

BULOVA ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 1964





ACCUTRON®



SYMBOL OF ACCURACY THROUGH ELECTRONICS

World's Only Electronic Wrist Timepiece

ACCUTRON "213"
Handsome stainless steel case.
Waterproof* and shock-protected.
\$125.00

ACCUTRON "514"
Crafted in 14Kt Florentine gold.
Shock-protected.
\$200.00

ACCUTRON ASTRONAUT "C"
18Kt gold case and band. Adjustable 24 hour
outer ring and separate hand that revolves once
every 24 hours; can be set instantly
for any two time zones in the world
Waterproof*, shock-protected.
\$1000.00
Also comes in stainless steel
with white or black dial at
\$175.00

The following are registered Bulova trademarks: ACCUTRON, BULOVA, CARAVELLE, CALENDIAL, ELIMAG, HEIRESS OF TIME, PRESIDENT, WATCHMASTER.
*When case, crystal and crown are intact. *All prices plus tax.*

BULOVA

WATCH COMPANY, INC.

Annual Report for the year ended March 31, 1964

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Neither this report nor any statement contained herein is furnished in connection with any offering of the Company's securities nor for the purpose of promoting or influencing the sale or purchase of its securities.

BULOVA

WATCH COMPANY, INC.

Directors

General Omar N. Bradley, *Chairman*
 R. Clyde Allen
 George M. Bunker
 Benjamin H. Dorsey
 Sol E. Flick
 Harry B. Henshel
 James McCormack
 Thomas A. Morgan
 John L. Weinberg

Officers

Harry B. Henshel, *President*
 Sol E. Flick,
Executive Vice President and General Counsel
 David Anderson, *Senior Vice President*
 William O. Bennett, *Vice President*
 August R. Bozzo, *Vice President*
 John J. Carpenter, *Vice President*
 Simon C. Gershey, *Vice President*
 James E. Lordeman, *Treasurer*
 Haskell C. Titchell, *Secretary*
 John Chiappe, *Assistant Controller*
 Roland P. Talbot,
Assistant Controller and Assistant Secretary
 Lawrence F. Codraro, *Assistant Secretary*

Transfer Agent

Morgan Guaranty Trust Company of New York
 30 West Broadway, New York 15, New York

Registrar

Manufacturers Hanover Trust Company
 40 Wall Street, New York 15, New York



Bulova Headquarters, Bulova Park, Long Island, New York



Woodside, N. Y.

BULOVA WATCH COMPANY, LIMITED (Canada)

Directors

General Omar N. Bradley, *Chairman*
 David Anderson
 Fred T. Bailey
 Robert E. Day
 Sol E. Flick
 Harry B. Henshel
 R. Douglas Jennings
 Muriel McCullum

Officers

Robert E. Day, *President and Treasurer*
 Muriel McCullum, *Executive Vice President*
 Fred T. Bailey, *Vice President*
 Roy Y. Ward, *Vice President*
 Sol E. Flick, *Secretary*
 George Staniforth, *Assistant Secretary*



Toronto, Canada

BULOVA INTERNATIONAL, LTD.

Directors

Harry B. Henshel, *Chairman*
 Sol E. Flick, *Vice Chairman*
 General Omar N. Bradley
 Robert E. Day
 Gerard A. Donovan
 James Eugene Pearman
 William J. Savy
 Henry James Tucker

Officers

Harry B. Henshel, *President*
 Joseph F. Campisi, *Executive Vice President*
 Mark Bourquin, *Vice President*
 Gerard A. Donovan, *Vice President*
 Robert Nuesch, *Vice President*
 Harold Rapp, *Vice President*
 Sol E. Flick, *Secretary*
 John Chiappe, *Treasurer and Assistant Secretary*
 Richard S. L. Pearman, *Assistant Secretary*



Neuchatel, Switzerland

BULOVA—AROUND THE WORLD

Aden	Germany	New Zealand
Alaska	Ghana	Nicaragua
Aruba	Gibraltar	Nigeria
Australia	Greece	Norway
Azores	Greenland	Okinawa
Bermuda	Guam	Panama
Borneo	Guatemala	Philippine Islands
Brazil	Haiti	Portugal
British Honduras	Holland	Puerto Rico
Brunei	Honduras	Sarawak
Canada	Hong Kong	Saudi Arabia
Canary Islands	Iceland	Senegal
Colombia	Indonesia	Southern Rhodesia
Costa Rica	Italy	Spain
Curacao	Jamaica	St. Kitts
Denmark	Japan	Surinam
Dominican Republic	Korea	Switzerland
Ecuador	Kuwait	Thailand
El Salvador	Laos	Tobago
England	Libya	Trinidad
Eritrea	Luxembourg	Turkey
Fiji Islands	Malaya	Union of South Africa
Formosa	Mauritius	United States
France	Mexico	Venezuela
French Morocco	Nassau	Vietnam
Gambia	Nevis	Virgin Islands



Bienne, Switzerland



Providence, R. I.



Sag Harbor, N. Y.

TO THE STOCKHOLDERS:

Consolidated net earnings of the Bulova Watch Company and subsidiaries for the fiscal year ended March 31, 1964 were \$2,431,600 equal to \$1.25 per share of common stock outstanding compared with fiscal 1963's earnings of \$1,482,514 or \$.76 a share.

Sales for the year were \$72,969,402 compared with \$63,263,275 in the previous year.

The gain in sales and earnings reflects over-all improvement in consumer product volume in the United States and abroad, together with a modest rise in industrial/defense business.

Domestic increases in consumer sales stemmed in a large part from the consistent demand for the Accutron electronic timepieces and the low-priced Caravelle line of jeweled-lever watches and from the influence of the long and continuing campaign to enhance the Bulova franchise which stresses among other factors, positive promotions and merchandising of Bulova products and knowledgeable product guidance. The campaign has had a salutary effect on dealer relations. An increasing number of dealers have recognized it as tangible evidence of Bulova's sincere desire to protect their franchise and retail position. Accordingly, many of our customers increased their sales volume.

Accutron in its third year, registered more than a 100 per cent gain in sales. Production capacity was significantly increased in the United States and a line of Swiss-made Accutron timepieces was introduced to overseas markets.

The first full year of nationwide marketing of Caravelle watches substantiated expectations for broad acceptance. Second only to Bulova, the Caravelle watch, in its price range, became the largest selling jeweled lever watch in this country. The fifty-seven Caravelle styles represent the broadest line in the industry for modestly-priced jeweled-lever timepieces.

The impressive market position of Accutron and Caravelle in no way minimized consumer interest in



▲ Three-and-a-half decades of B-U-L-O-V-A Watch Time are represented by this first Bulova clock-radio, being adjusted by Mr. Henshel, and the new miniature variety held by General Bradley. Grandfather-clock variety was made by Bulova in 1929 and is believed to be the first combination clock-and-radio.

the regular Bulova line of watches, which continued, as it has for years, to be the leader among all conventional watches in the popular middle price range.

The cumulative effect of three major brands of timepieces, together with a diversified line of transistor radio and stereo units, gave Bulova retail outlets a flexible product mix that greatly strengthened their competitive position. Bulova is unique in being able to offer this range of product support.

Foreign sales increased significantly. The number of retail outlets outside the United States increased to about 4,000. Swiss-made Accutron, Bulova and Caravelle models are now being sold in more than 75 world markets. Among the more important overseas markets added during the year were Brazil, Holland and Portugal.

Manufacturing activity at the Bulova plant in Bienne, the largest complete watch plant in Switzerland for the manufacture of jewel-lever watches, increased to meet the needs of overseas sales and in addition the Company's new production and research facility under construction at Neuchatel, Switzerland, is expected to be in operation this Summer. A branch of Bulova International, Ltd. and warehouse facilities were established in Hong Kong during this past year to give better service to Far East distributors and retailers.

A new area of design and production opportunity

FIVE YEAR FINANCIAL REVIEW

<i>Fiscal Years ended March 31</i>	1964	1963	1962	1961	1960
OPERATING RESULTS:					
Net sales	\$72,969,402	\$63,263,275	\$62,805,592	\$68,731,270	\$66,606,126
Net income before Special Item	2,431,600	1,482,514	1,301,360	1,311,223	2,669,649
Special Item	—	—	102,341	200,016	—
Net income	2,431,600	1,482,514	1,403,701	1,511,239	2,669,649
Net income before Special Item—Per share	\$1.25	76¢	67¢	68¢	\$1.37
Special Item—Per share	—	—	5	10	—
Net income—Per share	\$1.25	76¢	72¢	78¢	\$1.37
Dividends	1,121,465	1,109,734	1,115,839	1,122,824	1,136,313
Per share	60¢	60¢	60¢	60¢	60¢
Earnings retained	1,310,135	372,780	287,862	388,415	1,533,336
FINANCIAL POSITION (YEAR-END):					
Current assets	62,228,755	54,792,382	50,467,177	50,629,529	45,013,706
Current liabilities	26,174,611	19,714,851	14,802,474	17,108,464	10,293,884
Working capital	36,054,144	35,077,531	35,664,703	33,521,065	34,719,822
Ratio current assets to current liabilities	2.4	2.8	3.4	3.0	4.4
Total assets	71,976,997	64,726,783	59,906,805	62,496,058	55,844,863
Stockholders' equity	40,425,782	39,115,647	38,742,867	38,455,005	38,066,590
Per share	\$20.74	\$20.07	\$19.88	\$19.73	\$19.53
ADDITIONAL DATA:					
Shares of capital stock (including stock held for resale)	1,949,286	1,949,286	1,949,286	1,949,286	1,949,286
Additions to Plant Property	1,146,423	784,962	765,534	670,692	351,302

for the Company in the industrial and defense fields is the fabrication of systems and machinery for automated manufacture of small components. During the past year work in this area has constituted a major effort to lessen dependence on military and defense contracts.

There have been two noteworthy developments since the close of the fiscal year.

The Company's improved earnings and its bid for future growth are founded in its progression from a single-line, one market operation to a multi-line company, selling aggressively throughout the free world. The addition of the Accutron and Caravelle lines to the conventional line of Bulova watches requires three lines of inventory instead of one, and the financing of greatly increased accounts receivable, which in the watch business extends over longer periods than in most other industries. As a result, it will interest stockholders to know that negotiations are under way for long term financing. Such funds would be used to increase the Company's working capital resulting in a reduction of short-term borrowings, and together with retained earnings, will be utilized by the Company to finance its expanded watch business.

In recognition of the higher level of earnings the Board of Directors at its meeting on May 21, 1964, declared, in addition to the regular quarterly cash divi-

dend of 15 cents per share, a 2% stock dividend payable June 29, 1964 to stockholders of record on June 8, 1964. This action was taken in lieu of increasing the cash dividend because of the continuing need to strengthen the Company's cash position against requirements imposed by the present and emerging pattern of the business.

Looking to the year immediately ahead and beyond, the prospects are promising. The Accutron and Caravelle lines have emerged from the development and introductory stages, thus largely eliminating the heavy costs incurred in those phases. The expanded and reorganized sales force has demonstrated its capability and the Company's positive marketing philosophies have reinvigorated Bulova retail jewelers. New products have been matched with new channels of distribution and considerable progress has been made in penetration of world markets.

Respectfully submitted,

Omar N. Bradley *Harry B. Henshel*

OMAR N. BRADLEY
Chairman of the Board
June 12, 1964

HARRY B. HENSHEL
President



HIGHLIGHTS

Year Ended March 31

1964

1963

NET SALES	\$72,969,402	\$63,263,275
INCOME BEFORE INCOME TAXES	\$ 4,006,600	\$ 2,877,514
NET INCOME AFTER INCOME TAXES	\$ 2,431,600	\$ 1,482,514
NET INCOME AFTER INCOME TAXES Per Share	\$ 1.25	\$.76
CASH DIVIDENDS Per Share	\$.60	\$.60
CURRENT ASSETS	\$62,228,755	\$54,792,382
CURRENT LIABILITIES	\$26,174,611	\$19,714,851
WORKING CAPITAL	\$36,054,144	\$35,077,531
CURRENT ASSET RATIO	2.4 to 1	2.8 to 1
SHARES OUTSTANDING	1,949,286	1,949,286
STOCKHOLDERS' EQUITY Per Share	\$ 20.74	\$ 20.07

CONSUMER PRODUCTS

ACCUTRON® Retail value of Accutron electronic timepiece shipments has passed the \$30 million mark since its introduction in late 1960. Sales of Accutron more than doubled the 1962-63 volume as this revolutionary timepiece became better known throughout the world and jewelers everywhere became aware of its potential as a volume item. Expansion of production capacity means that well over 100,000 units are now being produced annually in the United States.

The extremely high reliability of Accutron timepieces has been thoroughly documented by tests within the Company as well as by independent consumer-orientated reporting firms. Prototype models, worn continuously for nearly five years, have shown no signs of wear on the internal parts.

Engineering changes made since its introduction are of an evolutionary nature.

Improvements include greater resistance to environmental factors such as to shock, heat, rapid temperature change and vibration. In addition, the Accutron engineering section has developed a "hack" mechanism for the "Astronaut" and "Railroad" models permitting exact re-setting of the second hand.

During the year, 17 more railroads certified the Accutron timepiece as approved for use by operating personnel, bringing the total number to 40, including two in Canada and one in Mexico.

There are 49 Accutron models in the line this year, an increase of 14. Six models are priced at \$125. Another group ranges to \$395. Special custom or platinum models are more expensive. There are now seven different types of Accutron clocks. These have proven to be especially welcomed as premiums and awards.

Accutron Timer Engineering More than 1,000 Accutron timepiece movements, contained in seven timer or time-switch models, are being used or tested in 135 different laboratories, plants, universities and government arsenals.

Many of the timers are serving as long-duration "clocks" for government agencies in recording cameras and various classified applications.

The best known application of the timer is as a self-contained internal switch for satellites to turn off transmitters after specified periods of broadcasting. The latest satellite assignment for the Accutron timer was aboard the Tiros 8 launched Dec. 21, 1963, and its task is to cut-off a telemetry transmitter in July of 1965.

New uses for the timer are being investigated and tested continuously. The Weather Bureau has purchased 67 of the 999-day clock versions of the timer for use in radarscope cameras of hurricane warning stations. The University of Alaska purchased several 31-day calendar timers for use in studies of the aurora borealis. The Naval Ordnance Laboratory (White Oak) is evaluating the 5-year version of the timer to "trigger" recovery of oceanographic equipment after long periods.

An honor and distinction of unique significance has been afforded to your Company during the past year by the United States Government. Accutron electronic desk clocks have been officially presented to a number of distinguished heads-of-state as a remembrance of the United States.

Specially inscribed models of Accutron clocks have been presented on a half-dozen occasions recently through the auspices of the Department of State, Office of the Chief of Protocol. These have been presented by either President Lyndon B. Johnson or Secretary of State Dean Rusk.

Among those who have received the clocks are: His Excellency Prime Minister Ludwig Erhard of West Germany; Prime Minister Levi Eshkol of Israel; Prime Minister Sir Alec Douglas Home of Great Britain; His Majesty Hussein I, King of the Hashemite Kingdom of Jordan and His Excellency Dr. Raul Leoni, President of the Republic of Venezuela.



▲ Shown are two models of Accutron electronic desk clocks currently presented by President Lyndon B. Johnson and Secretary of State Dean Rusk, to official guests of the United States.

BULOVA® WATCHES The Company's timepieces bearing the trademark Bulova continued to maintain their dominant role as the principal personal timekeeper in the "middle" price range for both men and women. This position was maintained even though other Company brands (Accutron and Caravelle) compete with the high and low ends of the line. Bulova watches retailing from \$24.75 to \$500 still account for much more than half of the Company's watch sales.

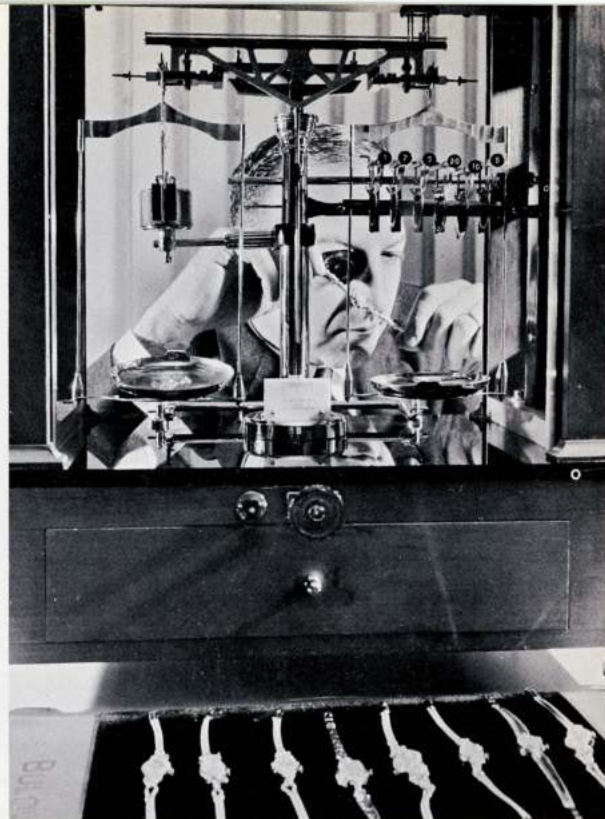
Technological refinements and a program of continuous case manufacturing improvement and styling innovations help to assure jewelers that Bulova watches are indeed the "watchmakers' watch" a term they have earned over many years. Such factors as interchangeability of parts, fineness of finish, simplicity of movement design and service policies have, over the years, built this reputation among watch repairmen and jewelers.

There are now 405 different Bulova watches in the line. More than half are ladies' models — and of these 81 are diamond-set, which explains why Bulova for many years has been the world's leading manufacturer of diamond watches.

A watch containing an entirely new movement has been named the Heiress of Time. It is a selfwinding and calendar watch for ladies that is not much larger than the Company's popular waterproof, sports models.

The President series for men is a multi-purpose line with a calendar movement, with combinations of waterproof and selfwinding features in sports, business and dress styling priced from about \$35.95 to \$135. The calendar models added to the line through the President series brings to 39 the number of calendar Bulova watches offered by the Company.

The "DewDrop" series of ladies' watches introduced in the fall are of the petite variety and feature faceted crystals and exquisite tracings of gold engraved and applied on cases and bracelets. Those watches are priced from about \$50 to \$70 and feature Bulova's classic 17-jewel smaller-than-a-dime movement.



▲ Bulova diamond expert, Jerome Light, each year must find and evaluate several million dollars worth of diamonds for setting in the cases of Bulova watches. Bulova is the world's largest maker of diamond watches.



▲ Watchmaker skills and precision craftsmanship are as important in setting diamonds in watch cases as in tooling for a new wheel train design.



▲ British horologist William P. Roseman (center), head of chronometer workshop for the Royal Greenwich Observatory, inspects Accutron mechanism with Egbert Van Haaften, manager of timer engineering, and William O. Bennett, vice president of research and engineering.



CARAVELLE PRINCESS — Quality timepiece with elegance and accuracy . . . at such a tiny price! **\$12.95**
CARAVELLE SKIPPER CALENDIAL — Tells you time and date at a glance. Waterproof*, self-winding, 17 jewels. **\$29.95**

CARAVELLE® Caravelle is the first major trademarked brand name in the large and wide-open market for jewel-lever timepieces in the \$10 to \$30 market. The brand is guaranteed by Bulova. The Company's goal with Caravelle is to help the jeweler recapture a substantial share of the modest-price market that he has lost over the past decade to other types of retail outlets that have been selling pin-lever (metal bearing) watches.

Caravelle "Watch Charms" in unique pendant designs and cased in colorful spheres and discs, are being offered through jewelers and in the jewelry departments of fine department stores such as Macy's and Lord & Taylor in New York, J. L. Hudson in Detroit, Kaufman's in Pittsburgh and Brandeis in Omaha.

The Caravelle line now has 57 styles — 33 for women and 24 for men and features self-winding and calendar models.



▲ Revolutionary new battery powered "Embassy" radio-clock features unique "swivel" device. Reflected image shows radio side of this high styled model.



▲ International window display contest winners, Mr. and Mrs. Hans G. Rousayne (right), were presented first prize of a week's trip to Switzerland and Basle Fair by Alexander Henshel, Company sales representative and Herb Lewis, regional manager.



▲ Governor Carl E. Sanders of Georgia listens attentively to "hum" of Accutron electronic timepiece during ceremony conducted by James B. Rudder of Bennett's Jewelers in Atlanta that opened special Southern Jewelry Week last fall.

CONSUMER ELECTRIC PRODUCTS

An almost completely new line of radios and stereo units comprised the company's display for the June, 1964 Chicago Music Show, the industry's principal annual exhibit of new models and engineering methods. Two revolutionary battery powered radio-clocks were introduced that are expected to have a significant impact on the industry. Both are "swivel" models and are cordless — making them ideal for desk and home use. The "Imperial" will retail at \$49.95 and the "Embassy" at \$65.00. Significant engineering improvements have been made in nearly all of the dozen radio/stereo models retained in the line. All new phonographs have solid-state transistor circuits. The complete line has 28 transistor radios, clock-radios, table radios and portable stereo and phono units.

Price, also, is highly significant in the radio/stereo market. The Company will continue its competitive effort in this regard by marketing a Caravelle transistor radio to sell at \$11.95, lowest price in its history. A compact AM-FM transistor portable will be offered at \$39.95, and another transistor AM-FM model will be introduced that can also receive short-wave broadcasts.

A plan was inaugurated during the year to broaden the market for the Company's consumer electric products to include fine gift shops, music stores and department stores. The line will be supported for the first time by a general advertising program emphasizing the "New Idea" concept for these Bulova products.

MARKETING PROGRAMS To the marketing programs of the past several years that have played a substantial role in the Company's increasing sales and profits, will be added stress on selling products *through* the dealer instead of merely *to* the dealer. New programs are being instituted to make the sales force—the largest in the industry—more knowledgeable of the jewelry industry, and to help salesmen to be fully capable of assisting dealers in merchandising and marketing problems or decisions.

Salesmen are being added to the Caravelle and Consumer Electric Products force, and together with the Accutron-Bulova selling group, will bring the total sales force to 120 by early summer. It will be the largest force in the Company's 90-year history.

Advertising programs won enthusiastic approval of the Company's retailers. They were directed primarily at informing the consumer of the substantial variety in style and price of Bulova products and the importance of the Company's quality-controlled manufacturing program.

Sales promotion, public relations and publicity efforts—all geared to the support of the marketing program — were tailored to dealer interests whenever possible. An example of this is the "Correct Time Week" promotion, carried out in several communities each year, in which a mayor's proclamation leads into a week's activities aimed at interesting more people in being more conscious of correct time, all of which highlights the extreme accuracy of Accutron timepieces.

Consumer product sales in the United States and abroad accounted for more than three-fourths of total sales during the year.

MANUFACTURING ACTIVITIES A number of manufacturing processes and operations were improved and expanded during the year at the Jackson Heights plant, primarily for the increasing rate of Accutron timepiece production. A proprietary process for the manufacture of extremely large quantities of copper wire needed in the coils of Accutron was developed. This fully insulated wire is less than a fifth of the thickness of human hair.

Manufacturing activity at the watch case plants in Providence, R. I., and Sag Harbor, on Long Island, also increased, principally because of the greater need from all three watch brands — Accutron, Bulova and Caravelle — but also because of modest increases in metal component sub-contract work for such firms as Polaroid, Sylvania, Macklett and Western Electric.

TARIFF HEARINGS In March and May of this year, hearings were held in Washington before the United States Tariff Commission to determine whether a reduction or elimination of duty on watch imports should be recommended by the Commission for action by the President of the United States. The Swiss watchmaking industry and the importers strongly urged lower tariffs. Bulova and the other two American manufacturers of jeweled-lever watches, the Hamilton Watch Company and the Elgin National Watch Company, opposed any substantial reduction in tariff, pointing out to the Commission that such reductions would inevitably eliminate the American capability to produce jeweled-lever watches. The domestic watch industry is not only essential to the national defense but from an economic viewpoint, the presence of watchmaking capabilities in the United States is the basis upon which Accutron was developed and future technological developments in the industry will be made. The company, therefore, has testified before the Tariff Commission and has submitted comprehensive economic material and other data in opposition to tariff reductions. Bulova, nevertheless, in its development of overseas facilities, constantly considers the possibility of tariff action, and in the event domestic watch production should become economically impractical, the Company could, if necessary, draw more heavily upon its extensive facilities in Switzerland and other parts of the world and thus retain its advantageous competitive position.

BULOVA OVERSEAS We have made substantial progress in foreign sales. There are now approximately 4,000 retail outlets outside the United States. There are 200 styles of

watches offered to overseas customers. These are styled especially to meet a variety of tastes, and (except in a few cases) do not duplicate Bulova watches sold in the United States and Canada.

Stress is being placed on Bulova Accutron advertising and promotion in most overseas areas for Bulova International's marketing program. A formalized advertising campaign for international jewelry trade magazines was established. Participation in trade fairs that attract the finest jewelry and watch exhibits such as those at Basle, Milan, Osaka, Utrecht, Montres et Bijoux and the Earls Court Fair will continue to be an important part of the marketing program.

Switzerland Capacity for Accutron timepieces, Caravelle watches and all 17-jewel movements for both overseas and domestic markets was increased at the plants in Bienne, and other manufacturing facilities in Switzerland, as well as in Pforzheim, Germany.

Canada Sales of both Accutron and Caravelle timepieces responded substantially to sales efforts and promotions during the past year. Although a 6 per cent increase in Canadian gross national product is forecast for 1964, these efforts will be accelerated because there is some uncertainty among the nearly 2,000 jewelers served by the Company regarding scattered pockets of depression. Marketing programs in Canada are nearly identical to those in the United States, with the addition of time signal station breaks (B-U-L-O-V-A Time) on radio and TV. Bulova will again serve as the official timekeeper this summer for the Canadian National Exhibition, the largest annual exhibition in the world.



▲ General Bradley and Mr. Henshel shown prior to their recent testimony before the United States Tariff Commission.



▲ Bulova engineer Marvin Marcus checks prototype model of "sun seeker" electro-optical device developed for Lockheed satellite program. Device is to keep satellite advised of its position relative to the sun, and it was specially designed so it would not be "fooled" by any other light sources in space.

INDUSTRIAL/ DEFENSE PRODUCTS

Industrial/Defense activities were further centralized for greater efficiency and service for government and industrial customers as a continuation of a program started two years ago. There are now three major divisions in this area — Systems and Instruments Division, Electronics Division and Watchmaster Products Division — compared to as many as seven previously.

Volume within this field increased slightly over the previous year, accounting for more than a fifth of the Company's operations. This was due, to a large extent, to success in increasing industrial and commercial business.

Bulova Systems and Instruments Division

Production of complex and highly-reliable timing mechanisms for the Sandia Corporation continued to be the major program for the division. Maintaining and improving extremely precise production techniques for the Sandia timers — in a dust-free and humidity-free atmosphere within the Jackson Heights plant — was an important function of the division's engineering management.

Another important work area, which also required concurrent programs of engineering refinement, design assurance testing, new tooling and others of a continuous-improvement nature, was the production of safe-arm mechanisms and safety control switches for the Minuteman ICBM. These contracts accrue from the Boeing Company, Aerojet General, Hercules Powder and Thiokol Chemical Corporation.

The division also is developing and manufacturing safe-arm devices for a number of other missiles. The more important of these programs are for the Bullpup and Shillelagh missiles and special units for the Air Force Special Weapons Center.

Contracts for design and prototype production of equipment for manufacture of miniscule electronic and microelectronic components represent an area of renewed

interest. Specialized equipment for the handling of electronic microcircuits has been ordered by some of the leading manufacturers of integrated circuits and microelectronic components.

Company-sponsored research was centered on the tuning fork (such as used in Accutron timepieces and American Time Products oscillators and filters) and its adaptation to a variety of sensing and measuring tasks in such areas as temperature, moisture, acceleration and pressure. Some funding has been received from the U. S. Weather Bureau to aid in the development of the Accutron tuning fork principle to the precision measurement of temperature changes.

Other government-sponsored development projects completed during the year were of unusual design or resulted in a unique device:

▶ *Landing Strip 'Traffic Light'* — A Glide Angle Indicator was developed for the Army for use at rugged, battle-zone air strips as an aid to pilots attempting to find the strip in darkness without the aid of radio or other electronic systems. The device is operated from the ground and throws a powerful, tri-colored shaft of light, similar to a searchlight beam, into the sky at the proper angle for a safe approach to the strip.

▶ *'Sun-Seeker' for Satellite* — A grapefruit sized device with many faceted exterior surfaces was developed for Lockheed Missiles and Space Co. for use in a satellite program. Its purpose is to measure and calculate the relative position of the sun during the satellite's operations. Its design is "albedo-proof," meaning that other light sources will not confuse it.

▶ *Automatic Letter Counter* — Now being evaluated by the Post Office is an automated counter that counts with near-perfect accuracy envelopes and post cards of various sizes, shapes and colors at the rate of about 800 per second. The counter is an electro-optical device that was fabricated to fit into the existing standard type of mail handling equipment with a minimum of modification.

Bulova Electronics Division The division volume was off only slightly, despite cutbacks in procurement and depressed prices, because of a significant increase in sales to industrial and commercial customers. Defense business accounted for approximately 70 per cent of the division's volume (in fiscal 1964) opposed to as high as 90 per cent or more in former years. Bookings and backlogs showed slight increases.

Major customers of the division for such products as quartz crystals, filters, coils, oscillators and servo amplifiers are Western Electric, Collins Radio, Sperry, Westinghouse, Raytheon, Martin and Maxson companies, and the end use of these components ranges from telephones to navigation systems to communications systems.

New products introduced included a sub-miniature servo amplifier, one-quarter the size of a previous model, and a 90-degree phase shift amplifier for use in servo control systems. The division also developed a number of new component ovens and crystal filters. New crystal types were designed for such weapon systems and space projects as the TFX aircraft, Sprint, Hawk, Apollo and Phoenix.

A new type of miniature thermostat, called the Propstat, was developed for use in gyroscope heaters, component ovens and de-icing systems. It has no moving parts and has a life expectancy of 20,000 hours.

The American Time Products section of the division developed two products for laser research and utilization: an optical chopper and an optical scanner, both similar in appearance and in basic design, except that the scanner incorporates a new type of tuning fork with "torsional" tines for ultra-stable performance.

Turtle Mountain Jewel Bearing Plant The Turtle Mountain Ordnance Plant, located near Rolla, N.D., is the only domestic source of jewel bearings needed for precision instruments used in defense and space equipment. Disc-shaped jewel bearings believed to be the smallest produced in this country were designed and manufactured during the year for a miniature gyroscope developed by Litton Systems Company — the bearing was only 5 one-thousandth of an inch in thickness, and 400,000 of them would fill a level teaspoon. Most of the bearings produced are for the national stockpile and Department of Defense contractors. Bulova operates the plant at cost plus a \$1 annual fee.



▲ Dryer-like dome is really a large bell jar used at Electronics Division during vacuum process in silver-plating step in manufacture of precision quartz crystals.

Watchmaster Products Division Along with the market expansion efforts of the consumer products portions of the Company, the Watchmaster Products Division also increased its services to the jeweler.

A new catalog listing all Bulova watch movements and replacement parts cross-referenced for interchangeability was offered to jewelers with a new assortment of standard parts at a substantial savings. A special 6-page technical bulletin on the new calendar movement for ladies watches was printed for all jewelers. This type of service was conducted by the newly-established Field Technical Services Department, which also strengthens a program of presenting technical programs to state conventions of jewelers and watch repairmen.

Another new program is the Accutron Service Training Program in which instructors from watch repair and technical schools are invited to attend special courses at the Joseph Bulova School of Watchmaking after which they can conduct classes for their students.

The division's principal volume was from sale of watch service equipment such as the Watchmaster line of watch rate recorders and ultrasonic cleaners, Elimag demagnetizers and "Vibrograf" watch rate recorders. A new Accutron-Vibrograf designed to test both electronic timepieces and conventional watches without readjustment and an Accutron Test Kit for watchmaker's use were both introduced during the year.



▲ Precision mechanisms being inspected at the Systems and Instruments Division.



▲ Coil winding is an ancillary manufacturing process developed within the Company to assure supply and quality control of components for Bulova's electronic products.



▲ Electronic filters and oscillators of a new design must be put through rigid tests before they can be offered by Electronics Division to military, space and commercial customers.



▲ National Wheelchair Basketball Tournament was hosted this year by the Joseph Bulova School of Watchmaking as part of its program of recreational activities for physically handicapped men. Bulova "Watchmakers" quint earned a berth in the 16-team meet, but lost in quarter-finals.

OTHER COMPANY ACTIVITIES

JOSEPH BULOVA SCHOOL OF WATCHMAKING

In addition to training physically handicapped men in the skills of precision instrument making and watch repair, and participating in a number of activities for the handicapped, the School acted as "host" this year for the first time for the 16th National Wheelchair Basketball Tournament at Queens College.

"Project Pride," a program to train instructors and administrators for similar schools throughout the world, accepted a student from Beirut, Lebanon on August 8, 1963. He is Constandinos Malliaroudakis, a fellowship student, and is expected to complete both the watch repair course and precision technician course, which ordinarily requires twenty months of training, in eleven months. He is ranked as the number one student in this program compared to ninety other students who are training at the School from seventeen states and from Formosa, Hong Kong and Israel.

Nearly 400 men and women competing for berths on an all-star USA team for the "paralympics" in Japan are expected to enter this year's 8th National Wheelchair Games, sponsored each year by the School.

The School also cooperated with the New York University School of Retailing in presenting the 24th annual two-week jewelry store management seminar for 25 jewelers and executives. The total number of graduates from the course is now 500.

The School graduated 36 handicapped men during the year from its 9-month and 18-month courses, bringing the total in 19 years to 796. Current enrollment is 97.

SPORTS TIMING ACTIVITIES

In this pre-Olympic year, the requests from local jewelers to borrow kits of sports timers (stop watches) increased substantially to 12,468 timers used in 761 different events

— an increase of 40 per cent in timers and events. Most of these are used for track meets and swimming races, but others are used for model plane meets, boat races, parachute contests and other varieties of sports where the measurement and recording of accurate split-second timing is important.

The "magic eye" of the Bulova "Photo-timer" also was used extensively during the year. It was at nearly every major indoor and outdoor track meet as well as at Olympic trials and at such special events as crew races.

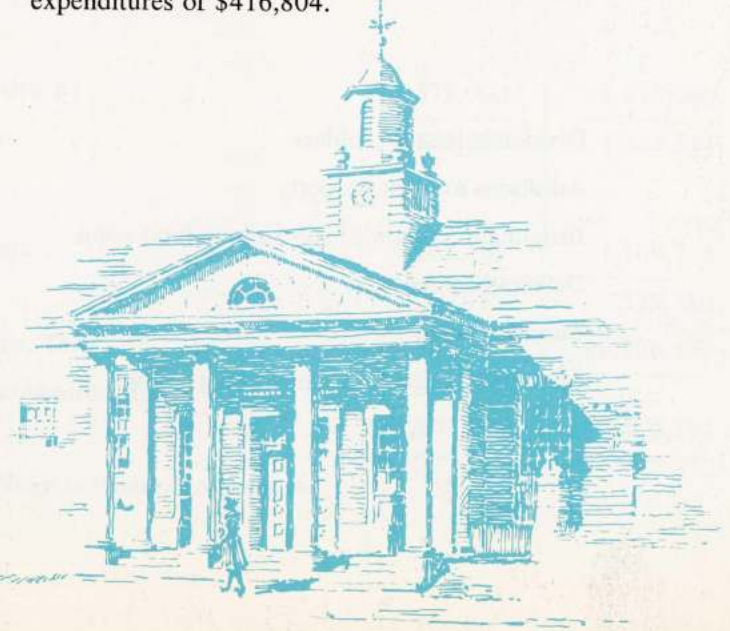
THE PEOPLE OF BULOVA

Employee-management policies are meant to attract, hold and encourage the employees who have the precision crafts and skills that are needed for watch manufacturing as well as for the production of complex electro-mechanical defense and industrial products.

Total employment in the United States at year end was about 4,000, and an additional 1,400 were employed in foreign plants and offices. Among these are more than 1,000 who have been with the Company longer than 15 years and 202 who have 25 or more years of service.

Thirty employees were retired during the year under the Pension Plan, and shortly after the year ended the 300th employee retired under the Plan since its inception in 1943.

The Scholarship Fund for children of employees since it was started in 1953 has benefited 213 students and 75 schools with total expenditures of \$416,804.



Source of Funds

	Year Ended March 31	
	1964	1963
From operations:		
Income for year	\$2,431,600	\$1,482,514
Charges against income not requiring funds:		
Depreciation	710,282	630,687
Deferred Federal taxes on income	(69,681)	(15,179)
	<u>3,072,201</u>	<u>2,098,022</u>
Proceeds from sales of capital assets, excluding gains reported in income	40,889	11,713
Proceeds from sales of Company's capital stock to officers and employees, excluding gains reported in income	674,350	—
Purchase of Company's capital stock	—	(75,047)
	<u>\$3,787,440</u>	<u>\$2,034,688</u>

Use of Funds

	Year Ended March 31	
	1964	1963
Dividends to stockholders	\$1,121,465	\$1,109,734
Additions to plant property	1,146,423	784,962
Instalment paid on 3½% sinking fund notes	450,000	450,000
Deferred charges	119,873	93,772
Sundry assets	(26,934)	183,392
Increase or (decrease) in working capital	976,613	(587,172)
	<u>\$3,787,440</u>	<u>\$2,034,688</u>

Consolidated Statement of Income and Earned Surplus

	Year Ended March 31, 1964 with Comparative Figures for 1963	
	1964	1963
NET SALES	\$72,969,402	\$63,263,275
COST OF GOODS SOLD	49,816,184	44,369,507
GROSS PROFIT FROM SALES	23,153,218	18,893,768
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16,061,445	13,475,262
PROFIT FROM OPERATIONS (after deducting depreciation: 1964—\$710,282; 1963—\$630,687)	7,091,773	5,418,506
INCOME CHARGES:		
Taxes, other than income taxes	1,996,267	1,737,852
Interest paid (less interest earned: 1964—\$92,275; 1963—\$83,771)	898,350	598,028
Contributions to employees' retirement plans (NOTE E)	12,802	98,776
Contributions to charities	177,754	106,336
	<u>3,085,173</u>	<u>2,540,992</u>
INCOME BEFORE INCOME TAXES	4,006,600	2,877,514
U. S. AND FOREIGN INCOME TAXES (NOTE B)	1,575,000	1,395,000
NET INCOME FOR THE YEAR	2,431,600	1,482,514
DEDUCT DIVIDENDS PAID—\$.60 per share	1,121,465	1,109,734
	1,310,135	372,780
EARNED SURPLUS AT BEGINNING OF THE YEAR	29,369,217	28,996,437
EARNED SURPLUS AT END OF THE YEAR (retained for use in the business)—(NOTE C)	<u>\$30,679,352</u>	<u>\$29,369,217</u>

(See Notes to Financial Statements)

Consolidated Balance Sheet

ASSETS

	1964	1963
CURRENT ASSETS:		
Cash	\$ 2,399,794	\$ 2,163,180
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1964—\$768,879; 1963—\$715,941)	22,847,693	21,389,683
Other receivables	678,270	674,449
Inventories, at cost or less	35,653,304	30,146,797
Prepaid expenses	649,694	418,273
Total current assets	<u>62,228,755</u>	<u>54,792,382</u>
OTHER ASSETS:		
Capital stock, at less than cost, held for resale to officers and employees (quoted value 1964—\$1,413,844; 1963—\$1,139,832) (NOTE F)	830,997	1,508,261
Sundry	1,276,398	1,303,332
	<u>2,107,395</u>	<u>2,811,593</u>
PLANT PROPERTY, AT COST (NOTE B):		
Land, buildings and improvements	7,684,171	7,667,274
Machinery and equipment	5,286,849	4,328,856
Furniture, fixtures and leasehold improvements	754,233	667,977
	<u>13,725,253</u>	<u>12,664,107</u>
Less accumulated depreciation	6,498,405	5,835,425
	<u>7,226,848</u>	<u>6,828,682</u>
DEFERRED CHARGES	413,999	294,126
	<u>\$71,976,997</u>	<u>\$64,726,783</u>

(See Notes to Financial Statements)

March 31, 1964 with Comparative Figures at March 31, 1963

LIABILITIES

	1964	1963
CURRENT LIABILITIES:		
Unsecured notes payable to banks and others	\$17,866,202	\$11,484,320
Accounts payable	3,928,736	3,919,273
Accrued salaries, wages, commissions and expenses	1,978,992	1,975,422
Accrued domestic and foreign taxes	1,950,681	1,885,836
Instalment on 3½ % sinking fund notes due within one year (NOTE C)	450,000	450,000
Total current liabilities	<u>26,174,611</u>	<u>19,714,851</u>
3½ % SINKING FUND NOTES DUE MAY 1, 1969—less instalment due within one year (NOTE C)	4,400,000	4,850,000
DEFERRED FEDERAL TAXES ON INCOME (NOTE B)	976,604	1,046,285
STOCKHOLDERS' EQUITY:		
Common stock, \$5 par value:		
Authorized	3,000,000 shares	
Outstanding	1,949,286 shares	9,746,430
Earned surplus (retained for use in the business)— (NOTE C)	30,679,352	29,369,217
Total stockholders' equity	<u>40,425,782</u>	<u>39,115,647</u>
	<u>\$71,976,997</u>	<u>\$64,726,783</u>

(See Notes to Financial Statements)

Notes to Financial Statements

NOTE A:

The accompanying consolidated financial statements include the accounts of Bulova Watch Company, Inc. and all of its wholly-owned domestic and foreign subsidiaries. Foreign currency items, principally Canadian and Swiss, included in the consolidated balance sheet consist of current assets of \$6,270,000, other assets, \$360,000, and liabilities of \$605,000. All foreign currency items have been converted at current exchange rates at March 31, 1964 as to current assets and current liabilities, and at rates of exchange at time acquired as to plant property. It is the company's practice to reflect any unrealized profit or loss in the consolidated statement of income and earned surplus.

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.

Federal income tax returns for the years ended March 31, 1957 and prior have been examined by the Treasury Department and all taxes for such years have been settled. The returns for the four years ended March 31, 1961 are presently under examination.

NOTE C:

The parent company is obligated to pay \$450,000 against the 3½% sinking fund notes on May 1, 1964 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, 1964 to \$5,692,100 plus subsequent earnings, less annual sinking fund payment of \$450,000.

NOTE D:

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1963. Management is of the opinion that no excess profits were realized for the year ended March 31, 1964.

NOTE E:

The cost of current service benefits under the company's retirement plan for 1964, as computed by the actuaries, amounted to \$1,317,000, but because the total of excess investment income and security gains realized was greater than this amount, no contribution was required from the company. There was no unpaid past service cost at March 31, 1964. Separate retirement plans are maintained by the company's Swiss branch and by a Canadian subsidiary.

NOTE F:

At March 31, 1963, 82,110 shares of capital stock were under option to certain officers and employees at prices ranging from \$12.50 to \$17.50 per share. During the year ended March 31, 1964 options for 42,880 shares were exercised and options for 11,730 shares expired. Also during the year options for 24,000 additional shares were granted at \$22.00 per share. At March 31, 1964 there remained 51,500 shares under option at prices ranging from \$12.50 to \$22.00 per share.

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, 1964 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.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1964 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 12, 1964

*More people
tell time by Bulova
than by any other
fine watch*

SURF KING A fine 17 jewel waterproof* with famous Bulova quality and craftsmanship. Stainless steel case, shock-resistant, unbreakable mainspring. **\$24.75**

PRESIDENT "A"
17 jewels, shock resistant, calendar, brown leather strap. **\$35.95**

DEWDROP "E" Dainty tricorn design with a tapered expansion-link bracelet. Shock-resistant 17 jewel movement. In 10 Kt yellow or white gold. **\$59.95**

SUNBURST
Tiny dial framed in golden multicolor. 14K gold case. Shock-resistant. Expansion bracelet. 23 jewels. **\$85.00**

All prices plus tax.

BULOVA

Annual Report for the year ended
March 31, 1964

