

*Annual
Report*

For Year Ended March 31,

1960

BULOVA



Bulova sells more fine jeweled-lever watches than any other watchmaker.

Now with expanded international manufacturing resources, we are equipped to meet every marketing problem that may confront us in any part of the free world.

BULOVA

WATCH COMPANY, INC.



*Bulova Headquarters
Bulova Park
Long Island, New York*



Woodside, N. Y.



Sag Harbor, N. Y.



Providence, R. I.



Toronto, Canada



Bienne, Switzerland



*Facility
Under Construction
Neuchatel, Switzerland*

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**Serving Industry and the National Defense
in Electronics, Micro Miniaturization and Mass Precision Manufacture**

Watches from top to bottom: MISS AMERICA, 17 jewels, \$35.75; DOLLY MADISON, 21 jewels, \$59.50; BULOVA DIAMOND LA PETITE, 23 jewels, 14 Karat Gold, 6 diamonds, \$115; GOLDEN TREASURE, 17 jewels, 14 Karat Gold, \$250.

Sculpture by ANTONIO SALEMME

BULOVA

Bulova Watch Company, Inc.

Directors GENERAL OMAR N. BRADLEY, *Chairman*
HARRY D. HENSHEL, *Vice Chairman*
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GEORGE M. BUNKER
HARRY B. HENSHEL
JAMES Mc CORMACK
THOMAS A. MORGAN
LORE SANDOZ
JOHN L. WEINBERG

Officers HARRY B. HENSHEL, *President*
LORE SANDOZ, *Executive Vice President*
R. HARVEY WHIDDEN, *Executive Vice President*
DAVID ANDERSON, *Vice President*
WILLIAM O. BENNETT, *Vice President*
JOHN CARPENTER, *Vice President*
SOL E. FLICK, *Vice President, Secretary and General Counsel*
SIMON C. GERSHEY, *Vice President*
EMANUEL HOCHMAN, *Vice President*
TAD JEFFERY, *Vice President*
DAVID C. STAMBAUGH, *Vice President*
ABRAHAM CARNOW, *Treasurer*
BENJAMIN H. NATCHEZ, *Controller*
FRANK B. SHEINBERG, *Asst. Secretary and Asst. Treasurer*
ROLAND P. TALBOT, *Asst. Secretary and Asst. Controller*
JOHN CHIAPPE, *Asst. Controller*

Transfer Agent MORGAN GUARANTY TRUST COMPANY
140 Broadway, New York, New York

Registrar MANUFACTURERS TRUST COMPANY
55 Broad Street, New York, New York

Bulova Research & Development Laboratories, Inc.

Directors

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OSCAR BROCKMEYER
JOHN CARPENTER
SOL E. FLICK
HARRY B. HENSHEL
MELL PETERSON
DAVID C. STAMBAUGH
THEODORE K. STEELE

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WILLIAM O. BENNETT, *Vice President*
OSCAR BROCKMEYER, JR., *Vice President*
JOHN CARPENTER, *Vice President*
DAVID C. STAMBAUGH, *Vice President*
THEODORE K. STEELE, *Vice President and Asst. Secretary*
ABRAHAM CARNOW, *Treasurer and Asst. Secretary*
SOL E. FLICK, *Secretary and General Counsel*
ANDREW CHULICK, *Asst. Treasurer*

Bulova Watch Company, Canada, Ltd.

Directors

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DAVID ANDERSON
FRED T. BAILEY
ROBERT E. DAY
HARRY B. HENSHEL
R. DOUGLAS JENNINGS
R. HARVEY WHIDDEN

Officers

ROBERT E. DAY, *President*
FRED T. BAILEY, *Vice President*
MURIEL MCCULLUM, *Vice President*
ROY WARD, *Vice President*
ABRAHAM CARNOW, *Treasurer*
SOL E. FLICK, *Secretary*
GEORGE STANIFORTH, *Assistant Secretary*

Bulova International Ltd.

Directors

GENERAL OMAR N. BRADLEY, *Chairman*
HARRY B. HENSHEL, *Vice Chairman*
ROBERT E. DAY
SOL E. FLICK
JAMES EUGENE PEARMAN
WILLIAM J. SAVY
HENRY JAMES TUCKER
R. HARVEY WHIDDEN

Officers

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SOL E. FLICK, *Vice President, Secretary, and Treasurer*
JOSEPH F. CAMPISI, *Vice President*
GERARD A. DONOVAN, *Vice President*
JOHN CHIAPPE, *Asst. Treasurer and Asst. Secretary*
RICHARD S. L. PEARMAN, *Asst. Secretary*

Highlights

YEAR ENDED MARCH 31, 1960

	<u>Year Ended March 31</u>	
	1960	1959
NET SALES	\$66,606,126	\$58,446,574
*PROFIT BEFORE INCOME TAXES	\$ 5,621,649	\$ 4,337,168
*PROFIT AFTER INCOME TAXES	\$ 2,669,649	\$ 2,527,168
NET PROFIT FROM OPERATIONS AFTER INCOME TAXES Per Share	\$ 1.37	\$.78
SPECIAL NON-RECURRING ITEMS Per Share	\$ —	\$.52
*TOTAL PROFIT AFTER INCOME TAXES Per Share	\$ 1.37	\$ 1.30
CASH DIVIDENDS Per share	\$.60	\$.65
CURRENT ASSETS	\$45,013,706	\$40,239,642
CURRENT LIABILITIES	\$10,293,884	\$ 7,072,689
CURRENT ASSET RATIO	4.4 to 1	5.7 to 1
WORKING CAPITAL	\$34,719,822	\$33,166,953
SHARES OUTSTANDING	1,949,286	1,949,286
STOCKHOLDERS' EQUITY Per share	\$ 19.53	\$ 18.74

*Including Special Items for 1959.

To Our Stockholders:

June 14, 1960

Fiscal 1960, ended March 31, was the first full "post recession" year for Bulova.

The improved trend of watch sales that began in mid-1959 continues. Expansion of Bulova's varied line of radios, designed and engineered for the jewelry and gift trade, accounted for another new high in radio sales. There were substantial gains in defense research contracts and in sales of proprietary defense and industrial products.

The year was one of constructive progress in every area of the business.

Net earnings from operations of the Company and its subsidiaries for the twelve months ended March 31, 1960, amounted to \$2,669,649 — equivalent to \$1.37 per share of common stock.

Earnings from operations for the fiscal year ended March 31, 1959, were \$1,518,693, equivalent to 78 cents per share. The total earnings reported for fiscal 1959, were \$2,527,168 which included special non-recurring items totalling \$1,008,475 or 52 cents per share.

This gain of 76 per cent in operating profits was accomplished with an increase of 14 per cent in net sales — \$66,606,126 in fiscal 1960 compared with \$58,446,574 in fiscal 1959 — despite the fact that profits were limited by heavy costs of tooling and start-up activities for manufacture of new products to be introduced this year. Many of these costs, in keeping with our usual policy, were charged to current operations.

Four Stages of Progress

Bulova is now entering the third stage of a four-part program which opens broader horizons and gives promise of substantial growth in the foreseeable future.

Fiscal 1959 was a creative year in which new products, soon to bear the Bulova name, were born and nurtured in our laboratories and shops and in which shop-made prototypes reached the preproduction tooling stage. Fiscal 1960 was the year of transition to manufacture — the final tooling and refinement of equipment and techniques for commercial production. It was also a year in which important arrangements were made for marketing in this country of products manufactured abroad, aided by Bulova know-how and under Bulova quality control supervision. The current year will be the year of introduction and initial promotion: establishment of markets for new products. Next year should witness the fourth phase — broader markets for expanded product lines — without the extraordinary costs of the first three phases and profits commensurate with new levels of sales volume.

Our most important new product has been referred to in previous reports as it passed through various stages of its development, as an entirely new concept of measuring time. We have described it guardedly, to insure the element of surprise at the time it reaches the market, as an electronic timepiece. It is more than that. It employs a revolutionary principle never before applied to a personal timekeeping instrument which assures accuracy that will far surpass that of any existing watch, activated by spring or battery. We believe that its appearance in jewelry stores later this year will be the most exciting development in the modern history of the watch industry.

New defense and industrial products are discussed in other sections of this report.

Broadening Our Markets

It is with a feeling of significant accomplishment that we report the reorganization and concentration of overseas activities in a new subsidiary — Bulova International, Ltd. — organized in Bermuda in February, 1960, through which we expect greatly to strengthen Bulova's position in world commerce. Its functions will be to seek broader markets for our products and new products for our markets.

Bulova International, Ltd. will concern itself with further development of all areas of trade outside of the United States, Canada and Switzerland and with negotiations for products made abroad for which a demand exists or can be created on our own continent.

Bulova International, Ltd. has entered into a trade agreement with Citizen Watch Company of Japan, one of the world's largest makers of jewel-lever watches, whereby Citizen will produce for Bulova, precision manufactured jewel-lever watch movements which will constitute a part of a

new line of Japanese and Swiss watches to be marketed initially in the United States and Canada. Furthermore Citizen will become sole marketing agent in Japan — and potentially in other countries in which Citizen has strong distribution — for watches made by Bulova in the United States and Switzerland.

A Broad New Selling Front

This arrangement has broad implications. Recent years have witnessed mushrooming growth in the United States of traffic in low priced, cheaply-made pin-lever watches. Now, by drawing on combined American, Swiss and Japanese resources, Bulova is preparing to penetrate this market of more than eight million units per year with a line of precision-manufactured jewel-lever watches. The new line of watches will be marketed by a separate division under the trademark Caravelle, at prices ranging from \$13.95 to \$24.95.

Test marketing of this new line is planned to begin in the fall of 1960 preparatory to full-scale distribution and aggressive promotion in 1961, by which time it is expected to contribute to the projected growth of our business.

New Dimensions for the Watch Business

Further extensions of our sources of supply include a new factory for which ground has been broken at Neuchatel, Switzerland and expansion of watch case production at Pforzheim, Germany. We are today the largest individual producer of jewel-lever watches in the world in point of dollar value. These additional resources further add to the company's manufacturing facilities and sources of supply which are greater than any other watch company. This flexibility should equip the Company to meet every marketing problem that may confront us in any part of the free world.

As a result we are now expanding overseas marketing with initial emphasis on Italy, Japan, Australia, Hong Kong, selected South American countries and the great network of post exchanges of the armed services abroad.

New watches, featuring innovations in advanced styling — described in more detail in another section of this report — contributed substantially in fiscal 1960 to lengthen Bulova's margin of leadership in the fine watch industry. Expansion of the line of radios designed for the jewelry and gift trade, and introduction of miniature transistor receivers including striking new short-wave sets made in Japan to Bulova specifications and under Bulova quality control supervision, accounted for a new high in radio sales. The series of high fidelity, four-speed stereophonic phonographs introduced during the year was well received and we are continuing to improve and expand this new area of the business.

Military and Industrial Products

The Bulova Research & Development Laboratories, Inc., and the several divisions whose function is to manufacture and market defense and industrial products originating in the laboratories, are areas of Bulova's diversification that are becoming increasingly important to the Company's growth and stature. Each accounted for a substantial gain in volume of work in fiscal 1960.

A move toward increased efficiency and productivity in this area of the business was the formation of the Industrial and Defense Group to coordinate, under a single administration, the work of the Electronics, Photographic and Industrial & Military Products divisions. These divisions are primarily concerned with the manufacture of missile warhead systems and components — intricate timing and sensing instruments. Several million dollars in additional funds were added to previous contracts for development of the "adaption kit" for the nuclear warhead of Pershing missile. Electro-mechanical components for the Pershing system and for a score of other missile warheads developed by the Company, control and monitor the safety, arming, and detonation of missile warheads. This work represents the highest attainment in integrating watchmaker and electronic skills to meet extremely high reliability and safety factor requirements.

Sales of frequency control components increased sharply during the year, and several new products, including frequency oscillators, transistorized amplifiers and standards instruments were being introduced as the year ended. The principal market for these devices, developed and manufactured by the Electronics Division, is for the high frequency communications and telemetering systems for missiles and space vehicles.

It will be recalled that we announced last year the development of a unique new direct reading

servo altimeter for aircraft, several units of which are now being tested and evaluated. Out of this developmental experience in altimetry have grown a series of new pressure sensing instruments with interesting possibilities as a new source of business from the aircraft industry. These include new versions of the altimeter, a unique servo-barometer and an air speed test device for evaluating air speed indicators.

Several interesting product developments are in process which employ the revolutionary principles of the new electronic timepiece. One application was the installation of a timing device in the Explorer VII satellite now in orbit.

These projects provide only a partial glimpse at the operations discussed in the following pages which reach across a broad expanse of invention and production in the fields of rocketry, space age instrumentation, other electronic applications and photography.

The scope of our work for industrial customers is assuming steadily growing proportions. Among major companies that have enlisted Bulova skills and facilities for development and for mass manufacture of miniaturized high precision products are The Bendix Corporation (KCD), Martin Orlando, Thiokol Corporation, Sandia Corporation, Temco Aircraft Corporation and Radio Corporation of America.

The Year Ahead

While opinions vary as to the level to be maintained by the general economy in the near future, we are optimistic that there will be another substantial gain this year in Bulova's total business. It will be necessary, as heretofore stated, to make a considerable investment to insure the initial acceptance of these products and the creation of the expanded markets for which they have been developed. Introduction is the most costly phase of merchandising. In spite of this we look forward to increased earnings in the current fiscal year, although not in direct proportion to the possible rate of gain in sales volume.

The ratio of current assets to current liabilities at the year's end was 4.4 to 1, compared to 5.7 to 1 for fiscal 1959, and 4.1 to 1 for 1958. The decrease in the current ratio is due to our heavy production scheduling and inventory build-up. Despite this change in the current ratio, working capital increased to \$34,719,822 from \$33,166,953 for fiscal 1959, and \$31,697,573 for 1958.

Promotional costs, building of inventories for full-scale distribution of the electronic timepiece and general expansion of the business will require heavy capital expenditures but we consider our working capital position adequate and no new financing is presently contemplated.

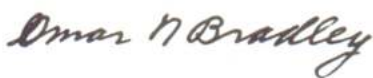
As for the longer term, Bulova is moving forward with bold plans for what we consider an era of great opportunity in the watch business, in new consumer products and in the various areas of the space age. We believe we have made sound preparation to play a rewarding part on each of these fronts.

Our strategy in the watch business is based upon the concept that on this continent and throughout the world dominant sales and progressively improved profit will accrue to the producer who equips himself to compete effectively and flexibly in the rapidly growing and changing world economy. This principle has made Bulova the world's largest seller of jewel-lever watches and it is by enlarging on it that we propose to widen our margin of leadership.

The scope and volume of Bulova's business has and will continue to benefit from diversification of products, but we expect our basic business of timekeeping to play an increasingly important role in our growth program.

We should like here to express our appreciation for the enterprise, energy and enthusiasm displayed by all personnel of the Bulova organization in these eventful times; for the demonstrated interest of our stockholders in the Company's affairs; and the continued cooperation and support of our customers.

Respectfully submitted,



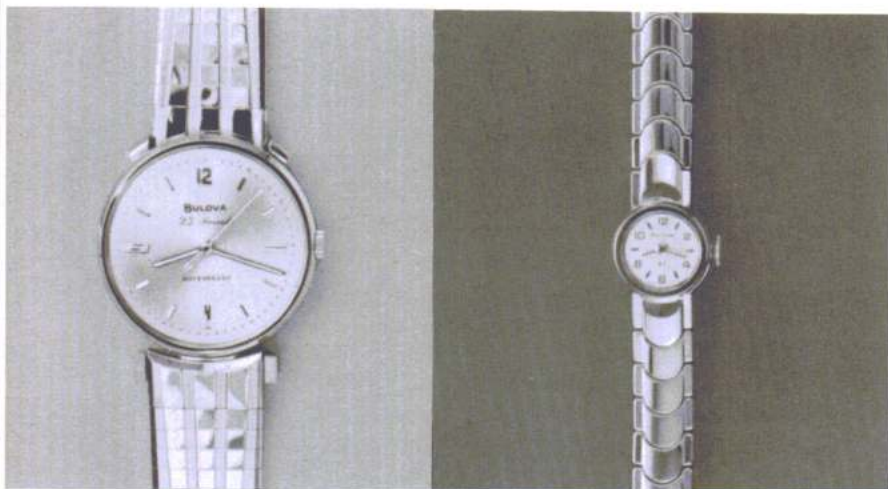
OMAR N. BRADLEY
Chairman of the Board



HARRY B. HENSHEL
President

CONSUMER PRODUCTS

ADVERTISING-MERCHANDISING



PRESIDENT

RHAPSODY

Watches

Fiscal 1960 and the early months of the current year have been eventful times for Bulova. A series of important developments have combined to strengthen its leadership in the fine watch industry and to set the stage for a new rate of growth in domestic and foreign fields.

A sharp increase in sales in fiscal 1960 over '59 resulted from new styling concepts, broadened price lines, enlarged sales organization and aggressive advertising and merchandising programs.

Distribution was expanded in sales territories abroad and new foreign markets were opened.

Plans were completed for greatly increased production and sources of supply.

In the agreement with Citizen Watch Company of Japan by Bulova International Ltd., discussed in another section of this report, the foundation was laid for penetration of a vast new domestic market with precision-manufactured jewel watches that will be in competition in price with a large portion of the pin lever watches now sold here in

great numbers, and will strengthen our position in world markets. It will open the Japanese market to Bulova's higher price range products.

In recent weeks, Bulova's revolutionary new timekeeping concept which until now we have described only partially as an electronic watch, has passed from the preproduction stage and we are building inventory from the new manufacturing lines for introduction in the fall season. We confidently predict that this entirely new type of time-piece will be a sensational event of the year.

Consistent advances in styling and design have accounted for much of the enthusiasm which greeted the Bulova watch lines last year and which have continued to bring new business to American jewelers. "Fashion harmony"—styling wrist watches as complete pieces of jewelry in which the motif of the dial and case are carried into the bracelet—prompted the replacement of large numbers of older fashion watches and attracted new watch buyers.

The new 23-jewel automatic types for men and the ultra thin 17-jewel waterproof "Sea King" were highly successful items.

This year's lines feature 150 new style and design changes that are reflected in a rising sales curve. These include a new 23-jewel waterproof automatic of unique new one-piece design for greater protection from rust and dirt; the first complete line of 30-jewel models—all waterproof and automatic; new shapes and new versions of the "fashion harmony" or total design idea both for men and women.



Inspections by highly skilled Bulova watchmaking craftsmen represent more than a third of the 3,500 or more separate operations required to produce a fine jeweled watch movement.

Conveyor-belt assembly of watches is a technique pioneered by Bulova. Plates, bridges and other materials flow from the foreground end of the line until they emerge as completed working movements at the other end. Each worker adds an essential part or performs a key inspection as the movements move along the conveyor belts.



Typical of specialized machines and operations developed by Bulova to assure high-volume production and quality control are these "leaf cutting" machines automated for operation by one employee. Machines slice rods into gear-width sections and then precisely cut teeth into each gear.



"Spacemate" radio is small enough to be held in one hand yet powerful enough to receive short wave broadcasts. Unit also receives standard domestic broadcasts. A companion dual-wave model — the Commodore — which provides standard and marine band reception, is proving popular with the growing number of boating enthusiasts.



Stereophonic phonographs are among the biggest-selling products in the home entertainment industry today. Bulova's line of five models — all of them portable and jeweler-styled — represent the Company's diversification into this growing and profitable market.

Radios

Increasingly Important to Total Bulova Volume

In the seven years since the Company entered this market, Bulova's broad line of portable radios have won wide popularity and have been an increasingly important factor in the total volume of Bulova and its jeweler customers.

This trend was accelerated in the last fiscal year by introduction of several new models. The new six-transistor "Bantam," approximately the size of a package of cigarettes, priced at \$39.95, caused a mild sensation and won instant acceptance with the consumer public. The "Bantam" and the new, eight-transistor "Jupiter" which was introduced in March, 1960, at \$49.95, are manufactured in Japan to Bulova specifications under the supervision of resident Bulova quality control engineers. To this line of midget radios there has recently been added two dual-wave models: the "Spacemate" whose seven transistors and four diodes give users world-wide short-wave reception plus standard domestic broadcasts at the flick of a switch, and the "Commodore" which receives standard broadcasts plus marine signals. This model is finding ready acceptance this spring

among the growing numbers of boating enthusiasts and other sportsmen. The dual-wave models are priced at \$59.95.

Portable Stereophonic Phonographs

An important addition to volume for Bulova and for its customers in 1960 was made possible by introduction of a new line of four stereophonic phonographs styled for sale by the retail jeweler. With sales in excess of 10,000 units in the five months after introduction in the fall, the line was broadened by addition of a fifth model in the spring. Priced from \$79.95 to \$169.95, the portable stereophonic units feature dual amplification, detachable speakers, three controls, automatic shut-off and four-speed precision record changers, all in handsome, compact carrying cases.

Greatly increased public interest in stereophonic phonographs is expected this year, due partially to the fact that the stereophonic industry will spend more for advertising and promotion during the coming months than has ever been expended in a comparable period in behalf of any form of home entertainment.

Bulova Phototimer

Back on the track scene to "keep an eye on" close finishes in the pre-Olympic 1960 season is the Bulova Phototimer—a unique combination of photo-finish camera and precision (to 1/100 of a second) electronic timing instrument.

Developed 12 years ago and successfully used at more than 100 major meets until 1955, the Phototimer was improved and reactivated by popular demand from track fans, coaches and sports writers. It incorporates latest Bulova advances in electronics and photography and features an infra-red sensing element patterned after those used on heat-seeking missiles. Mounted on the starter's pistol, it "senses" the flash of the gun and starts the Phototimer at the same instant the runners leave their marks.

Effective Advertising

Bulova, for many years, has been known as the fine watch industry's largest advertiser and enjoys a long record of high return on its advertising dollar in terms of expanding its own markets and building traffic and profit for retail jewelers.

An important part of the Company's 1960-61 program is the revival of the famed "B-U-L-O-V-A, Bulova Watch Time" radio signals which, when introduced in the late 1920's as the first commercial "spot" announcements on radio, accounted in large measure for firmly establishing Bulova's wide margin of leadership in the jeweled watch industry.

Increased use of print advertising will include both color and black and white in Life, Look, Saturday Evening Post, Reader's Digest, Ebony, and Seventeen magazines, plus coverage of key markets through Sunday magazine sections, and a special teen-age campaign through Seventeen, Scholastic Roto, and Senior Scholastic magazines.

A major and successful user of television advertising in recent years, Bulova is re-emphasizing print media and radio to combine frequent reminder of the Bulova name with dramatic and informative presentation of the superior quality and styling of Bulova products.

Consumer advertising in 1959 was supported by expanded sales promotion, merchandising and publicity programs which ranged from development of dramatic new counter displays for jewelry stores to sponsorship of a nationwide contest in which TV star Art Linkletter served as salesman for a day in the winning jeweler's store.



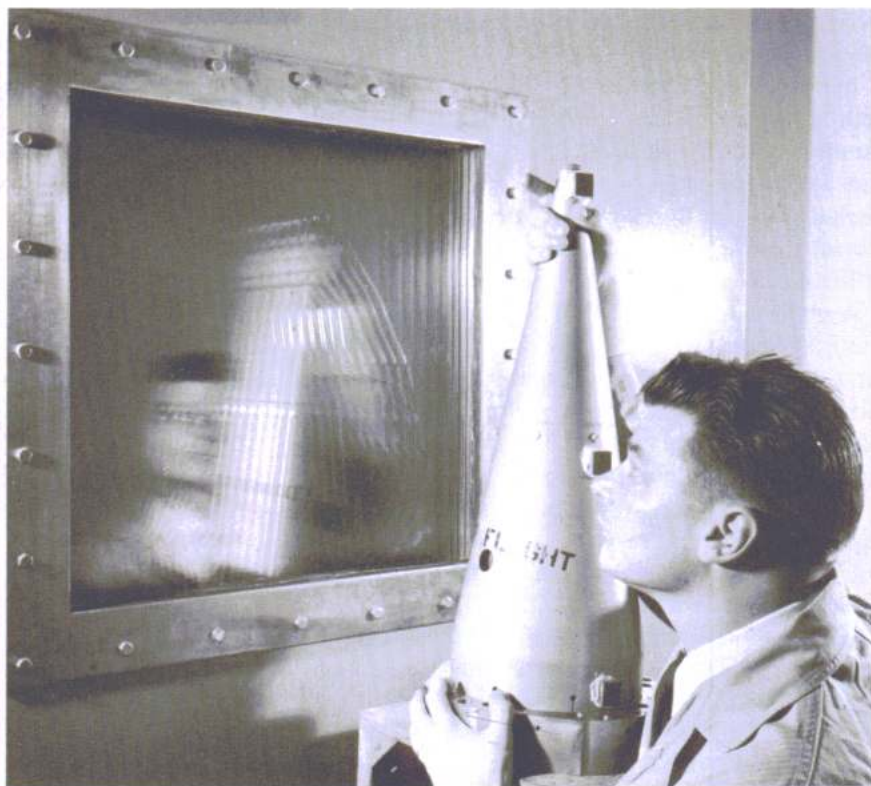
Network television, including Art Linkletter's popular "People Are Funny" program; dramatic jewelry store displays, and color advertisements in leading national magazines and Sunday supplements made Bulova "feature" watches—the Rhapsody and the President—the most advertised jeweled watches introduced by anyone in the industry during the past year.

The collage features several distinct elements:

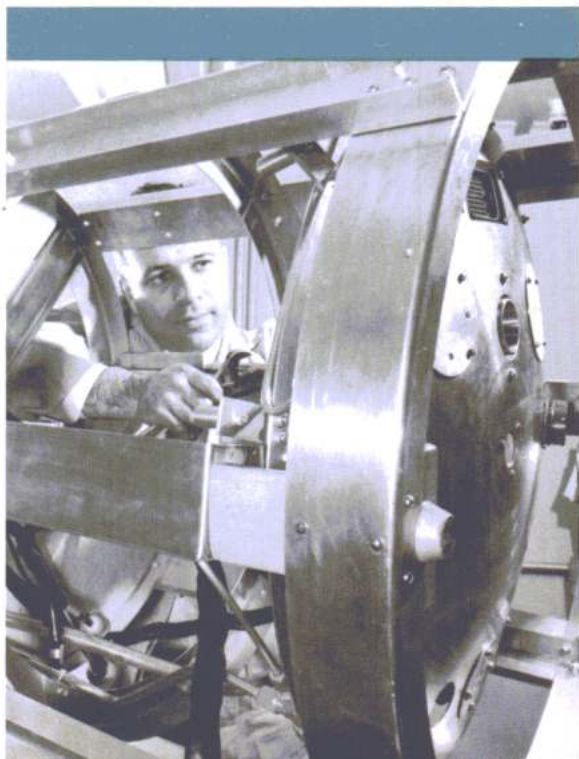
- Top Left:** A magazine advertisement for "BULOVA PRESIDENT" watches, showing a woman in a large hat and a man in a suit, with a large watch face in the foreground. Text includes "DAZZLING BRACELET WATCHES TO DRESS UP YOUR" and "NEW 23-JEWEL BEARS IN THE MAKING".
- Top Right:** A smaller advertisement for "RHAPSODY BULOVA" watches, featuring a woman's face and a watch. Text includes "GETTING A NEW FASHION FEEL" and "Watch Model Number".
- Bottom:** A counter display with multiple watch models in their presentation boxes. Price tags are visible, such as "\$59.00".

Industrial and Defense Operations

RESEARCH-DEVELOPMENT-MANUFACTURE



Eight thicknesses of glass in the high-altitude test chamber at Bulova research laboratories reflect the company's rocket nose cone liner which houses intricate timing and sensing elements of safety-arming and fuze systems of many modern missiles. The test chamber is used for simulated missile flights.



Bulova's fruitful research in space-age mechanics and electronics and the application of the unique skills of fine watchmaking to micro-miniaturized mass precision manufacture are of steadily growing importance to the national defense and to future volume and earnings of the Company. These areas of the business accounted, in fiscal 1960, for approximately 18 per cent of the total volume of the Company and its subsidiaries. The year-end backlogs were 60 per cent above those at the end of fiscal 1959 and the number of employees engaged in these operations had increased by 35 per cent.

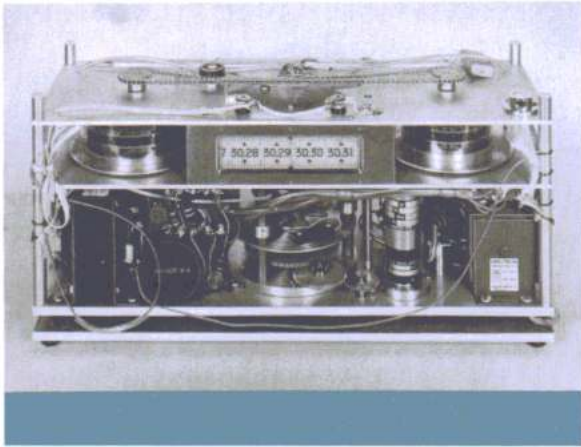
Bulova Research & Development Laboratories, Inc.

This wholly-owned subsidiary, now in its tenth year, is devoted exclusively to implementation of Company-sponsored research programs and to design and development projects for the national defense.

Warheads for Defense

Bulova is one of four principal subcontractors for the Army's Pershing ballistic missile. With the first test firing of the Pershing in mid-February, we were able to report publicly for the first time the considerable responsibility assigned to Bulova by the prime contractor, The Martin Company, which includes research, development, and proto-

Missile surgery is performed by Bulova technician as he assembles "breadboard" model of warhead adaption kit by connecting "vital organs" such as timers, sensors, accelerometers, fuzes, and safety-arming devices.



Easy-reading test barometer developed by Bulova uses servo system and new aneroid capsules to assure accuracy in recording barometric pressure to thousandths of an inch and to provide portable instruments for use in laboratories, weather stations and at airports.

type production of the warhead safety-arming system and complete fuzing system.

Another new missile for which the Laboratories is conducting safety-arming system development is the Navy's Corvus air-to-surface missile. These safety-arming systems are vital precision "monitors." Because safety is of paramount concern — even more important than explosion on target — the Company designs these safety-arming systems to have an unprecedented safety factor.

Among the many other missiles using safety-arming and fuzing devices designed by the Laboratories are the Terrier, Talos, Sidewinder and Sparrow.

Pressure Instruments

The Laboratories' servo-driven direct reading aircraft altimeter, development of which was announced in our last annual report, was delivered in small quantities for test and evaluation to the military and several commercial aircraft manufacturers. At the year's end, more than 4,000 hours



In flight, testing and evaluation of new Bulova Air Speed Indicator currently installed in new DC-8 at Douglas Aircraft Company, Long Beach, California.

had been logged on these test instruments with favorable comments.

A second air pressure instrument — a prototype device for evaluating air speed indicators — was developed out of our altimetry experience.

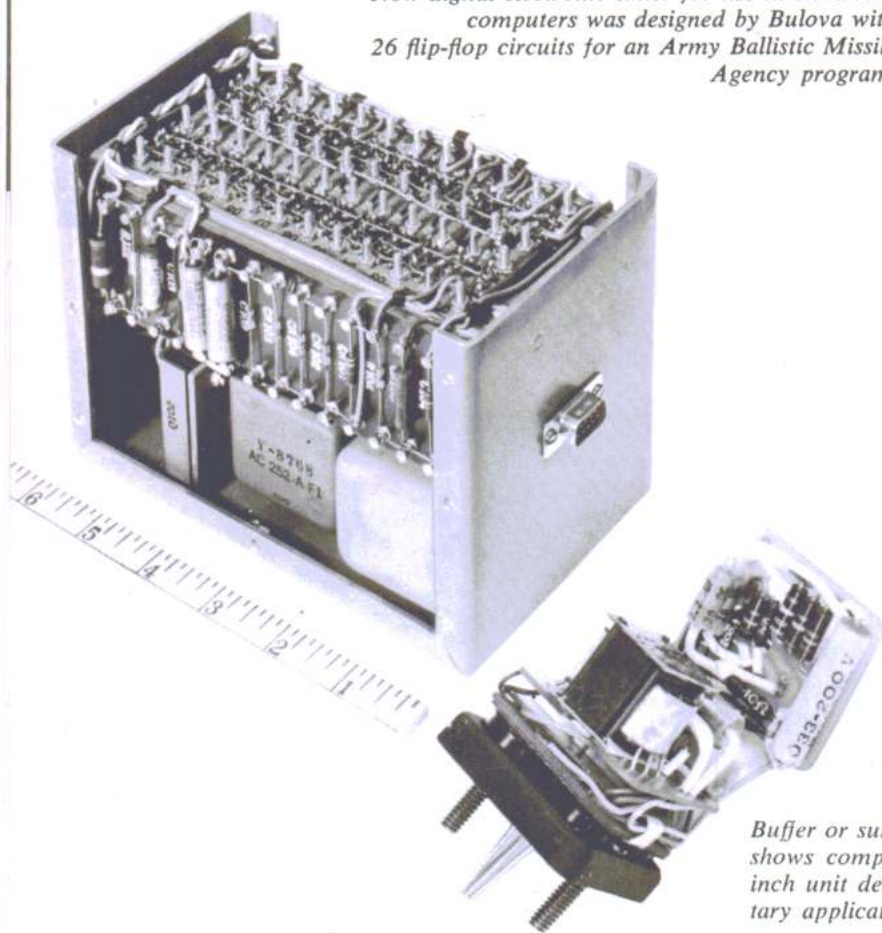
Judging from first test results, we believe it will be superior to indicators now available. A third instrument in this general category is a direct-reading servo-driven and portable barometer which was tested successfully during the year.

Developed for Production

Three new types of timing devices were developed during the year for production by the Company. These include a digital electronic timer for use in digital computers used for ground checkout of missiles; a control attenuation timer for missiles telemetering systems; and, a multi-purpose miniaturized electro-mechanical timer for the Sandia Corp. that operates as a closed-circuit timing switch for one or more electrical circuits.

The Laboratories developed and placed in production a new line of four transistorized servo amplifiers designed specifically for high-temperature applications for the military services. Two of these amplifiers are one cubic inch in size. The "cubic inch" has become a measurement of some significance at the Laboratories. In addition to the amplifiers, two other developments were retained within a cubic inch — the control attenuation timer for telemetering missile flights, and a 36,000-to-1

New digital electronic timer for use in electronic computers was designed by Bulova with 26 flip-flop circuits for an Army Ballistic Missile Agency program.



Buffer or summing preamplifier developed by Bulova shows compact packaging of one-ounce, one-cubic-inch unit designed for use in servo systems for military applications.

gear train made for use in ground checkout equipment for the Jupiter missile.

Several long-range research and development assignments from industrial firms were completed or were nearing completion during the year. Among these are an automated machine to manufacture glass pivot jewels for use in precision meters, and an automated machine for sealing and soldering quartz crystal filters.

The Laboratories' unique infra-red hit-detecting training system, developed for the Navy, was unveiled during the year. Other possible avenues of research and development in this field are now being investigated, including a system to train infantrymen in combat-like situations by actually "shooting" at other soldiers with infra-red signal instead of bullets.

Other areas of research and development being explored by the Laboratories include igniters, destructors, and separator devices for use on missiles and space vehicle launchers.

New environmental test equipment was added to the Laboratories during the year as a part of Bulova's investment in the space age. This equipment is necessary to test missile warhead components for accelerations and G forces, high altitude effects up to 350,000 feet, vibration and other factors.

Industrial and Defense Group

All of Bulova's manufacturing activity that lies outside of its consumer products categories, in other words, its industrial product and defense business, has been consolidated as a separate entity within the corporation. Its designated managerial group, which reports directly to corporate officers, has been assigned responsibility for production, sales, future planning and profit.

The major portion of the output of this group has derived from developments of the Bulova Research & Development Laboratories, Inc., and presently consists primarily of defense projects. Its facilities and aptitudes to manufacture highly reliable electro-mechanical devices are winning



Oscillators used to establish precise frequencies for electronic components of missiles are checked on advanced test equipment in Bulova's electronics laboratories.



Five models of tiny, thermostatically controlled "ovens" are produced by Bulova to maintain crystals at the desired frequency for electronic applications in the missiles, defense and commercial field.



Scientific soldering of leaders is a key step in crystal production at Bulova. Hair-size leaders are soldered to the crystals by jets of nitrogen gas flame.

recognition from many present and prospective industrial customers. In addition to agencies of the Navy, Army and Air Force, it is currently under contract to a number of leading industrial firms including The Bendix Corporation (KCD), Martin Orlando, Thiokol Corporation, Radio Corporation of America, Sandia Corporation and Temco Aircraft Corporation.

The group consists of three separate divisions.

Electronics Division

Fiscal 1960 witnessed broad expansion for the Electronics Division. New products and sales opportunities developed during the year point to continued growth.

The major portion of current production consists of quartz crystal filters and frequency generating devices for application in missile and space exploration programs. Its products have been produced for 21 missile types, including the Bullpup, LaCrosse, Atlas, Titan and Bomarc.

The division consists of five specialized departments: Crystal Devices, Electronics Devices, Crystal Filter Devices, Frequency Control Systems and Wired Equipment.

An important recent addition to the highly specialized facilities is a Crystal Engineering Laboratory to accelerate technical progress in constructing crystal prototypes with precision accuracies geared to future performance requirements.

In addition to an extension of existing product lines, the division's engineering groups developed several new types of frequency standards for field use, laboratories and for use in missile check-out and telemetering systems.

New developments from which future sales volume is anticipated include the new Bulova miniature electronically controlled oven. Bulova is presently one of the leading manufacturers of such temperature control devices which are used to control the temperature of critical electronic components such as transistors, diodes, crystals and miniature electronic circuits. The Bulova crystal filter operation is now recognized as one of the finest in the country. It is planned to expand further into the electronic filter field by setting up a facility for the manufacture of precision coils and adding a line of L-C filters during 1960.

Other promising products include a new variable crystal control oscillator which functions as

an electronic sub-system in radar guidance for missiles and in fire control and satellite tracking equipment. Also, production has started on three new types of miniature transistor servo amplifiers. Development has also been completed on a line of improved high stability crystal units for use in missile applications.

The Wired Equipment Department has several equipment contracts including those for industrial cameras and tachometer testers.

Photographic Division

The Photographic Division is steadily expanding and diversifying. The greater part of its work is classified, for the military services. However, a brief description of some of the projects is permissible.

In the field of photographic reconnaissance

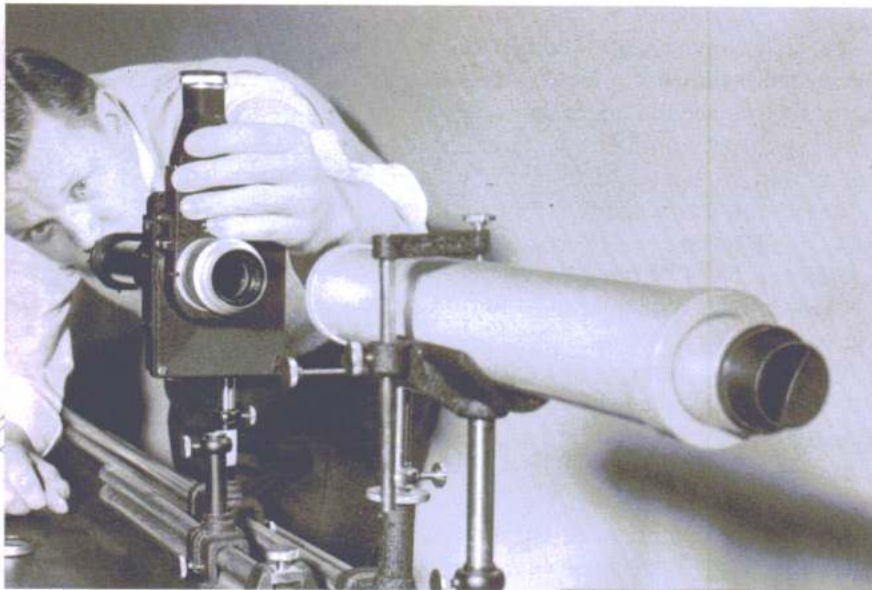
equipment, Bulova has several projects in research and development including a compact motion picture camera for satellite testing purposes and a special tracking camera.

In other fields, the Photographic Division is designing advanced optical systems for military vehicles, investigating data recording techniques, studying new methods of improving photo interpretation, considering new methods of processing film and exploring two photographic products of potential value as industrial and consumer items.

Industrial and Military Products Division

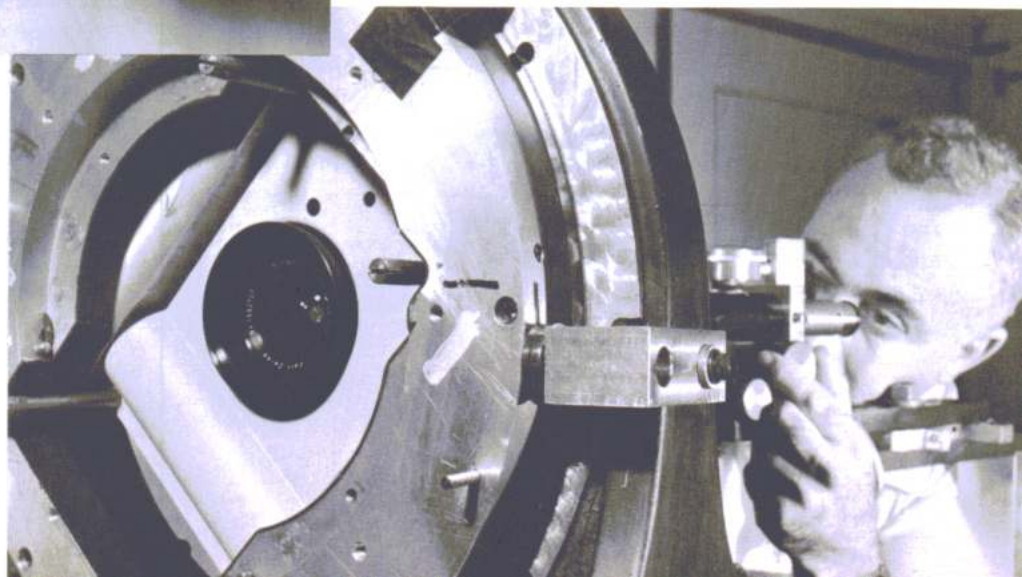
Major military products of this division are fuzes and safety-arming devices for missiles, accelerometers, timers, in-flight safety switches and artillery fuzes. One of the largest current contracts is for manufacture of fuzes for the Vulcan aircraft armament system for the F-105 supersonic fighter-bomber. Constantly improved manufacturing capabilities have placed the division in a position to bid on defense contracts for work other than that developed within the Company. A recent example is the award to Bulova of a half million dollar contract for safety-arming systems for the Navy's Terrier missile.

An accomplishment of the division which we believe is without precedent is the mass manufacture of pinhead sized gears with 300 teeth. The distance between each gear tooth is less than the thickness of a human hair.



Special optical equipment and techniques are used to inspect the lens of this camera developed by the company for a classified military project.

Big eye for Air Force tactical and aerial reconnaissance camera here gets a microscopic inspection in Bulova's photographic division.





Assembly of critical warhead components, such as this warhead timing device, is performed at company's Industrial & Defense Products Division under "sterile hoods" which keep dust and other contaminants from jamming gear trains and other precision parts.

* * *

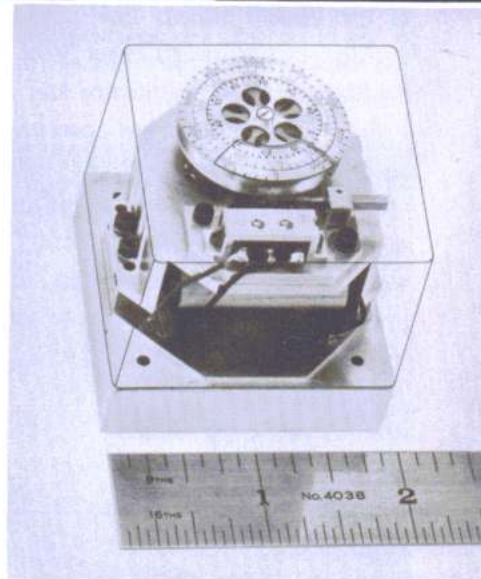
The Industrial and Defense Group has achieved an enviable reputation for the fine tolerances that characterize its miniaturized mechanisms. It has now adapted as its own the exacting demands of the reliability and accuracy requirements of the A.E.C., a decision that has enabled it to maintain an excellent vendor rating.

Its planning is toward an increasingly stronger position in the field of complex, reliable electro-mechanical devices for industry and defense, continuity of its missiles components programs and expanded development and production of aero instruments.

TWO UNUSUAL TIMEKEEPING INSTRUMENTS

Two significant Bulova timekeeping developments were announced during the year which received wide public interest and attention. They could be said to represent the "high-and-low" of the nation's timekeeping instruments.

The "high" is the tiny electronic timer developed for the Army Ballistic Missile Agency and National



(Above) Special watches for Navy Frogmen and (below) a timer to turn off the Explorer VII satellite are among the unique timekeeping instruments announced by Bulova in the past year.

Aeronautical and Space Agency which is orbiting earth now in the Explorer VII satellite. Its function is to turn off the solar-powered radio transmitter in the satellite within 12 months of the launching. The device weighs only eight ounces, is capable of being set by space scientists for any time up to more than 9,000 hours and is a completely self-contained unit with its own power supply equivalent to one-millionth of a horsepower.

The "low" timekeeper, which was designed specifically to remain waterproof at ocean depths as deep as 400 feet, is a frogman's watch developed for the Navy. The watch can be synchronized to within one second and will keep time to within seconds a day. Non-magnetic materials were used throughout in the watch to prevent the possibility of a watch-wearing frogman setting off underwater mines.

INSTRUMENT JEWEL BEARING DIVISION

The Instrument Jewel Bearing Division, with its plant adjacent to the Chippewa Indian reservation near Rolla, North Dakota, is the only mass production source of these vital precision components in the United States. The bearings are used in gyroscopes and many other vital components of missile and aircraft guidance and control systems.

Since 1952, Bulova has operated and staffed this plant under a dollar-per-year contract from the government. Production of the plant during this past year — more than 2,000,000 bearings — would barely fill a milk bottle. All of the production is assigned to specific projects or stockpiled by the Office of Civil and Defense Mobilization.

The Governor of North Dakota in December declared a Jewel Bearing Week in the state in honor of the value of the plant to the national defense program, to its effect on the state's economy, and to its program of hiring and training Indians. Bureau of Indian Affairs officials consider the plant an outstanding example of how industry can assist Indians to become self-sustaining.

THE PEOPLE OF BULOVA

Congenial and productive employee-management relations have been Bulova's reward for its continuing effort to deserve its reputation as a "good place to work."

Enlightened wage and salary administration, a broad program of employee benefits and advanced methods of training in the Company's precise skills to broaden employee opportunities have served consistently to attract and hold together an efficient and interested work force.

An addition this year to the health program was an expansion, for senior employees, of a periodic physical examination that includes special diagnostic examinations.

The Company takes particular pride in the number of employees with long service records. At the year's end, of its 3,569 employees in the United States and 1,000 in Switzerland, 744 had been with Bulova for 10 years, 439 for 15 years, 190 for 20 years and 73 for 25 years or more.

College scholarships totaling \$20,000 were awarded during the year to sons and daughters of Company employees, bringing to \$230,000 the total grants by the Bulova Watch Company Foundation, Inc., through which the program has been conducted since its inauguration in 1953.

Another youth activity instituted during the year was the establishment of the first Bulova-sponsored junior achievement company. Junior Achievement is a non-profit organization sponsored by industry which affords teen-agers the opportunity to learn the facts of the free enterprise system by forming, owning and operating miniature corporations under the direction of business executives.

THE JOSEPH BULOVA SCHOOL OF WATCHMAKING

The Joseph Bulova School of Watchmaking will complete this summer its 15th year of training physically-handicapped men to become watch repairmen and precision instrument technicians. The School's courses are offered on a tuition-free basis

to physically handicapped men. There have been 621 graduates. Current enrollment is 71, representing 17 states. The Arde Bulova Memorial Dormitory, opened in 1958, houses 40 men.

The School's wheelchair basketball team – the Watchmakers – recently won second place in the national tournament. Plans have been completed for our fourth annual National Wheelchair Games, sponsored in June each year by the School. Competition in track and field events is keen, drawing more contestants each year from many parts of the country.

Disabilities represented range from paraplegia and polio to heart conditions, amputation, deafness and hemophilia. Recently, a few non-disabled students have been accepted.

Grants were made during the year to two young men studying rehabilitation counseling at Adelphi College, and to two seeking advanced degrees at Columbia University.

All of the School's activities are supported by the Bulova Watch Company Foundation, Inc. and the Bulova family fund.

EDUCATION FOR RETAILERS

Bulova's co-sponsorship (with the New York University School of Retailing) of the 20th school of Jewelry Store Management and Merchandising was again one of the Company's outstanding trade activities of the year. Nineteen executives and managers of retail jewelry stores in 13 states were graduated from the two-week course devoted to tips on how to keep their stores ticking in such areas as financial control, sales promotion, merchandising, store operation, credit selling and customer service.

The 1959 Retail Jewelers Association convention was the occasion for the first annual reunion of Bulova-NYU school graduates, of which there have now been nearly 450. In the tradition of the school, the reunion was devoted to an exchange of ideas on jewelry store management and merchandising problems.

Joseph Bulova School of Watchmaking provides tuition-free training in watchmaking and instrument assembly and repair to handicapped persons. More than 600 graduates are now employed as watch repairmen and in electronics and defense industries.



Financial
Section

Source of Funds

	<u>Year Ended March 31</u>	
	1960	1959
From operations:		
Net income for year	\$2,669,649	\$2,527,168
Charges against income not requiring funds:		
Depreciation	952,111	1,099,760
Deferred Federal taxes on income	(98,590)	(83,031)
	<u>3,523,170</u>	<u>3,543,897</u>
Collection of sundry receivables	91,591	(43,565)
Proceeds from sales of capital assets, excluding gains reported in net income	20,315	61,436
	<u>3,635,076</u>	<u>3,561,768</u>

Use of Funds

Dividends to stockholders	1,136,313	1,233,422
Additions to plant property	351,302	441,933
Instalment paid on 3½ % sinking fund notes	450,000	449,625
Purchase of company's capital stock	144,592	(32,592)
Increase in working capital	1,552,869	1,469,380
	<u>\$3,635,076</u>	<u>\$3,561,768</u>

Consolidated Statement of Income and Earned Surplus

YEAR ENDED MARCH 31, 1960 WITH COMPARATIVE FIGURES FOR 1959

	Year Ended March 31	
	1960	1959
NET SALES	\$66,606,126	\$58,446,574
COSTS AND EXPENSES	58,262,477	52,879,946
PROFIT FROM OPERATIONS (after deducting depreciation: 1960 - \$952,111; 1959 - \$1,099,760)	8,343,649	5,566,628
INCOME CHARGES (net):		
Taxes, other than income taxes	1,555,631	1,160,266
Interest paid (less interest earned: 1960 - \$83,969; 1959 - \$59,623)	283,926	328,386
Contributions to employees' retirement plans	754,327	723,334
Contributions to charities	164,683	62,516
Dividend income	(36,567)	(36,567)
	2,722,000	2,237,935
INCOME BEFORE INCOME TAXES	5,621,649	3,328,693
U.S. AND FOREIGN INCOME TAXES (NOTE B)	2,952,000	1,810,000
NET INCOME BEFORE SPECIAL ITEMS	2,669,649	1,518,693
SPECIAL ITEMS:		
Gain on disposal of real estate, less taxes payable thereon	—	440,351
Refund of prior years' income taxes, including interest, net of taxes and expenses in connection therewith	—	568,124
	—	1,008,475
NET INCOME FOR THE YEAR INCLUDING SPECIAL ITEMS	2,669,649	2,527,168
DEDUCT DIVIDENDS PAID— (\$.60 per share in 1960; \$.65 per share in 1959)	1,136,313	1,233,422
	1,533,336	1,293,746
EARNED SURPLUS AT BEGINNING OF THE YEAR	26,786,824	25,493,078
EARNED SURPLUS AT END OF THE YEAR (retained for use in the business) — (NOTE C)	\$28,320,160	\$26,786,824

(See Notes to Financial Statements)

Consolidated

MARCH 31, 1960 WITH COMPAR

Assets	March 31	
	1960	1959
CURRENT ASSETS:		
Cash	\$ 2,951,421	\$ 2,957,766
Marketable securities, at cost and accrued interest (quoted value: 1960 - \$248,324; 1959 - \$4,240,497)	247,284	4,240,062
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1960 - \$975,671; 1959 - \$821,989)	20,275,091	16,369,775
Other receivables	413,961	1,206,872
Inventories, at cost or less	15,301,108	10,563,282
U. S. Government contracts:		
Accounts receivable	1,465,403	934,929
Inventories	1,180,089	860,781
Reimbursable expenditures	2,825,940	2,601,308
	<u>5,471,432</u>	<u>4,397,018</u>
Prepaid expenses	353,409	504,867
Total current assets	<u>45,013,706</u>	<u>40,239,642</u>
OTHER ASSETS:		
Investment in capital stock of Tiffany and Company, at cost (book equity Jan. 31, 1960 - \$2,618,554; Jan. 31, 1959 - \$2,508,475)	2,240,400	2,240,400
Capital stock, at less than cost, held for resale to officers and employees (NOTE G)	987,188	842,596
Sundry	604,195	695,678
	<u>3,831,783</u>	<u>3,778,674</u>
PLANT PROPERTY, AT COST (NOTE B):		
Land, buildings and improvements	7,550,289	7,566,385
Machinery and equipment	4,424,081	4,351,948
Furniture, fixtures and leasehold improvements	572,173	521,780
	<u>12,546,543</u>	<u>12,440,113</u>
Less accumulated depreciation	5,568,186	4,840,632
	<u>6,978,357</u>	<u>7,599,481</u>
DEFERRED CHARGES	21,017	21,125
	<u>\$55,844,863</u>	<u>\$51,638,922</u>

(See Notes to Financial Statements)

Balance Sheet

TIVE FIGURES AT MARCH 31, 1959

	March 31	
	1960	1959
Liabilities		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,728,380	\$ 2,780,420
Accrued salaries, wages, commissions and expenses	2,774,860	1,671,174
Accrued domestic and foreign taxes	3,340,644	2,171,095
Instalment on 3½ % sinking fund notes due within one year (NOTE C)	450,000	450,000
Total current liabilities	<u>10,293,884</u>	<u>7,072,689</u>
3½ % SINKING FUND NOTES DUE MAY 1, 1969 – less instalment due within one year (NOTE C)	<u>6,200,000</u>	<u>6,650,000</u>
DEFERRED FEDERAL TAXES ON INCOME – principally tax on accelerated amortization of emergency facilities (NOTE B)	<u>1,284,389</u>	<u>1,382,979</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$5 par value:		
Authorized	3,000,000 shares	
Outstanding	1,949,286 shares	
	9,746,430	9,746,430
Earned surplus (retained for use in the business) – (NOTE C)	28,320,160	26,786,824
Total stockholders' equity	<u>38,066,590</u>	<u>36,533,254</u>
	<u>\$55,844,863</u>	<u>\$51,638,922</u>

(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:

	1960	1959
SWITZERLAND:		
Current assets	\$1,596,539	\$1,245,080
Other assets	251,107	426,765
Total assets	<u>\$1,847,646</u>	<u>\$1,671,845</u>
Liabilities	<u>\$1,056,216</u>	<u>\$ 786,242</u>
CANADA:		
Current assets	\$2,542,926	\$2,612,205
Other assets	104,463	110,038
Total assets	<u>\$2,647,389</u>	<u>\$2,722,243</u>
Liabilities	<u>\$ 149,383</u>	<u>\$ 276,692</u>

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

NOTE B:

Property covered by certificates of necessity became fully amortized for tax purposes during the year ended March 31, 1959. Deferred Federal taxes on income set up in prior years to provide for the temporary tax benefit arising from the excess of tax amortization over normal depreciation are being returned to income to offset taxes related to normal depreciation recorded in the accounts not deductible for tax purposes.

NOTE C:

The parent company is obligated to pay \$450,000 against the 3½% sinking fund notes on May 1, 1960 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 stock.

The net effect of these restrictions is to limit the maximum amount which could be expended for dividends and stock purchases after March 31, 1960 to \$3,068,962 plus subsequent earnings, less annual sinking fund payments of \$450,000.

NOTE D:

Federal income tax returns for the years ended March 31, 1956 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, 1957. Management is of the opinion that no excessive profits were realized for the three years ended March 31, 1960.

NOTE F:

The unpaid cost as of March 31, 1960 of past services in connection with the company's retirement plan as determined by independent actuaries is \$3,805,505, 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 32 and ½ years.

NOTE G:

At March 31, 1959 options to purchase 63,210 shares of the parent company's stock at prices ranging from \$10.50 to \$17.50 per share were held by certain officers and employees. During the year ended March 31, 1960 options for 7,700 shares were cancelled when the employees concerned terminated their employment, and options for 6,000 additional shares were granted at \$13.00 per share. At March 31, 1960 there remained 61,510 shares under option at prices ranging from \$10.50 to \$17.50 per share. 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 credited to capital stock held for resale to officers and employees and the offsetting charge is deferred and written off to income over a two year period (the minimum period during which an optionee must remain in the company's employ to obtain clear title to any shares on which he has exercised his option).

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, 1960 and the related statement of income and earned surplus for the year then ended. Our examination 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1960 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.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.
June 14, 1960

Report of
Independent
Public
Accountants



