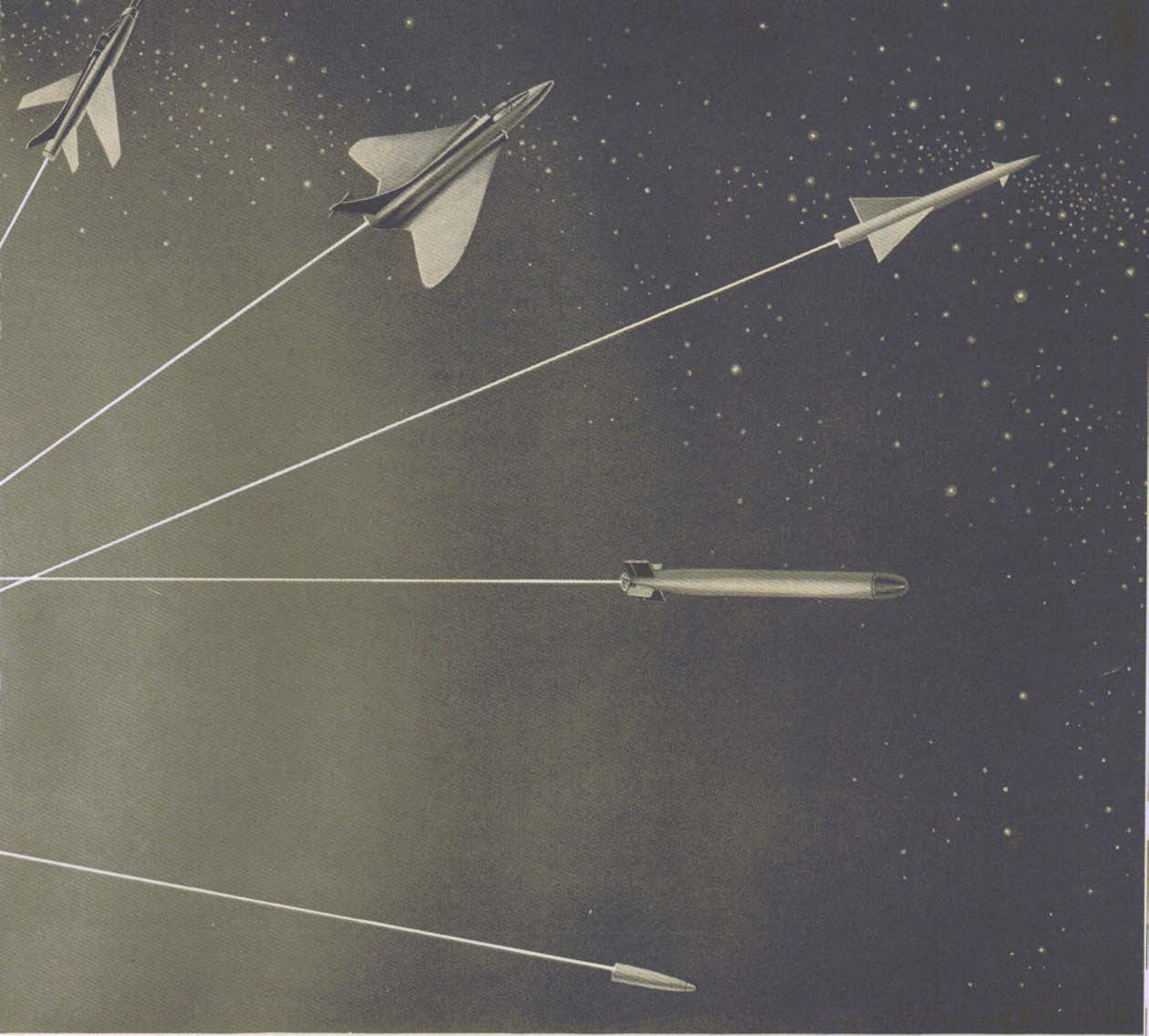


THE BULOVA WATCH COMPANY...A V

The armed forces have chosen Bulova to perfect and deliver certain critical components for the most advanced air, ground and sea weapons. Much of this work is classified as Secret.

The Bulova organization constantly explores new ways

to make use of its skills and personnel. This has resulted in the development of refined engineering and production techniques, and the manufacture of novel products: rocket fuzes, smaller than a thimble, containing 150 parts; tiny electromechanical fittings for proximity fuzes; intricate "brain-cells" for atomic



AL CONTRIBUTOR TO NATIONAL DEFENSE

powered weapons; automatic equipment for the production of quartz crystals.

Many of the manufacturing processes call for the maintenance of tolerances so microscopic as to be beyond the capacity of any other industry. Bulova has developed

an interception device so sensitive that it can detect a temperature change of $1/1,000,000$ th of a degree. America's military leaders know that the skills and organization of watchmakers must be available *in the United States* should the nation face emergency.



VITAL FOR DEFENSE . . . JEWELRY

BULOVA OPERATES THE ONLY SOURCE



Jewel bearings, so small that 50,000 of them would hardly cover the palm of your hand, are so important to defense that a modern airplane could not fly without them.

A jewel bearing is a tiny disc of synthetic sapphire, smaller than a pencil point. The sapphire is second in hardness only to the diamond. No other substance, natural or man-made, has ever been found that so efficiently protects hair-thin pivots from the destructive effects of friction.





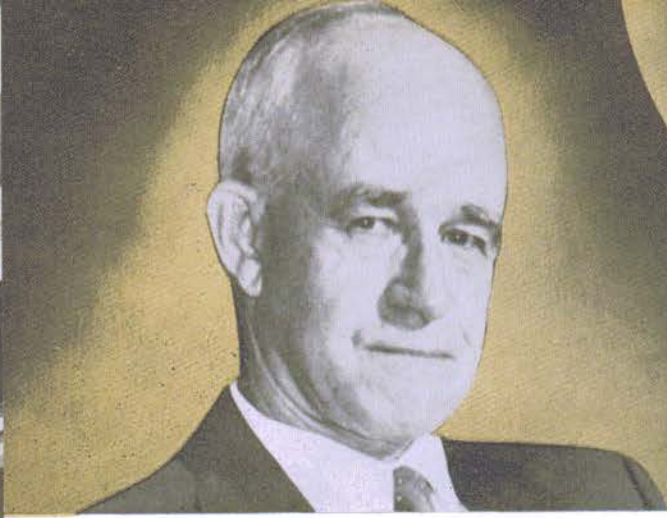
JEWEL BEARINGS

OF JEWEL BEARINGS IN THE UNITED STATES

A fighter plane uses 1,500 to 2,500 jewel bearings; a modern bomber 3,000 to 4,000; a battleship 5,000. In more advanced weapons — guided missiles, rockets, controlled projectiles — jewel bearings play an even more crucial role, and are required in even greater quantities. Jewel bearings reside in the very heart and brain of range-finders, bomb-sights, sub-miniature electronic control devices, and many other military instruments.

To guarantee in the United States a safe and continuing source of jewel bearing production, the Department of Defense, in conjunction with Bulova, built the Turtle Mountain Ordnance Plant at Rolla, North Dakota. Your company operates this plant for the United States Government at cost plus one dollar a year. The facilities at Rolla are currently being expanded by a full third of production capacity.





BULOVA RESEARCH

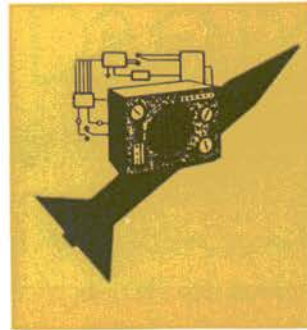
CREATIVE THINKING FROM CONCEPT THROUGH RESEARCH . . . FROM DEVELOPMENT

The Bulova Research and Development Laboratories weld science, skill and art into creative research for the national defense. The Laboratories apply scientific method and creative imagination to the engineering of instruments and weapons of singular complexity. Airborne equipment—missiles, projectiles, rockets—

presents the scientist with problems that verge on the seemingly impossible: fantastic precision must be built into extremely small boundaries of space and weight. The Laboratories, drawing on years of Bulova know-how in precision operations, function as a matter of daily routine with micro-miniaturization techniques.



INSTRUMENTS — Among the new items developed by Bulova for the armed services is a hand-held mechanical computer, to be used by pilots as a navigational aid.



ELECTRONICS — Bulova has successfully developed certain equipment which combines electromechanical, electronic and optical components. Among these are an ingenious control system for guided-missile launchings, and a closed-loop servo-system, operating with transistors, which can be used where conditions of sub-miniaturization and medium power are obligatory.



GYROSCOPES — The Laboratories have designed and developed new and compact gyroscopes for use in missiles and aircraft. Notable among these is an entirely new type of powder gyro.



FUZES — Our fuze development engineers have successfully completed mechanical and electromechanical devices for guided missiles, shells, rockets, and bombs. Several of these incorporate concepts originated and perfected in the Bulova Research and Development Laboratories. In some cases, entire production systems have been designed as part of a comprehensive research assignment.

PRECISION SKILLS

OF BULOVA WATCHMAKERS . . .

AND DEVELOPMENT LABORATORIES

ENT ENGINEERING TO PROTOTYPE, AND INTO MASS PRODUCTION FOR DEFENSE

The skill of watchmakers, perfected over long years of work with extremely minute tolerances, has been transferred to the solution of problems involving weapons design and engineering.

The activities of the Bulova Research and Development Laboratories today range across many fields:

electronics, electromechanical devices, ballistics, photography, automation. The undiminished demand of the military for more and more intricate weapons presents daily challenges to the analytic ingenuity and inventiveness of the scientists and engineers who form the Bulova Research and Development Laboratories.

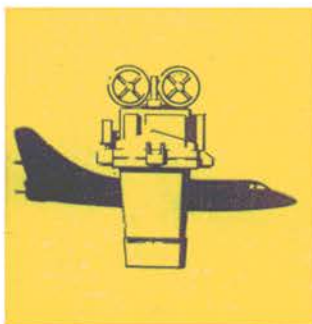


GUIDED MISSILE COMPONENTS — The several groups of scientists and technicians engaged in guided missiles research have developed safety-and-arming devices for a number of missiles.

Our engineers have also designed, developed, and manufactured critical control mechanisms, such as program timers, which operate as the brain and nerve center of guided missiles.



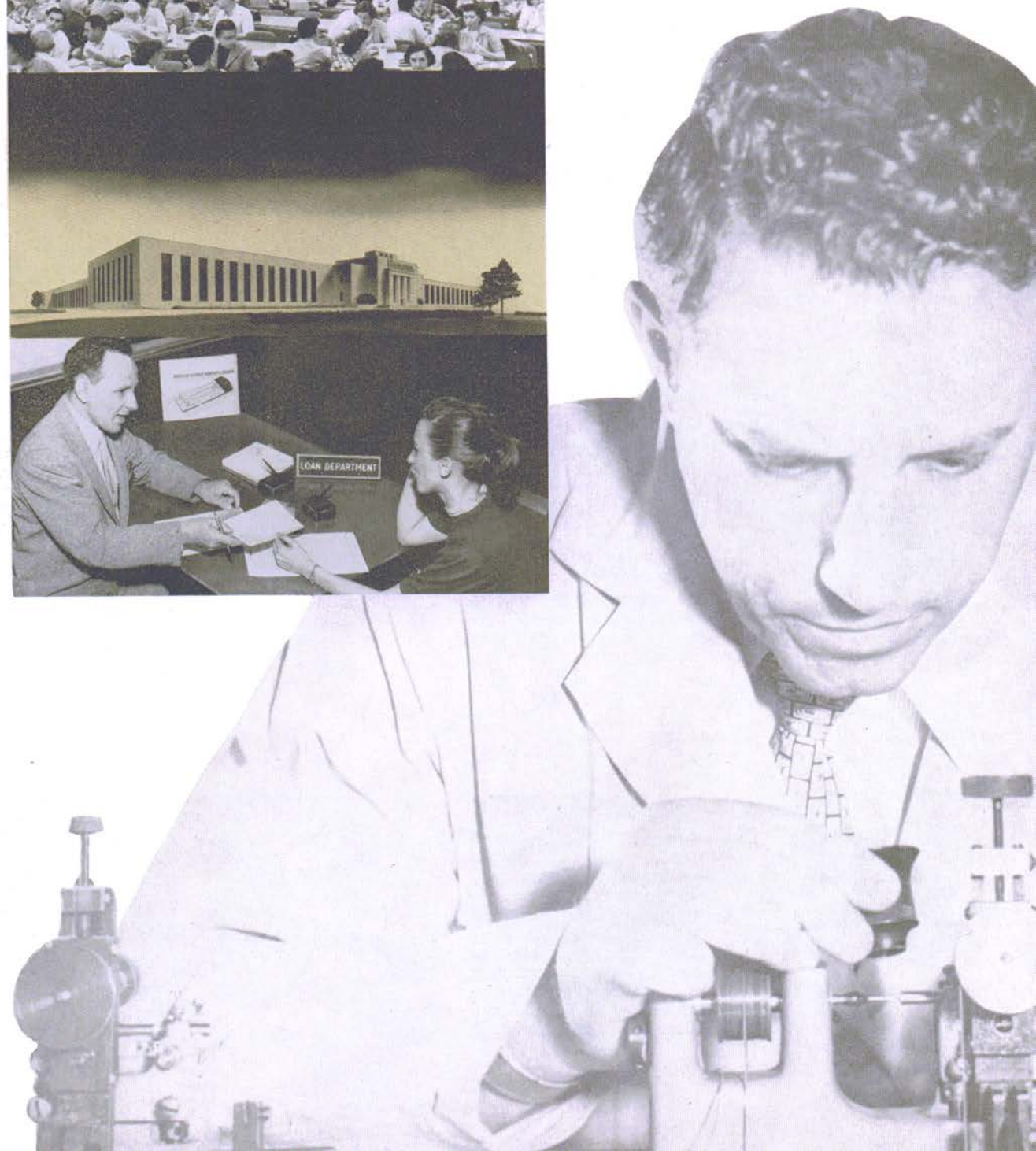
CAMERA APERTURE CONTROLS — Our engineers have invented a number of automatic aperture control systems for cameras. This work has progressed to the design of "retro-fit kits," which will provide automatic aperture control for existing cameras; new camera designs have been modified to include automatic aperture control.



CAMERA SYSTEMS— Bulova has for some time been engaged in the design and production of special cameras for reconnaissance and combat purposes. The work has ranged from production design to pilot models to functioning prototypes. Improvements of great ingenuity in camera systems have been contributed by the Research and Development Laboratories.



INFRA-RED SENSING DEVICES — Bulova has installed a pilot production line for the manufacture of certain infra-red "sensing" devices. Invaluable information has been accumulated in this field which can be used with maximum effectiveness should mass production under emergency conditions become necessary.



HIGH MORALE AND STABILITY... KEYNOTES OF BULOVA AT WORK

SECURITY

Bulova was one of the first companies in the watch industry to institute a comprehensive retirement pension plan for its employees at no cost to the employees. The plan now embraces assets of over \$16,000,000. It assures our employees that long and dedicated service will be rewarded. This plan also includes a free life insurance policy equal to a full year's earnings.

A liberal program of sickness and accident benefits is provided to Bulova employees — managed by the employees themselves.

EDUCATIONAL ASSISTANCE

Your company awards scholarships for the higher education of the children of employees. Students are selected on the basis of competitive examination; the amount of the scholarship aid is determined by the need of the family.

The scholarship awards may provide for four years of tuition — plus expenses — at a college of the stu-

dent's choice. In addition, \$500 is granted, each year, to each privately endowed college attended by a student who has won a Bulova scholarship award. Eight scholarships were awarded in 1955.

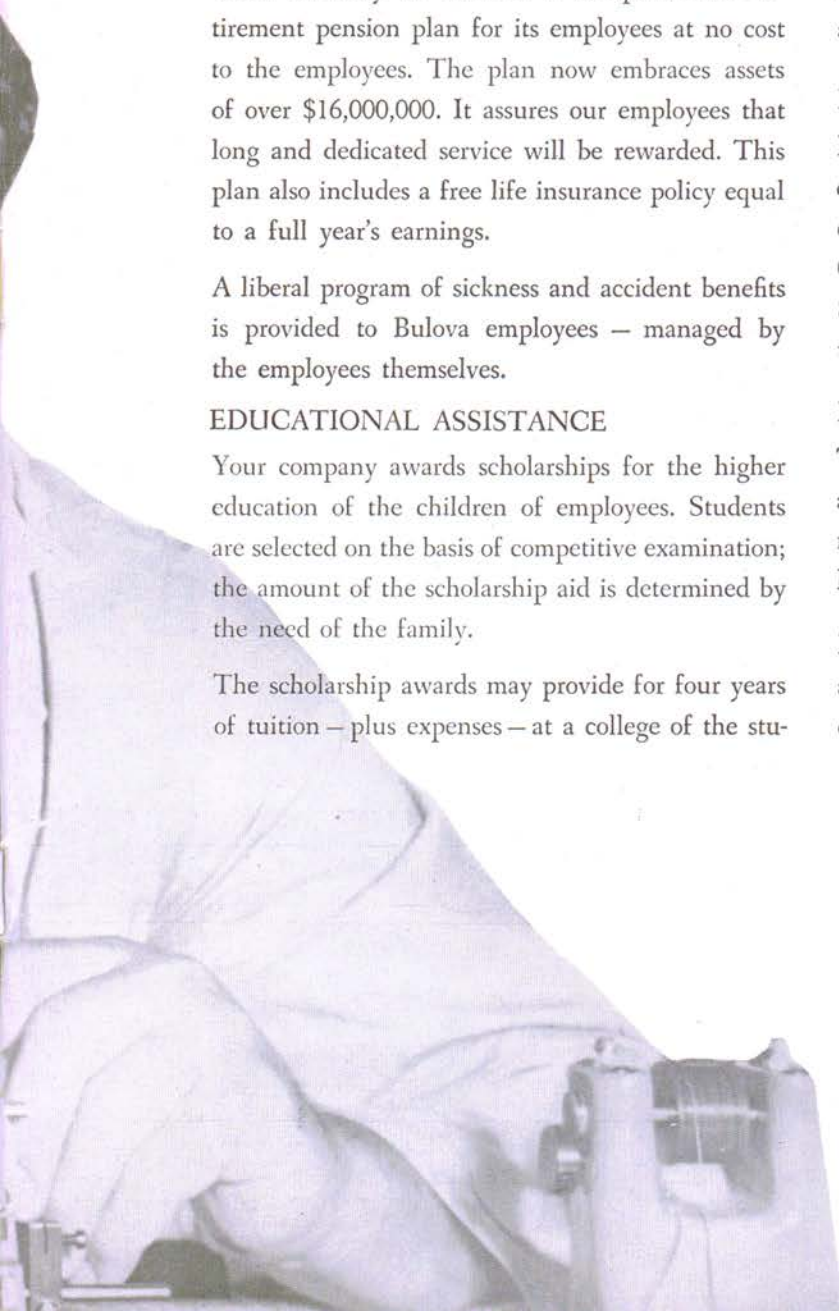
EMPLOYEE CREDIT UNION

In 1953, Bulova employees founded an independent credit union, which they manage. Over 3,190 employees now participate in this credit union. Over \$1,200,000 in loans have been made. A U. S. Savings Bond program is included in the credit union facilities.

ENVIRONMENT

The Bulova factory has been cited many times as a model plant with the most advanced improvements available in lighting, air conditioning, and humidity control.

Each building has its own cafeteria, supervised by a trained dietician. Thousands of meals are served daily, at modest prices.





Arde Bulova



John H. Ballard



Oscar Burki



Charles J. Rotter



Leon R. Durning



Samuel P. Epstein



Harry D. Henshel



James B. Durning



Thomas H. McFarlane



Arnold W. Marti



Joseph M. Miller



Rudolph Sterz



Norman Teguns



Oscar J. Bibeau



Frank Cardenas



Charles O. Durning



Oscar A. Bearegard



Catherine W. DesGrange



Eileen F. Griffin



Arthur M. Kaufman



Henry C. Lumley



Albert Neuhaus



Ben Swartsberg



Harry Taub



Raoul Bilodeau



Abraham Carnow



Harry Cohen



William Davies



Emil E. Fachon



Maud Hart



Elisabeth Kammandel



Otto Kammandel



Emanuel Hochman



Michael Hornak



Winnifred Langton



Frank Sheinberg



Edward Thomy



Belle Isaacs Wasser



Fred T. Bailey



Ovila J. Bessette



Joseph E. Alexander



Paul Calame



Charles Christopher



George C. Durning



Mortimer G. Evans



Rosalia Flamand



Walter Flury



Carl G. Litjendahl



Gerald Chard



Otto Dreyse



Maurice Gautier



Francis Guinand



George E. Guy



Raymond J. Hebert



William Hoffman



Otto Krejci



Hugo Von Burg



Ray F. Warren



Fritz Wullschlegler



Otto Zimmermann



THE BULOVA
TWENTY-FIVE YEAR CLUB



Sam Gurry



Tillie Schmidt Dunworth



Haig Mardrossian



Samson Hittner



Joseph P. Johnson



Charles Klecka



Samuel Klein



Harriet Dimond Levy



Samuel H. Kaufman



Gaetano T. Langione



Mildred E. McCabe



Harry H. Prezant



Sylvia Schlanger



Lou Shoen



Joseph H. Wood



Norman Allebaugh



John Burgbacher



Jesse Henshel



Marion P. Kouffman



John W. Newton



Palmira G. Reilly



George C. Reimer



Joseph Turner



Rene Berger



Harry Kellar



Lillian Peters



Barney Berkes



Benjamin R. Butler



Robert E. Day



Victor Gloekler



Milton Green



William Healy



Werner Flury



Frances Gladding (Pelletier)



Leo W. Herzman



Frances Koutensky



Albert Lempin



Sol Ollinger



Adam Rothermel



Martin Royer



Muriel McCullum



Ruth M. O'Hara



Henry Sengelmann



Robert K. Stickel



Gaston Villier



Martin Wuerthner



Yvonne Bourquin



Marcel Bourquin



Albert Lacher



Ralph Langione



Louis Monnier



Isabelle Pheulpin



Connie Pittain



Lore Sandoz



Rosa Schalroth



Eugene Sicard

The men and women who look at you from these pages represent a total of 3,463 years of service at Bulova. 1,219 employees have been with the company 10 years or more.

Bulova is proud of the remarkably low turnover among its employees. In every area of our work, Bulova veterans serve as an inspiration to their fellow employees.

BULOVA WATCH COMPANY

CONSOLIDATED

March 31, 1956 with comparison to 1955

Assets	March 31	
	1956	1955
CURRENT ASSETS:		
Cash	\$ 6,059,312	\$ 4,900,639
U. S. Government securities, at cost and accrued interest (market value: 1956 — \$387,750; 1955 — \$581,406)	393,257	586,131
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1956 — \$895,458; 1955 — \$832,580)	16,662,098	15,645,806
Other accounts receivable	195,001	343,133
Inventories, at cost or less	7,975,945	8,827,453
U. S. Government contracts:		
Accounts receivable	2,313,903	5,672,280
Inventories	2,940,415	4,710,406
Reimbursable expenditures	7,158,721	7,825,618
	12,413,039	18,208,304
Less progress payments received	2,101,530	2,252,462
	10,311,509	15,955,842
Total current assets	41,597,122	46,259,004
OTHER ASSETS:		
Secured notes receivable	2,240,400	—
Cash surrender value of \$500,000 insurance on life of officer	281,277	271,281
Sundry notes and accounts receivable	449,872	302,968
Due from officers and employees under stock purchase plan (secured by shares of the company's capital stock: 1956 — 12,154 shares, market value \$258,272; 1955 — 24,114 shares, market value \$455,152)	140,359	276,959
Capital stock, at less than cost, held for resale to officers and employees (note G).....	299,893	411,517
	3,411,801	1,262,725
PLANT PROPERTY, AT COST (NOTE B):		
Land, buildings and improvements	7,637,423	7,658,252
Machinery and equipment	4,324,962	4,359,241
Furniture, fixtures and leasehold improvements	555,000	542,266
	12,517,385	12,559,759
Less accumulated depreciation	3,467,378	2,854,899
	9,050,007	9,704,860
REAL ESTATE — LAND	1,143,559	1,176,559
PREPAID EXPENSES	214,625	253,944
	\$55,417,114	\$58,657,092

(See Notes to Financial Statements)

BALANCE SHEET

figures at March 31, 1955

		Liabilities		<u>March 31</u>	
		<u>1956</u>		<u>1955</u>	
CURRENT LIABILITIES:					
Unsecured notes payable		\$ 198,000		\$ 5,396,825	
Accounts payable		3,891,341		3,948,193	
Accrued salaries, wages, commissions and expenses		3,775,620		3,299,859	
Accrued domestic and foreign taxes		4,332,629		3,976,372	
Total current liabilities		12,197,590		16,621,249	
3½% SINKING FUND NOTES DUE MAY 1, 1969 (note C)		8,000,000		8,000,000	
DEFERRED FEDERAL TAXES ON INCOME — principally tax on accelerated amortization of emergency facilities (note B)		936,297		639,215	
CAPITAL STOCK:					
			<u>Shares</u>		
		<u>1956</u>	<u>1955</u>		
Common stock, \$5 par value:					
Authorized	3,000,000	1,000,000			
Outstanding	1,949,286	649,762			
CAPITAL SURPLUS (note H)		—		2,140,700	
EARNED SURPLUS (retained for use in the business) — (notes C and H)		24,536,797		28,007,118	
Total capital stock and surplus		34,283,227		33,396,628	
		\$55,417,114		\$58,657,092	

BULOVA WATCH COMPANY, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

Year ended March 31, 1956 with comparative figures for 1955

	Year ended March 31	
	1956	1955 (note I)
NET SALES	\$80,059,644	\$76,411,065
COST OF GOODS SOLD	53,670,410	52,826,884
GROSS PROFIT FROM SALES	26,389,234	23,584,181
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,077,001	13,459,609
PROFIT FROM OPERATIONS (after deducting depreciation: 1956 — \$947,909; 1955 — \$945,957 — note B)	11,312,233	10,124,572
 INCOME CHARGES:		
Taxes, other than income taxes	1,617,177	1,481,240
Interest paid (less interest earned: 1956 — \$51,510; 1955 — \$33,699)	457,462	540,645
Contributions to employees' retirement plans	1,270,489	1,293,368
Contributions to charities	308,915	308,398
	3,654,043	3,623,651
INCOME BEFORE INCOME TAXES	7,658,190	6,500,921
U.S. AND FOREIGN INCOME TAXES (including deferred taxes relating to accelerated amortization of emergency facilities: 1956 — \$304,981; 1955 — \$303,174)	4,175,000	3,549,100
NET INCOME FOR THE YEAR	3,483,190	2,951,821
DEDUCT DIVIDENDS PAID — \$1.35 per share in 1956; \$1.17 per share in 1955 (after retroactive adjustment for 3 for 1 stock split)	2,596,591	2,230,641
	886,599	721,180
EARNED SURPLUS AT BEGINNING OF THE YEAR	28,007,118	27,285,938
	28,893,717	28,007,118
LESS AMOUNT TRANSFERRED TO CAPITAL STOCK IN CONNECTION WITH 3 FOR 1 STOCK SPLIT (note H)	4,356,920	—
EARNED SURPLUS AT END OF THE YEAR (retained for use in the Business) — (note C)	\$24,536,797	\$28,007,118

(See Notes to Financial Statements)

NOTES TO FINANCIAL STATEMENTS

NOTE A:

The consolidated balance sheet includes assets and liabilities located in foreign countries as follows:

	1956	1955
SWITZERLAND:		
Current assets	\$1,539,607	\$1,856,083
Other assets	43,169	45,387
Total assets	<u>\$1,582,776</u>	<u>\$1,901,470</u>
Liabilities	<u>\$ 736,909</u>	<u>\$ 673,210</u>
CANADA:		
Current assets	\$2,418,306	\$2,417,038
Other assets	146,165	171,691
Total assets	<u>\$2,564,471</u>	<u>\$2,588,729</u>
Liabilities	<u>\$ 507,395</u>	<u>\$ 605,681</u>

All foreign currency items have been converted at prevailing rates of exchange.

NOTE B:

Depreciation on property covered by certificates of necessity, having a gross asset value of \$4,432,164 at March 31, 1956 and March 31, 1955, has been booked at normal rates used by the company, although for income tax purposes the accelerated amortization of 20% per annum has been deducted. The excess of tax amortization over normal depreciation has resulted in a temporary tax benefit of \$864,796 (\$304,981 arising in 1956 and \$303,174 in 1955) which has been charged against earnings and credited to deferred Federal taxes on income. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on property covered by certificates of necessity then being booked in the accounts will not be deductible for income tax purposes.

NOTE C:

The parent company is obligated to pay \$450,000 against the 3½% sinking fund notes on May 1, 1957 and on May 1 of each year thereafter. Additional payments may be made in any year but if such additional payments exceed \$450,000 in any one year a premium must be paid on the excess.

Under the terms of the notes, the company has agreed not to permit its working capital to fall below certain prescribed limits, and has also agreed to restrictions on the creation of additional funded debt and on various other matters.

The terms of the notes place certain restrictions on the payment of dividends, other than stock dividends, and on the purchase or retirement of shares of the company's capital stock. The net effect of these restrictions is to limit the amount available for dividends and stock purchases after March 31, 1956 to \$3,607,779, plus subsequent earnings, less annual sinking fund payments of \$450,000 commencing May 1, 1957.

NOTE D:

Federal income tax returns for the years ended March 31, 1952 and prior have been examined by the Treasury Department and all taxes for such years have been settled.

NOTE E:

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1954. Management is of the opinion that no excessive profits were realized for the years ended March 31, 1955 and 1956.

NOTE F:

The unpaid cost as at March 31, 1956 of past services in connection with the company's employees' retirement plan as determined by independent actuaries is \$691,699, subject, however, to termination or amendment as provided in the plan. It is expected that this amount will be charged to income over a period of 13 and ¾ years.

NOTE G:

At March 31, 1956 options to purchase 16,200 shares of the parent company's stock at prices ranging from \$11.00 to \$11.67 per share were held by certain officers and employees. During the year ended March 31, 1956 options for 34,245 shares were exercised at prices ranging from \$10.17 to \$15.17 per share, and during the year ended March 31, 1955 options for 81,855 shares were exercised at prices ranging from \$10.17 to \$11.67 per share. The 1955 share and price figures have been revised to give retroactive effect to the three for one stock split. All options have been granted at 85% of the quoted market value on the dates of grant. The difference between the option price and market value is charged against income and credited to capital stock held for resale to officers and employees.

NOTE H:

During 1955 the company's capital stock was split three for one, 1,299,524 additional shares of \$5.00 par value common stock being issued to stockholders of record on September 9, 1955. In connection therewith, all of the capital surplus at March 31, 1955 amounting to \$2,140,700 and \$4,356,920 of earned surplus were transferred to the common stock account.

NOTE I:

Certain items in the 1955 annual report to stockholders have been reclassified for comparative purposes on the accompanying consolidated statement of income and earned surplus.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Bulova Watch Company, Inc.:

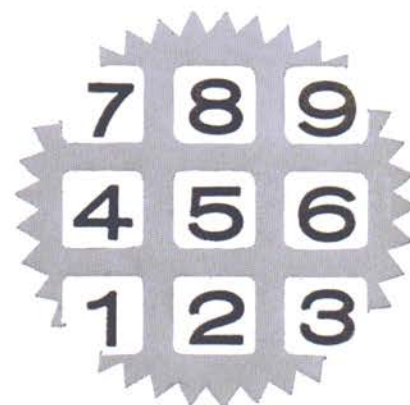
We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1956 and the related statement of income and earned surplus for the year then ended. Our examination, which included all companies and branches except two Canadian subsidiaries and the Swiss branch, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm by correspondence amounts due from the United States Government, but we satisfied ourselves as to such amounts by means of other auditing procedures.

The accounts of the Canadian subsidiaries and the Swiss branch which are included in the consolidated statements were examined by other independent accountants. The assets and net sales so examined constitute 8% and 4%, respectively, of the related consolidated figures.

In our opinion, based on our examination and on the reports of other independent public accountants, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
June 13, 1956

PEAT, MARWICK, MITCHELL & CO.





LABOR 40.4¢



MATERIALS AND PURCHASES 35.6¢

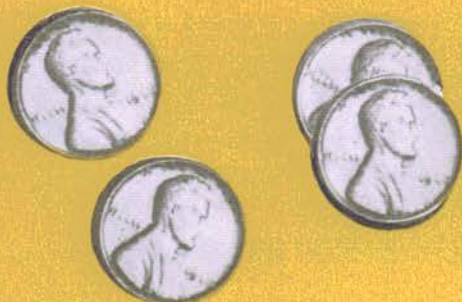
THE BULOVA SALES DOLLAR



GENERAL BUSINESS EXPENSES 13.3¢



TAXES 6.3¢



DIVIDENDS PAID 3.3¢



RETAINED FOR BUSINESS DEVELOPMENT 1.1¢

FINANCIAL POSITION

END OF FISCAL YEAR

Year ended March 31, 1956 with comparative figures for 1955

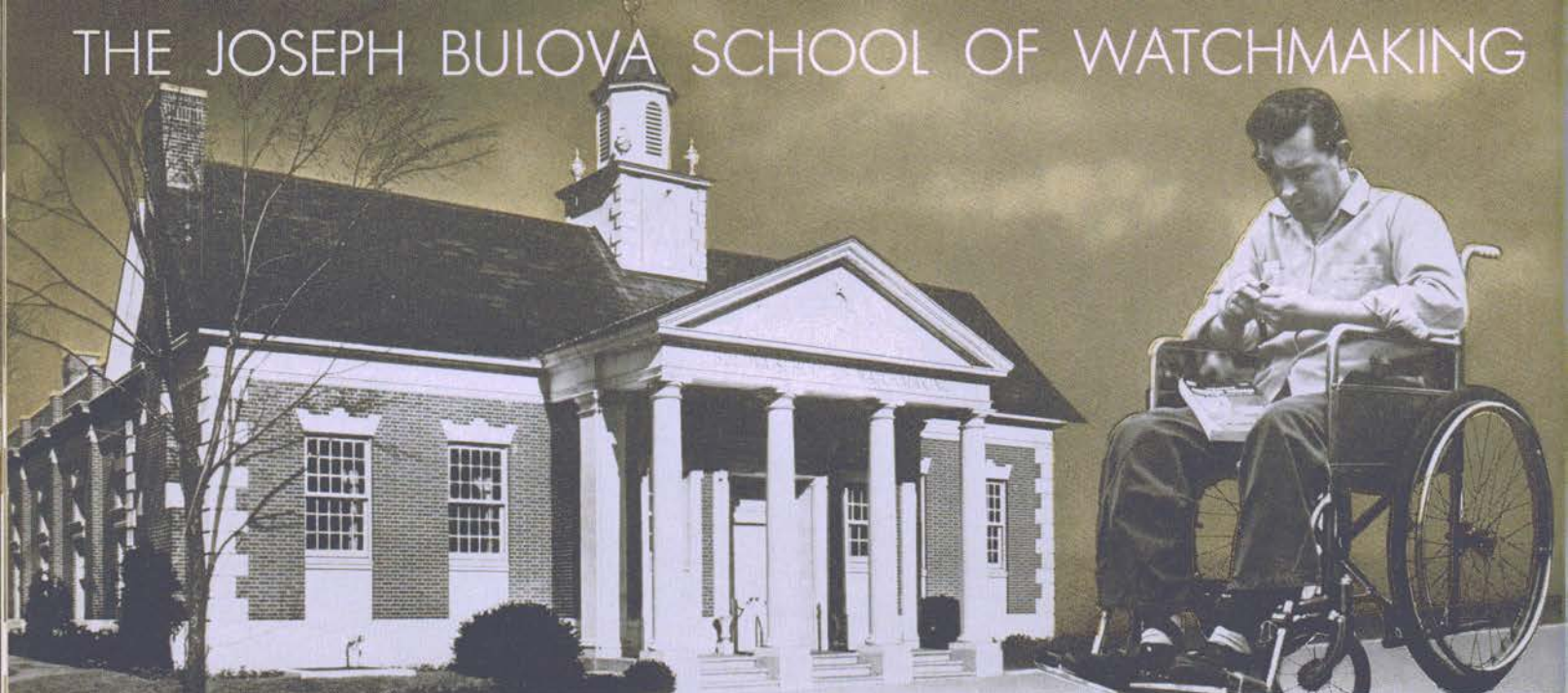
Assets	March 31	
	1956	1955
Cash and Government Securities	\$ 6,452,569	\$ 5,486,770
Owed to us by our Customers	16,857,099	15,988,939
Civilian Inventories	7,975,945	8,827,453
Owed to us by U. S. Military Procurement Services	10,311,509	15,955,842
Company's Stock Held for Resale and Amounts Due us for Stock Sold	440,252	688,476
Plant Properties and Equipment	9,050,007	9,704,860
All Other Assets	4,329,733	2,004,752
TOTAL	\$55,417,114	\$58,657,092

Liabilities		
Current Payables for Raw Material, Payrolls, Taxes, etc.	\$12,935,887	\$11,863,639
Borrowed Capital	8,198,000	13,396,825
Total Liabilities	\$21,133,887	\$25,260,464
Stockholders' Equity	34,283,227	33,396,628
TOTAL	\$55,417,114	\$58,657,092

Summary

	March 31	
	1956	1955
Income Before Federal Income Taxes	\$ 7,658,190	\$ 6,500,921
U. S. and Foreign Taxes on Income	4,175,000	3,549,100
Net Income	3,483,190	2,951,821
Net Income Per Share	1.79	1.51
Dividends Per Share	1.35	1.17
Earnings Retained in the Business	886,599	721,180
Ratio: Current Assets to Current Liabilities	3.4 to 1	2.8 to 1

THE JOSEPH BULOVA SCHOOL OF WATCHMAKING



The Joseph Bulova School of Watchmaking, Woodside, L.I., N.Y. Chartered by the Board of Regents of the State of N.Y., Apr. 21, 1944.

"TO SERVE THOSE WHO SERVED US"

"No one understands the value of time better than a disabled person. No one is more qualified to become a craftsman in the ancient art of the measurement of time."

— Arde Bulova

Every worthwhile achievement begins with an idea. During World War II, Arde Bulova, chairman of the board of the Bulova Watch Company, dreamed of a way to repay disabled veterans, in small measure, for the sacrifices they had made for our country. The dream became a reality when the Joseph Bulova School of Watchmaking was established. That was eleven years ago.

Operating without any government subsidy, federal or state, and financed at no cost to the students, the Joseph Bulova School of Watchmaking teaches disabled veterans the exacting art and science of watchmaking and watch repair. The school places special emphasis on training for paraplegics.

The graduates of the school—this year will see the 500th—have made remarkable records, in their own communities, as workers in precision industries, proprietors of their own shops and watch repairmen. We are proud of them.

FACILITIES OF THE SCHOOL

The school building was designed with many special features for the handicapped: ramps for wheelchair

students; automatic electric-eye doors; cork floors to prevent skidding.

The school contains a completely equipped room for visual-education films, and a library containing many rare technical books on horology. Classrooms are designed to meet the special needs of disabled people; work benches are easily adjusted to the special preferences of individual students.

The school includes a complete medical department. A full-time registered nurse, a physician, and a special consultant in rehabilitation medicine provide free services to the students.

PLACEMENT SERVICE

The school's placement service provides a job—generally in the community of his choice—for each student before he graduates.

THE BULOVA WATCH COMPANY FOUNDATION

This Foundation, to which all your Company's philanthropic contributions are made, provides funds for the Joseph Bulova School of Watchmaking and other meritorious activities, including the scholarship award program for children of Bulova employees.

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