



Annual Report  
for the  
year ended March 31,

**1968**



Harry B. Henshel, President



Rodney C. Gott,  
Benjamin H. Dorsey (right)



James McCormack, (left)  
Benjamin H. Dorsey, (center)  
General Omar N. Bradley



R. Clyde Allen



James McCormack, (left)  
General Omar N. Bradley



Sol E. Flick,  
Executive Vice President



General Omar N. Bradley and  
Harry B. Henshel



George C. Sheinberg, Treasurer, (left)  
and Sol E. Flick



Sol E. Flick (left) and  
Lawrence F. Codraro, Secretary



John L. Weinberg



John Chiappe, Vice President, (left)  
Rodney C. Gott



**BULOVA**

*Annual Report for the year ended March 31, 1968*

**Directors**

*(Other affiliations in part):*

Gen. Omar N. Bradley  
*Chairman*  
Director, Food Fair Inc.;  
Director, Metro-Goldwyn-Mayer, Inc.;  
President, The George C. Marshall  
Research Foundation

R. Clyde Allen  
Consultant, Stewart  
Dougall & Associates;  
Director, Clauss Corp.

Benjamin H. Dorsey  
Member law firm of  
Brookhart, Dorsey and Callahan,  
Washington, D.C.;  
Director, American Capital  
Life Insurance Co.; Trustee,  
Washington Real Estate  
Investment Trust

Sol E. Flick  
*(Executive Vice President  
and General Counsel)*  
Director, Chelsea National Bank

Rodney C. Gott  
Chairman and Chief Executive Officer,  
American Machine &  
Foundry Company;  
Director, The Black & Decker Mfg. Co.

Harry B. Henshel  
*(President)*  
Trustee Adelphi University;  
Director, New York Chamber  
of Commerce

James McCormack  
Chairman & Chief Executive Officer,  
Communications Satellite Corp.;  
Director, Eastern Airlines

John L. Weinberg  
Partner, Goldman, Sachs & Co.;  
Director, Cluett, Peabody & Co., Inc.;  
Cowles Communications, Inc.;  
General Development Corporation;  
The B. F. Goodrich Company;  
National Dairy Products Corp.;  
Van Raalte Co., Inc.

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**Annual Meeting**

Tuesday, July 23, 1968  
11:30 A.M. (EDST)  
Bulova Park, 75-20 Astoria Boulevard,  
Jackson Heights, New York

**The following are registered trademarks:**  
ACCUTRON, AMBASSADOR, BOUTIQUE,  
BULOVA, CARAVELLE, DIRECTOR,  
PRESIDENT, SNORKEL





**BULOVA** Watch Company, Inc. and Subsidiaries

## HIGHLIGHTS

Year Ended March 31

	1968	1967
NET SALES .....	\$139,752,549	\$123,877,017
INCOME BEFORE INCOME TAXES .....	\$ 8,926,771	\$ 7,199,983
NET INCOME AFTER INCOME TAXES .....	\$ 4,536,771	\$ 3,899,983
NET INCOME PER SHARE* .....	\$ 2.17	\$ 1.90
CASH DIVIDENDS PER SHARE .....	\$ .70	\$ .60
CURRENT ASSETS .....	\$104,186,616	\$ 99,258,884
CURRENT LIABILITIES .....	\$ 43,942,640	\$ 41,853,752
WORKING CAPITAL .....	\$ 60,243,976	\$ 57,405,132
STOCKHOLDERS' EQUITY PER SHARE** .....	\$ 23.73	\$ 22.29

\*Based on the average number of shares outstanding during each period adjusted retroactively for the 2% stock dividends of June 1964, 1965, 1966 and 1967.

\*\*Based on number of shares outstanding at the end of each period, adjusted retroactively for stock dividends.

## *To The Stockholder:*

Worldwide sales and earnings of Bulova in fiscal 1967-68 increased 13 and 16 per cent respectively, bringing a year's performance once more to new record levels.

Sales for the year rose to \$139,752,549 over 1966-67's \$123,877,017. Net income rose to \$4,536,771, a rise of 16 per cent over 1966-67's \$3,899,983 net income. This represents the sixth consecutive year in which net income increased by at least 14 per cent. In addition, income before taxes increased by 24 per cent. Earnings per share rose to \$2.17 from the previous year's \$1.90. Per share earnings are based on the average number of shares outstanding, 2,093,044 in fiscal 1967-68 and 2,053,657 in 1966-67, the latter adjusted retroactively for the 2 per cent stock dividend issued in June 1967.

The continued trend upward in sales reflects gains in both the consumer products and industrial/defense areas of our business. The unparalleled success of Accutron and Caravelle watch brands and the pattern of their consistently increasing consumer acceptance demonstrates that the public, given a choice, will not only select the finer quality product but that it has the knowledge to make the choice in the first place.

It is significant that the Accutron® and Caravelle® lines combined amounted to 45 per cent of total watch sales in dollar volume. This reflects the reduction of our dependence on the middle-priced Bulova® brand line. While sales of the Bulova brand still accounted for more than half of the domestic watch sales, or 55 per cent, only five years ago it generated 80 per cent of such sales. Equally as significant is that even with the success of Accutron and Caravelle, the Bulova brand sales last year were 30 per cent higher than five years ago. We have attempted to lessen our vulnerability to economic cycles by this more even division of watch sales. Collectively, watch sales balanced out a slight decline in non-watch consumer product sales. Domestically, radio and clock sales have been hampered by being limited largely to conventional jewelry store distribution. This spring an entirely new sales organization will launch a concentrated effort to create new outlets and distribution channels for these consumer products.

Abroad, the company's overseas subsidiaries increased total sales, contributing 14 per cent to overall corporate consumer product sales. Sales of Universal Geneve, acquired in February, 1967, were included in the total this year. As we have mentioned in these reports in other years, our growth abroad is an evolutionary program, deliberately paced to expand at a rate consistent with our overall profit goals.

Our market studies some years ago indicated that the watch business had ceased to be a domestic market and was, instead, evolving into a world-wide industry. The process of building distribution outlets, establishing a sales organization, providing inventory and service facilities—which must precede or be done simultaneously with

the selling effort—is a costly, time-consuming operation.

So long as the government's foreign direct investment restrictions are not permanent, the overall effect on the company should not be significant. Hopefully we are now at a position where our earnings overseas will further aid the country's balance of payments position.

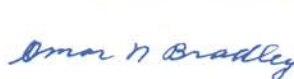
Industrial/defense sales rose to 30 per cent of total sales, up from the previous year's 25 per cent contribution. While these sales were profitable in the aggregate, we had a large write-off on a major defense contract and start-up costs for a new facility in Valley Stream, N.Y. to handle the additional industrial/defense work. Should there be a reduction or end to the Vietnam conflict, we expect little immediate impact on our business. The company's budget for fiscal 1968-69 anticipates a modest decline in industrial/defense activity from last year's high level.

Despite the increase in our defense business, progress was made last year towards our goal for non-consumer products to shift emphasis from defense to industrial areas. There were two main thrusts to this activity—one, the continued development of an industrial timer line, with the Accutron timing unit as the nucleus, and two, the design and manufacture of automated equipment. The former is still embryonic but holds, we believe, considerable potential. The non-consumer activity not only represents an important area of diversification but it provides a scientific and technical backbone for the consumer products areas as well.

Our corporate objectives of annual increases of 10 to 15 per cent in earnings continue to be realistic. Additionally, we feel that we have reached a plateau in defense business. This, coupled with past major build-ups involved in development of both domestic and international product lines, will afford us the opportunity to continue improving the return on our shareholders' equity. Priority objectives toward that end have been set for this year.

A large share of the success of the past year goes to our 7,600 employees worldwide. It is no coincidence that our growth over the past ten years is reflected in the fact that some 43 per cent of our people have been with us from 10 to 20 years.

As a company that generates 70 per cent of its sales from consumer products, we can not be unmindful of the activity generated these days by a movement called "consumerism." The concept of customer concern implicit in this movement has been a basic tenet of this company for over ninety years. Elsewhere in this report you will find a special discussion of our consumer policies and consumer product development.



OMAR N. BRADLEY  
*Chairman of the Board*  
June 13, 1968



HARRY B. HENSHEL  
*President*

## Perspective on Bulova

The problem of communicating the essence of a company goes far beyond reporting the statistical evidence available to all. Each company understandably generates its own special kind of questions in the minds of those making the evaluation. During the past year Bulova management has met with Security Analysts and other members of the financial community both in this country and Canada. A pattern of key questions emerged. Some arose with noticeable frequency; others seemed to create especially strong interest. We've reviewed all of these and have taken the initiative to present here questions and answers on those subjects that apparently stimulate the most interest. It is our hope that the following dialogue, together with the profile of our consumer operations and the Financial Review Section will provide both stockholder and analyst alike with a more sharply defined perspective on our company.

### Question:

**It has now been 10 years since the current management succeeded to control of Bulova. Could you give us a brief rundown of the major changes that have taken place in your business in the past 10 years?**

### Answer:

Our management group succeeded to control in 1959. In the fiscal year ended March 31, 1959, the company's net income had fallen to its lowest level in 20 years.

Major changes had taken place in the watch business in the United States during the post Korean war period which were severely handicapping Bulova. The great success of the Timex-type watch had created havoc with the domestic jeweled-lever watch market. While total U.S. watch sales increased 25% between 1954 and 1958, our watch sales declined 17%.

Clearly we had to do something and fast. What we had to do, and what we did back in 1959, was to develop new products that would put us into markets we had never before been in—specifically the lower price ranges and the upper price categories—as well as in the international picture.

Our entry into the higher price ranges came as a result of acceleration of the development and subsequent introduction, late in 1960, of Accutron timepieces, our patented tuning fork



**International Marketing—**  
Harold L. Rapp (right), President, Bulova International, Ltd., in New York from his Bienne, Switzerland, office, reports on overseas markets. (Left to right) John Chiappe, Vice President and Controller, Sol E. Flick, Executive Vice President, and Harry B. Henshel, President.

watch. In 1961 we began the marketing of our Caravelle watches, our low-priced jeweled-lever watch. And also, in 1960 we began our serious penetration into the important markets outside of the United States and Canada.

In our latest fiscal year our net income was triple what it was when we took over. The past year also marked the sixth year in a row in which net income increased by 14% or better.

Accutron and Caravelle watch products are now equal to 45% of our total watch sales compared with only 20% five years ago. In fact, just in the United States we have about doubled our total watch sales in the past five years, including a 30 per cent gain in the Bulova brand.

### Question:

**Could you give a brief explanation of the company's short and long range objectives?**

### Answer:

We have set as corporate objectives, annual increases in terms of our basic business of 10% in sales and 10% to 15% per year in earnings. By basic business we mean essentially our consumer product business (which during the past year comprised 70% of our total volume) as well as a normalized industrial and defense business. With the escalation in Vietnam since mid-1965, our defense business has increased dramatically and out of all proportion to what we had envisioned prior to the Vietnam conflict. We feel that our industrial and defense business has reached a plateau at its current levels and will level off and decline over the next few years. Therefore, while we are looking for 10% increases in sales in our consumer business, this does not necessarily mean that overall corporate sales will increase by 10% every year.



**Sol E. Flick** "... in developing Accutron and Caravelle timepieces . . . we have in effect created a second major watch company."

**Harry B. Henshel**  
"... just in the United States we have about doubled our total watch sales in the past five years."

On a product basis, we expect the greatest sales gains to continue to come from Accutron and Caravelle timepieces.

Our overall earnings objective of 10% to 15% annual increases is for the entire company. This presupposes higher profit margins over the next few years.

*Question:*

You have been able to show, for the past six years, annual earnings increases of at least 14% per year. This has been achieved without any significant acquisitions other than that of Universal Geneve. Do you feel that your objectives can be met without future acquisitions?

*Answer:*

We would like to point out that we have been able to accomplish internally what we would not have been able to accomplish externally via the acquisition route. What we mean by this is that in developing Accutron and Caravelle timepieces and bringing them to market, we have in effect created two products whose sales exceed that of any other U.S. jeweled-lever watch manufacturer in terms of their watch sales. Therefore, we have created a second major watch company which we could not by any means have been able to acquire. We feel at the present time that neither Accutron nor Caravelle has reached what could be termed market saturation. This does not mean, however, that we do not recognize the fact that to meet our overall corporate objectives we might find it both desirable and necessary to acquire companies to help us. Up until this point in time we have been handicapped in terms of potential acquisitions by the fact that the growth in our basic business required large amounts of working capital and, second, we felt our shares were valued too conservatively on the basis of both our record and what we wanted to accomplish. We are now seeking to acquire companies basically in

the consumer product area where we can bring to bear our marketing and distribution know-how and possibly our manufacturing capabilities. Similarly we are looking for companies with products whose distribution might complement ours and enlarge the market for our own products.

*Question:*

What effect would a cessation of activities in Vietnam have upon your business?

*Answer:*

We would greatly welcome a cessation of activities in Vietnam for a number of reasons, including the effects on our own business.

Our non-consumer business at the present time is made up primarily of defense business which has shown a rapid increase since mid-1965, concurrent with the build-up in the Vietnam conflict.

We feel that any cessation of activities in Vietnam would not have an immediate effect but rather a gradually declining effect on such sales. Every indication we have is that the type of ordnance fuzes we are making will be stockpiled for a period of time so that government inventories will not be at the low levels they were at the beginning of the need in Vietnam.

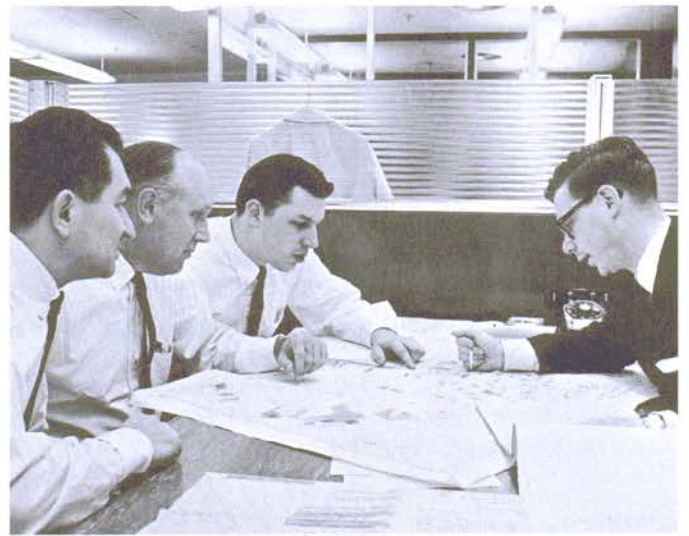
In our budget for fiscal 1968-69, we have anticipated a slight decline in our total industrial and defense business from the abnormally high level reached during the past fiscal year.

The build-up in our defense activities has been a strain on our people and pocketbooks; overall margins and earnings have been burdened in particular by problems encountered on one sizeable defense contract which is now operating at a profitable rate.



**Consumer Research**—Professional interviewer (foreground) for marketing consultant uses watch styling charts and check-list of specific questions while conducting interview with housewife for nationwide marketing survey commissioned by Bulova.

**Computer Conference**—James D. Brown (right), Director of Marketing Planning, determines specifications for a new computer-produced statistical report with (left to right) Joseph G. Sena, Assistant Manager of Market Research, Arthur P. Grafenberg, Manager of the Electronic Data Processing Department and Warren E. Stillwell, Senior Systems Analyst.



### Market Research

On June 11, 1966 a meaty 166-page report was delivered to 25 key executives in Bulova. Its impersonal statistics were to have impact in 1967 on all facets of the marketing organization, from sales to design, from production to promotion. This annual nationwide study of consumers measured the company's progress in achieving the marketing ambitions for each of its brands. It was barely digested when, in July, a second study, half the size but with double the impact, made the same confidential rounds. Its 76 pages dissected and analyzed the company's marketing strengths and weaknesses over a three-year period.

Neither report represented any unusual preparation for 1967; in fact, it was fundamental to the year's market planning to probe the status of the marketplace insofar as watch sales were concerned. For example, clues uncovered in the '66 studies led, in 1967, to a re-organization of the field sales staff, new territorial alignments and emphasis on new distribution outlets.

Consumer tastes change as often as a chameleon's colors, so new designs and styles were under study in 1967 even as the public bought a record number of timepieces from Bulova. The metamorphosis of a new style is always an agonizing decision. For, despite the pounds of statistical data, the consumer still refuses to conform consistently to prediction.

**Sales Program Review**—Michael D. Roman (center), Vice President and National Sales Manager, reviews fall sales program objectives for Eastern Zone with (left) William W. Alpern, Eastern Zone Sales Manager, and Frank S. Owen, Manager of Sales Administration.







**New Approach Jeweler**—Gabriel Lyon (left), owner-operator of Lyon's Bulova Center on New York's Madison Avenue, who decided to carry every model of Bulova and Caravelle watch and every model of Accutron timepiece for consumers, in session with William W. Alpern, Eastern Zone Sales Manager. Mr. Lyon's retail watch center, which opened before last Christmas, is the only retail jewelry store in the nation devoted exclusively to carrying all models of the Company's three brand lines.

### *Styling and Design*

How, therefore, do you anticipate fads and fashions as much as a year ahead? When has a current mood run its course? What will they really buy next year, and why? Scientific analysis takes you just so far. Also needed are the intuitive judgments that are a unique Bulova legacy of decades of consumer selling. The two, science and educated opinion, were mixed and a decision was made. This June will begin the acid test of the wisdom of this and other decisions made last year.

A new Oceanographer series of underwater watches will be unveiled nationwide. This step was triggered a year ago when an interesting blip was detected in the company's sales curve; people were snapping up its Bulova Snorkel watch despite the fact that the surveys indicated Bulova had only a modest selection of underwater timepieces. There was also an unmistakable trend toward bold, masculine-styled wristwatches like the somewhat bulky (by conventional measures) Accutron Astronaut. And the interest in underwater watches was obviously more than a passing wave; statistics showed there were about three million water sports enthusiasts investing a healthy \$200 million in the underwater gear they use, watches included.

To people trained in reading seemingly unrelated buying patterns and weaving them into a single theme, the



**Bracelets and Boxes**—Gerard A. Donovan (left), Vice President in charge of the Corporate Merchandising Division, matches a new watch bracelet with gift box during discussion with Michael D. Roman, Vice President and National Sales Manager.



**"Marrying Man"**—Jerome Light, Product Manager for Bulova/Accutron in the Corporate Merchandising Division, is "marrying" styling components for a new style of Bulova brand watch. Mr. Light "married" a selection of the components shown for the new super-waterproof Bulova "Oceanographer" that combines the ruggedness of a diver's watch with the design elegance demanded for formal wear.

course was clear: combine the interest in underwater watches with the strong-looking appearance that was popular. In July, the first step in the 12 month project was taken; a watch movement was selected; stylists created the form; engineers and designers provided the technical specifications. Full-scale prototypes were inspected in August by our salesmen, who have proven themselves sensitive to the public's tastes, moods and buying attitudes. The verdict was "go," and the intricate and systematic process of building a new watch line commenced.

The timepiece that many thousands of vacationers will wear this summer began to move slowly through the labyrinthian production process. Some 3,500 separate manufacturing stages later will emerge a precision timepiece, as accurate 666 feet underwater as it will be at sea level. Later, as the country's vacation mood turns to serious political discussion, two additional new watch styles, appropriately named the President and the First Lady, will make timely fall appearances. These two also are the product of the same painstaking process of evolution as the oceanography series. This July, a new evolutionary process commences as '69's and '70's styling and design decisions will be made, and new watches will move into the difficult incubation period.

### *No Short Cuts to Watch Evolution*

In this age of technological haste it is paradoxical that it still took as long last year to make a Bulova watch—an average of nine months—as it did ten years ago. But because of the auxiliary impetus of the most modern, automatic manufacturing operation in the industry, the process is even closer to perfection.

**Weekly Reports**—William W. Alpern (left), Eastern Zone Sales Manager, and Michael D. Roman, Vice President and National Sales Manager, discuss a salesman's detailed weekly report just received from the field. These reports, required of all the Company's 135 salesmen, permit management to maintain an up-dated picture of consumer trends and jeweler response to customer demands.





**At the Counter**—A customer reaches for his wallet as a jeweler's salesman closes a watch sale at a counter display of the Company's watches set up in cooperation with the Bulova sales representative.

New technology, for both products and processes, results from a cross fertilization of ideas from research technicians and the interchange of mechanical and electronic skills of engineers in the United States and Switzerland. It was such a heritage that enabled Bulova to leap-frog the industry when in 1960, it successfully married electronics and advanced horology to produce Accutron, the world's first electronic timepiece. Other advances are less dramatic but nonetheless of significance.

Under the dual pressures of advancing technology and product demand, this highly complex process is in a state of perpetual modernization. Last year was no exception. Productive capacity was increased and such innovations as a semi-automatic watch assembly technique introduced the capability of reducing assembly time while improving quality control. The initial phase of a two-year \$5 million capital improvement program to refine even further the multi-million dollar arsenal of machinery (much of it custom-designed by Bulova engineers) was launched here and abroad.

Not to be overlooked, is the unique elasticity of this sophisticated production process. For example, last year it not only absorbed the manufacture of the new Accutron calendar model, after two years of production engineering, tooling and processing of a pilot run, plus the new Caravelle transistor electric and a new 23-jewel, thin, self-winding Bulova calendar model, but also simultaneously digested the manufacturing of 759 domestic and 480 international styles of timepieces, plus 46 varieties of electronic, electric and conventional clocks and 29 radios, clock radios and cordless clock radios. This diversified mix is typical of the flexibility which technology imparts to our operations.



**Product Design**—Leo Gale (left), Product Manager for Caravelle, questions Robert H. Marquardt, Product Designer in the Watch Engineering Department.

**Display Design**—George Borkin (right), Display-Exhibit-Packaging Manager, examines models of possible jeweler displays with Richard H. Reck, Advertising Production Manager. Mr. Borkin, who advises jewelers that displays should be aimed to "trigger the consumer's buying action," is responsible for the design and production of all the Company's display materials for jewelers.



## Distribution

A common denominator of all domestic marketing surveys going back to 1951, was the statistical evidence that Bulova clearly enjoyed a most favorable position with the jewelry trade. But there was no room for complacency. More recent studies, particularly those made in 1966 revealed a relatively poorer position among the larger jewelers who were concentrating on their own private brands and among such non-dealer trade channels as the mass merchandisers, gift and music stores, department stores, and the other shops. Clearly this indicated that measures had to be taken to improve the company's position in these obviously strategic segments of the marketplace.

The process, which was evolutionary and not a crash program, attained its deepest penetration in 1967. The number of individual dealers carrying Bulova's lines rose to the highest level in the company's history, but what is more significant, there was an impressive increase in the number of larger jewelers and chains carrying Bulova products. And of the 2,200 new retail outlets joining the Bulova distribution network in '67, a significant number were the non-jewelers channels—department stores, gift and specialty shops. By actual head count, the year ended with nearly 20,000 retail outlets engaged in selling Bulova products nationwide.



**Program Planning**—Arthur Schwartz (standing right), Vice President and Director of Advertising, reviews an advertising agency's program proposal for the Incentive and Presentation Division with George Forman (left), Advertising and Sales Promotion Manager for Bulova / Accutron, and Bernard Dwortzan, Advertising and Sales Promotion Manager for Caravelle.



**National Advertising**—Arthur Schwartz (center), Vice President, Director of Advertising, discusses new fall advertising program. The new program was approved with minor modifications after other comments from George Borkin (left), Display-Exhibit-Packaging Manager, Joseph G. Randazzo (second from left), Manager of Advertising Services, George Forman (second from right), Advertising and Sales Promotion Manager for Bulova /Accutron, and Bernard Dwortzan, Advertising and Sales Promotion Manager for Caravelle.

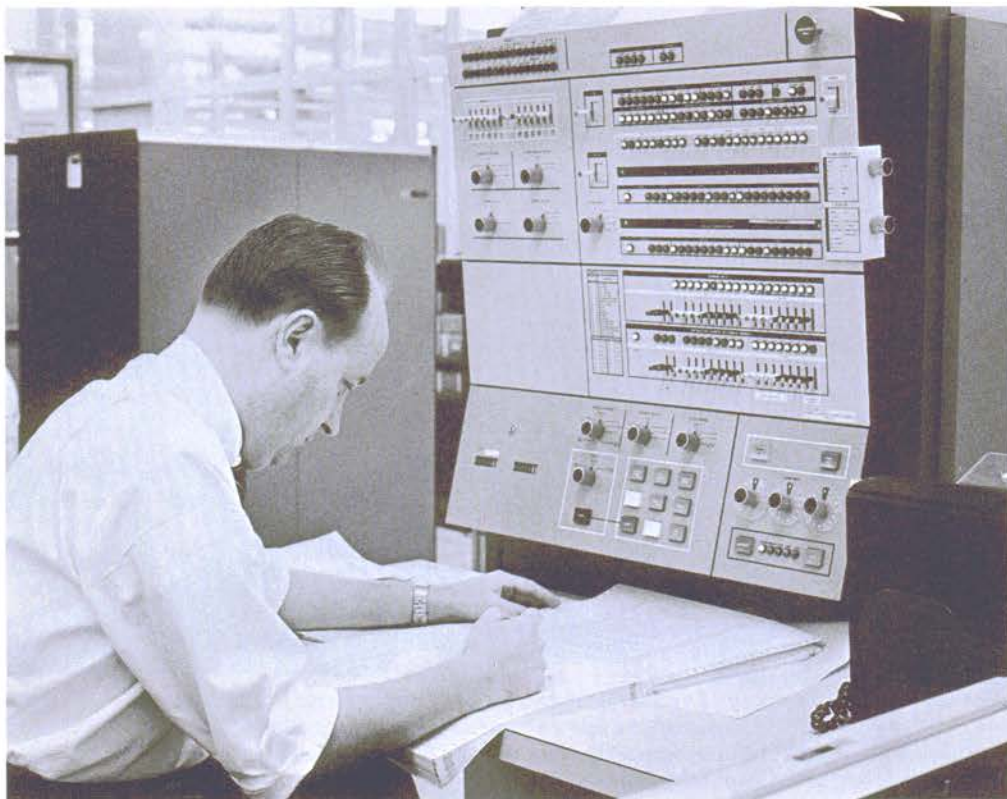
These same studies also indicated a fundamental change was in order in the traditional organization of the company's field sales staff. The increased diversity of both products and distribution outlets facing the sales staff demanded re-alignments. Consequently, the two field sales staffs were combined into one, 135-man watch merchandising force. The clock and radio lines were spun off from the regular sales force to become the new responsibility of a nationwide chain of 55 factory sales representatives in 50 states. The net effects of these evolutionary changes should be two-fold. One, it is expected to strengthen the watch salesman's hand as a watch merchandising counselor to retail outlets. He has become literally a walking "one-stop" service, representing the most diversified watch line anywhere—electric, electronic and conventional. On the other hand the addition of the new selling arm for Bulova Electric Products will widen distribution in such retail areas as music stores, furniture and appliance stores, and will accelerate the penetration into department stores, gift, specialty and fashion shops.

### Marketing

Domestic and international marketing of our products has always assumed importance equal to design and manu-



**All Ages**—A fine jewelry department in a big city department store successfully attracts customers of all ages. Surveys show that increased floor traffic is a key factor in rising watch and jewelry sales.

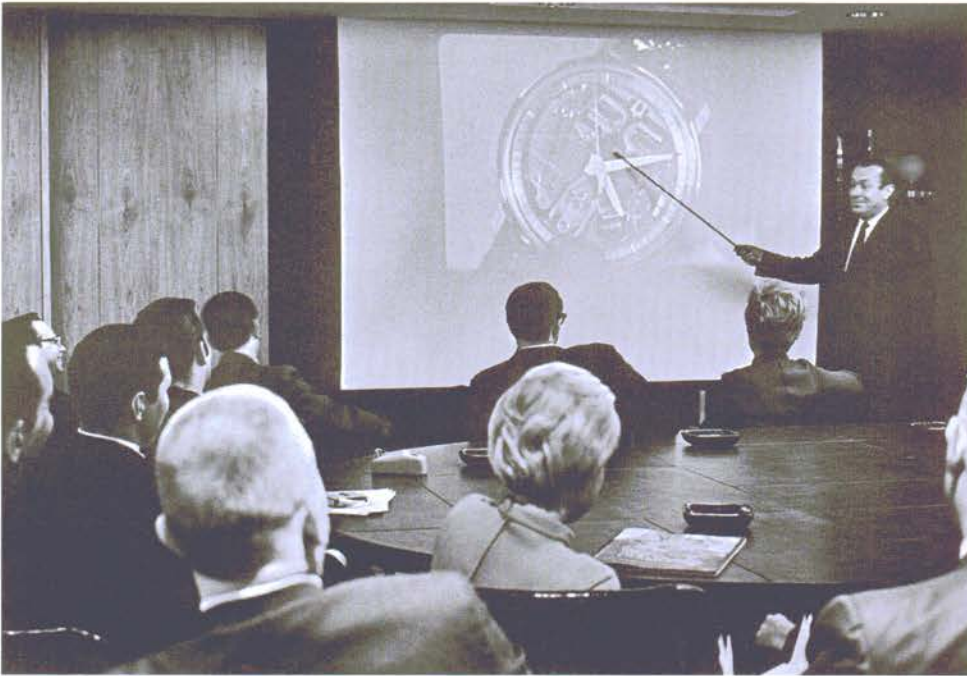


**Pilot Run**—Edward F. Byrnes, a programmer in the Electronic Data Processing Department, checks a new sales analysis program being run on a computer system.

facture. Historically, the company has been the industry's leader in advertising and marketing, not through dollar outlay alone, although this is always substantial, but through variety, innovation and consistency. For example, last year when U.S. business spent a whopping \$17 billion advertising its products and services, the problem of edging a word into this maelstrom of "messages" put a premium on creativity and credibility, not on dollars spent. Appreciating the fact that the average consumer screens out all but a minuscule portion of the 1,000 messages beamed at him daily, the company's campaigns in '67 stressed diversity of media and emphasized product information. Featured in the advertising/promotional inventory last year was network television, highlighted by the sole sponsorship of the hour-long Jack Paar special, plus product messages on such top-rated shows as Jackie Gleason and the Smothers Brothers; radio commercials in 26 key markets coast to coast; and 17 weekly, bi-weekly and monthly national magazines, representing the most extensive use of print media in the company's long advertising history. Numbered also in this vast array of pre-selling aids, were a variety of direct mail pieces, displays and new packaging designs. Most impressive best seller was a 24-page full-color gift catalog created especially for jewelers use in the Christmas selling season. Jewelers responded by buying 2,300,000 copies of the catalog.

**Home Jewelry Cleaner**—Herbert Novick, Director of the Technical Sales and Services Division, unveils the new Bulova Home Jewelry Cleaner at a Division staff meeting. The cleaner is the Division's first consumer product.





**Sales Training**—Justin J. McCarthy, Director of Manpower-Development, conducts a sales training seminar for sales personnel of retail jewelers and department stores.

### *Market Pulse*

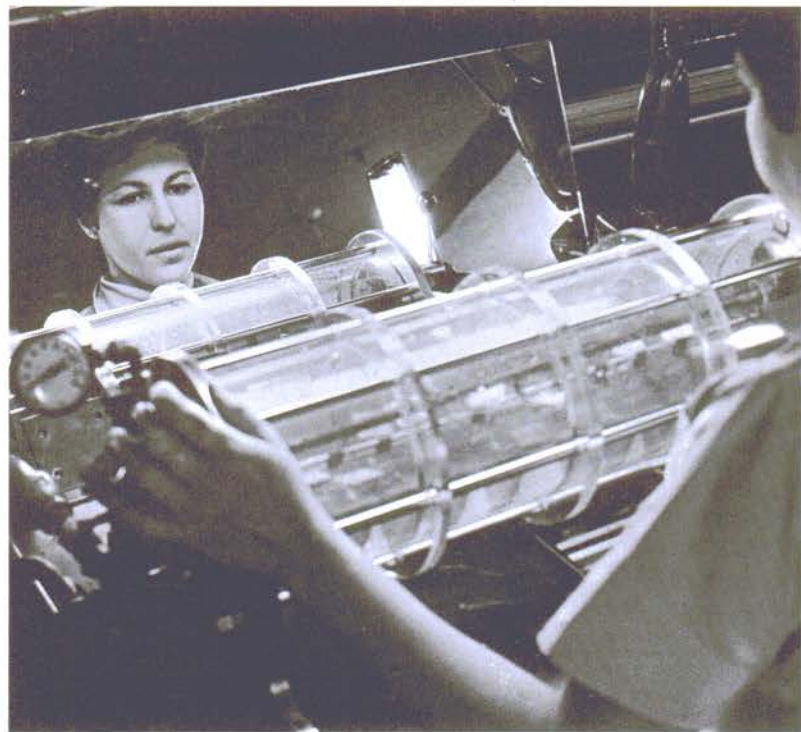
For all of the scholarly inputs it gets from its investment in market research, Bulova still places considerable weight on the opinions and attitudes of its franchised jewelers. This exchange of views is a constant, free-wheeling process usually accomplished in informal atmospheres.

Most reliable, of course, is the eyeball-to-eyeball research, which Bulova executives themselves accomplish through the simple expedient of taking trips into the field. Over the past three years 26 top executives have visited 3,500 of the company's franchised jewelers in 40 states, logging an estimated 2½ million travel miles. In other instances it's the jewelers and their families from 46 states and 11 foreign countries that were guests of Bulova during a visit to New York. The annual Retail Jewelers of America convention, and the annual 24 Karat Club's meeting afford informal opportunities for the mutual exchange of ideas and views. It is one of the ways the company keeps "in touch" and is fundamental to shaping its perspective on marketing policies.

### *Data Communication*

But the camaraderie of such get-togethers does not substitute for more formal exchange of information. Bulova accepts a basic obligation to provide a never-ending flow

**Water Test**—Gladys Fernandez operates a testing machine containing completely assembled Accutron wrist timepieces.



**Credit Policy**—Isidore Roberts (left), Assistant Treasurer and General Credit Manager, discusses trends spotlighted by weekly computer summary of individual credit standings of all 17,000 Bulova jewelers with Louis Moore (center), Credit Manager, and George Sheinberg, Treasurer.

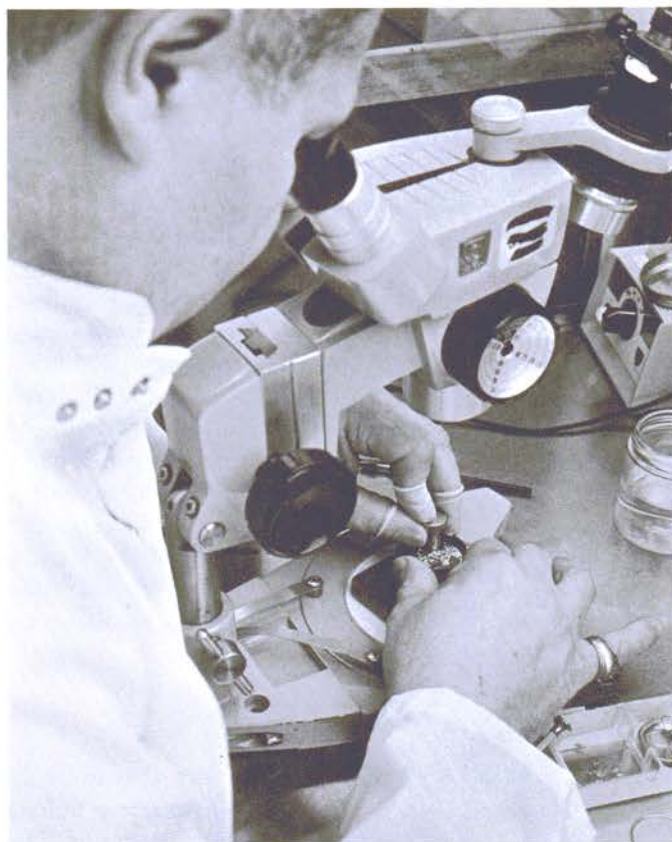


of technical data. Product information exchange is most important; some 3,000 jewelers last year attended company-sponsored technical seminars, including 14 state jewelry conventions and 15 department store staff meetings. But the hunger for such guidance and information far exceeds the manpower Bulova, or any company for that matter, can commit to the personal educational job. This led last year to establishment of what promises to be one of the company's most useful services, the newly formed Technical Information Services department. This will henceforth be the central source of watch-use information from Bulova's worldwide divisions. It will collect such material, digest it and prepare it for domestic circulation to franchised retail outlets. Basic to the concept of this new service is the establishment, domestically at first, of a regional service facility on the west coast.

### *Policy*

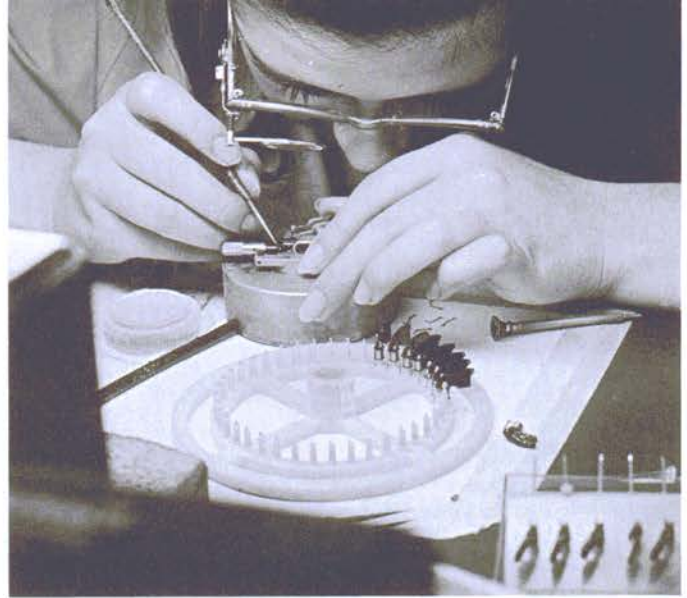
In one of the year's major industry speeches, President Harry B. Henshel challenged 250 members of the tri-state Maryland-Delaware-District of Columbia Jewelers Association last September to demonstrate the entrepreneurial leadership that had been characteristic of the jewelry industry. He urged them to "modernize their philosophies, policies, practices and procedures . . . to be in tune with the market place." This was more than rhetoric; it was a reminder that in retailing it is either innovate, originate or become obsolete.

**Phasing a Timer**—Timer Laboratory instrument assembler Gene Astorino "phases" an assembled Accutron electronic timer designed for space applications in remote, unsupervised locations. Phasing operation is one of series of accuracy and quality control tests conducted on each unit produced by the Timer Laboratory for defense, industrial, research, space and oceanographic applications.





**Hand Crafted**—The leads of the magnetic coils used to transmit power electro-magnetically to the Accutron tuning fork are soldered by Mercedes Calderon, of the Coil Manufacturing Department. The power consumed by an Accutron timepiece is exceptionally low, only eight one millionths of a watt.

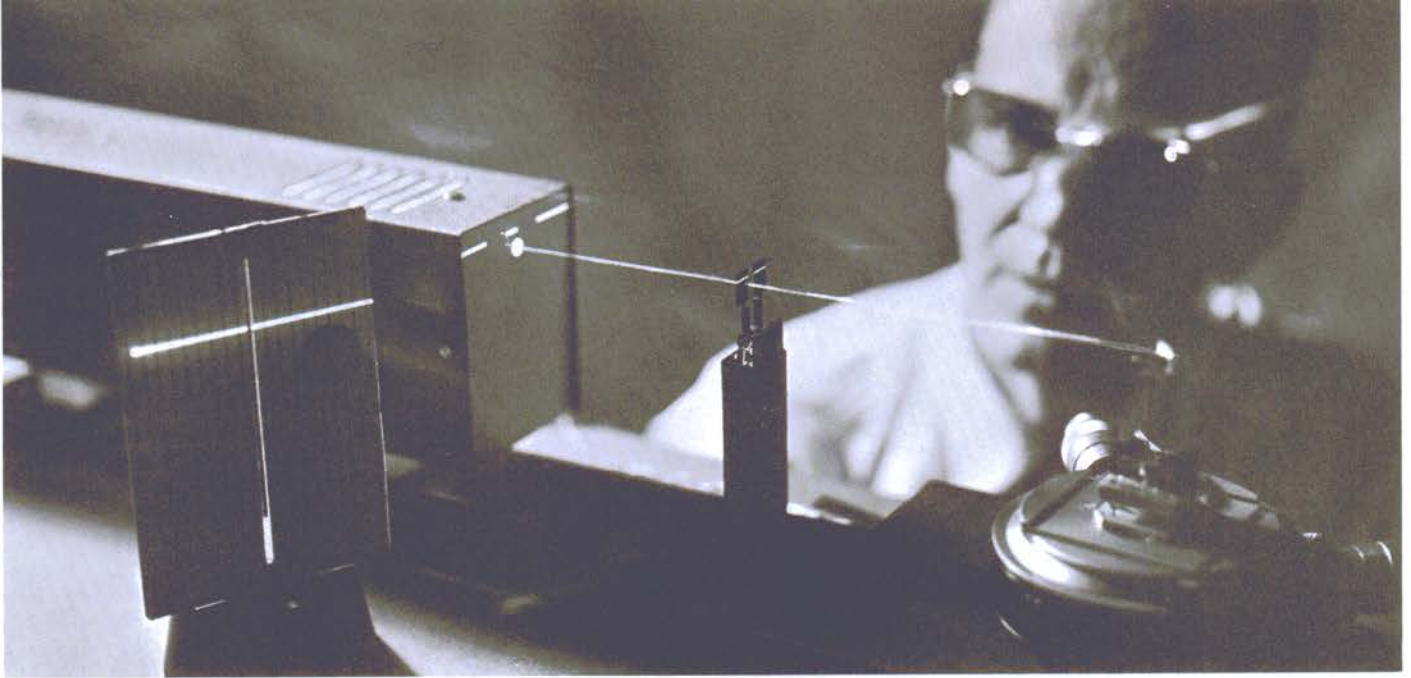


**Precision Testers**—Despina Markopoulou (foreground) conducts "beat rating" precision tests on self-powered long-duration Accutron electronic timers, as Molly Flaminio (background) conducts similar tests on Accutron Marine Navigator II units. The Accutron Marine Navigator II, a marine clock and navigation aid which uses three electrically-interconnected Accutron timekeeping units, has a deviation rate of less than a second a day.

**New Caravelle**—Edward Miller, Foreman for Caravelle Casing and Inspecting/Braceletting and Boxing, installs power cell in new Caravelle "Transistor." The cell powers the new electric watch for more than a year.



The need to inject fresh perspective into the jeweler's own view of his retailing role came out of discussions which top Bulova management had last year with the editors and publishers of the principal trade publications serving the industry. In the give and take of these annual sessions comes a cross-fertilization of ideas that contribute to solving some of the industry's internal problems. Backing this up, the company's manufacturing and marketing executives lectured at the 28th Bulova-New York University course in Retail Jewelry Store Management and Merchandising attended by 23 jewelers from 12 states and two Canadian Provinces. More than 600 jewelers have been graduated since the program's inception in 1949.



**Laser Chopping and Scanning**—High-velocity tuning fork (center) creates a "time window" by chopping a laser beam while a second tuning fork (right) scans chopped beam, using tiny mirrors mounted on its tines, in experiment conducted by Frank Dostal, Chief Engineer for the Electronics Division's American Time Products. Scanning action produces calibrated light pattern on screen (left). Similar experimental systems have led to tuning fork applications in surveillance, target spotting and ranging.

### *Non-Consumer*

The consumer product orientation of Bulova, generating some 70 per cent of the company's sales volume last year, has a unique technological spill-off to its non-consumer industrial/defense products. The products made in the company's four non-consumer areas have, as a common denominator, watch-making technology and miniature electronics threading through the production of artillery and mortar fuzes, micro-circuit automation equipment, test instrumentation (Systems and Instruments Division), crystals, oscillators and servo-amplifiers (Electronics Division) and production of millions of pin-head sized synthetic jewels (William Langer Jewel Bearing plant). The Timer Laboratory, a direct off-shoot of the technology represented in the invention of the Accutron timepiece, moved into the millions of dollars class last year as it pursued new and unique applications for the Accutron timing unit in non-wristwatch uses. An industrial timer line, while still in the embryonic stage, points up the direction of our research and marketing efforts.

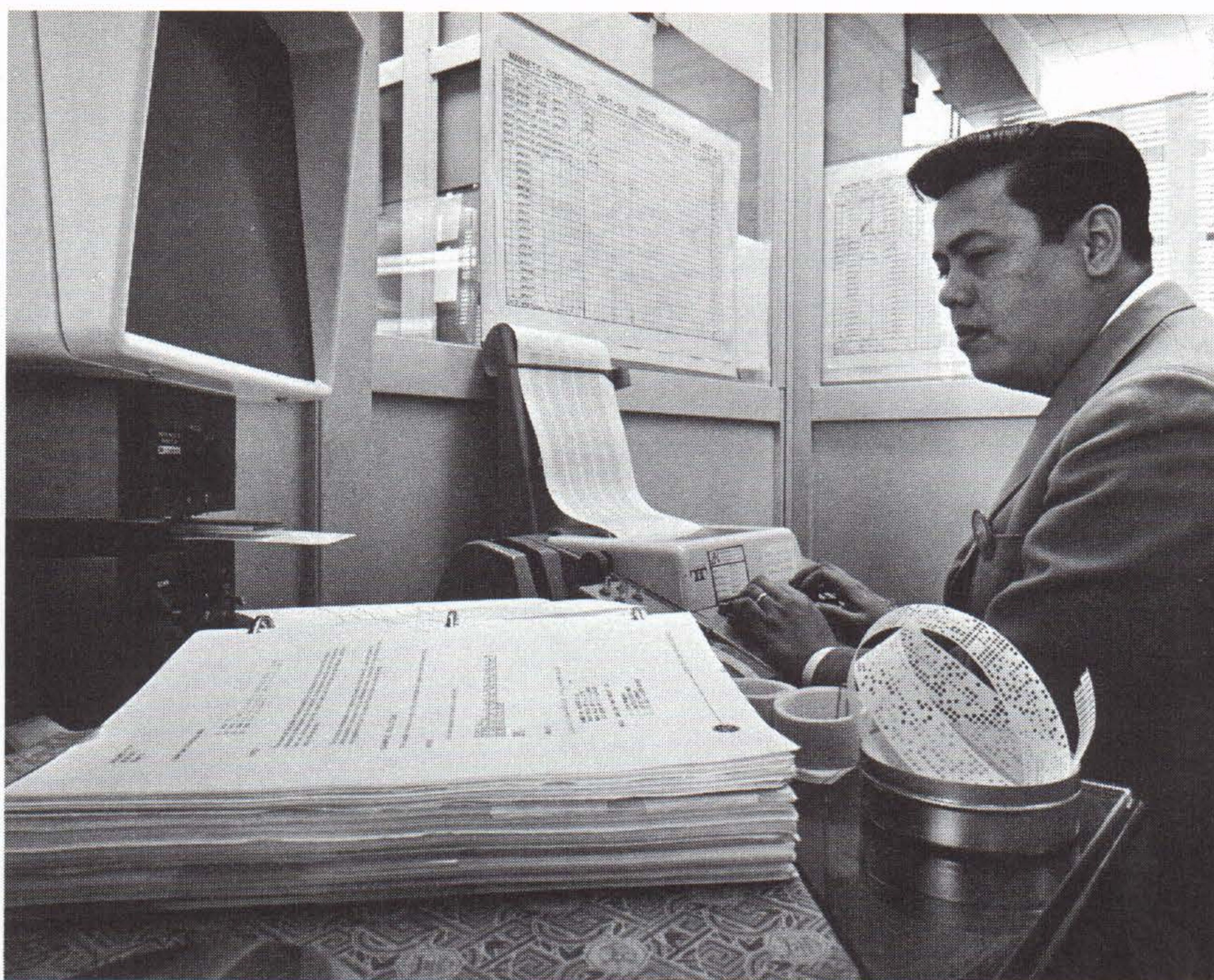
The lab has grown in six years from a one-man shop to one in which 60 specialists and technicians are today finding new uses for the more than 100 products built around the 33-gram self-powered Accutron timekeeping system. They have already taken on assignments in industry, research, space, oceanography and national defense. A notable application is the development of a digital read-out panel of nine Accutron-based clocks aboard the Presidential plane, Air Force One, to provide in three locations in the aircraft, Washington, D.C. time, time at the destination point and local time enroute.

The esoteric-sounding inventory of principal products of the non-consumer units—fuzes, safe and arm devices,



**For Guidance Systems**—Bench operator Edgar Cadavid, a technician in the Electronics Division's Crystal Department, seals precision quartz crystal oscillators in evacuated glass tubes. These high frequency crystal oscillators are used in helicopter and other guidance systems.

**Design Problem**—*Robert Ballestros, Manager of Research and Development, Filters and Networks for the Electronics Division, uses a computer to solve a design problem. He is shown at one of three computer consoles at the Division.*



micro-bonders, crystal filters, optical choppers, tuning fork oscillators, laser beam choppers—seem remote from watch-design and manufacture but they represent an in-house technological base whose impact can be company-wide with consumer or non-consumer involvement. For example, the 16-year-old Electronics division has built up impressive capabilities in quartz crystal technology, an avenue of considerable promise in watch technology as well as industrial electronic applications. One measure of Bulova's capability in this regard was the year-end report that the division had shipped over one and a half million crystals without a single defect. The company's capabilities in time standards and radio frequency control is best exemplified in its technical leadership in "tuning fork" applications. The best known application is, of course, the Accutron timepiece, but the use of this versatile frequency standard runs the gamut from space missions to oil well instrumentation two miles underground. One example of a current project which is under development for the military, is a new infrared detector that makes use of a tuning fork scanner to "lock onto a target". Other uses in last year's assignment chart included traffic register cameras, homing controls for a new and highly sophisticated torpedo and a master clock control for a new missile system.

The increasing number of diversified non-defense projects, especially in such automation equipment as the numerically-controlled semi-conductor micro-bonding machine, indicate the trend the company projects. Commitments to material for Vietnam have thus far inhibited full-scale development of industrial applications, but both the technology and technical manpower resources exist.

**Missile Fuze Test**—*Technicians Pamela Dixon (foreground) and Ella M. Davis conduct electrical tests of assembled anti-radar missile fuzes in dust-free controlled-atmosphere assembly and test area in Systems & Instruments Division plant, Valley Stream, New York.*



## FINANCIAL REVIEW

### Net Income

Net income for the year increased by 16% to \$4,536,771 from \$3,899,983 the preceding year. This marked the sixth consecutive year in which net income increased by 14% or better. Earnings before taxes for the year rose by 24%.

Earnings per share rose to \$2.17 from \$1.90. Both figures are based on the average number of shares outstanding during the respective fiscal year, 2,093,044 in 1967-68 and 2,053,657 in 1966-67.

The earnings per share for 1966-67 have been adjusted retroactively for the 2% stock dividend paid in June, 1967.

Significantly, net income rose at a faster rate than sales, even with the substantial increase in our lower profit margin defense business.

It is also noteworthy that the increase in earnings was achieved in spite of certain adverse factors, including a large write-off on one major defense contract (whose problems have now been overcome) and start-up costs in new facilities erected in Valley Stream, New York for additional industrial and defense work.

The devaluation of the British pound had a minimal effect on our earnings since we were adequately protected in that area and had other foreign exchange profits which were related to the devaluation of the pound.

Interest expense increased by only 9% as the buildup in our industrial/defense business as well as our overseas inventories reached a plateau. Net income was aided by higher interest income in certain areas of our domestic consumer business.

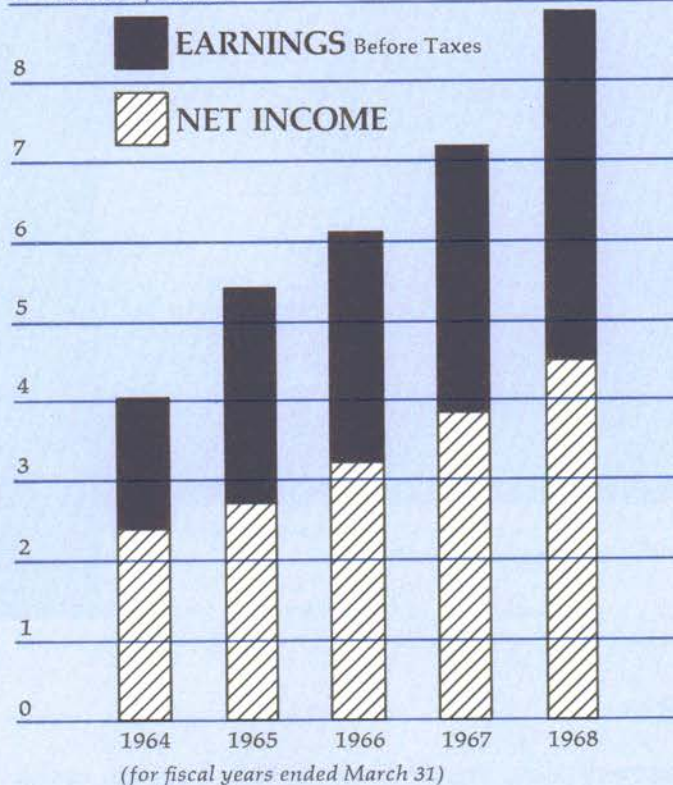
### Sales

Sales for the year rose to a new record of \$139,752,549, an increase of 13% over the \$123,877,017 for 1966-67.

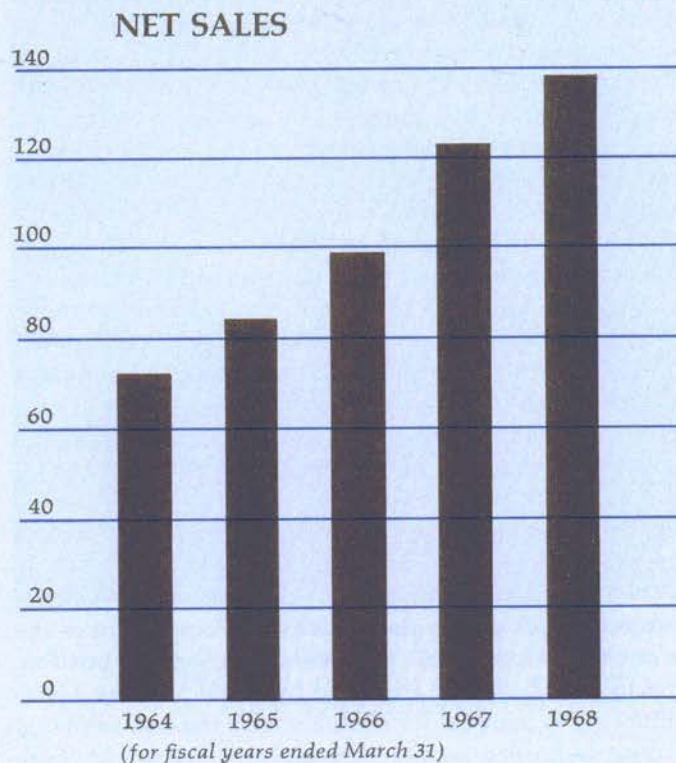
Sales gains were registered in both the consumer and industrial/defense parts of our business. Sales of Universal Geneve, acquired in February, 1967, were included this year.

Domestic consumer sales, which started off slowly in some areas as a result of inventory imbalances at the re-

9 Millions of Dollars



160 Millions of Dollars



tail level, increased steadily during the year. The major improvements continued to come from our Accutron and Caravelle watch lines. Each of these products registered new highs again this year and the combined Accutron and Caravelle sales amounted to 45% of our total watch sales.

The overall gains in our watch sales more than offset declines in our non-watch consumer business which reacted to an overall slackening in consumer demand.

The largest sales increases came in the industrial/defense business which rose to approximately 30% of total sales compared with 25% the preceding year.

### Dividends

Dividends for the year totalled \$1,459,812 compared to \$1,207,303 the previous year. Per share dividends were 70¢, an increase from 60¢ in 1966-67. In addition, the cash dividend was again supplemented by a 2% stock dividend for the fourth consecutive year.

### Shareholders' Equity

Shareholders' equity increased to \$50,021,475 from \$46,403,951 or \$23.73 per share compared to \$22.29 per share. In addition to earnings retained the shareholders' equity was increased by the exercise of stock options and by debenture conversions.

### Financial Position

Our overall financial position showed improvement as many of our programs came to fruition. Working capital increased to \$60,243,976 and our ratio of current assets to current liabilities improved to 2.4:1.

Capital expenditures totalled \$2.6 million, compared with depreciation of \$1,124,079.

Included in the capital expenditures were the completion of the addition to our Valley Stream, New York plant as well as initial construction on new facilities in Providence, Rhode Island. The latter facility will expand our consumer product manufacturing capability.

The investment credit for the year amounted to \$80,353 which was treated as a reduction of current income taxes payable.

The exercise of stock options by company employees provided \$285,375 additional funds to the company and a cumulative total of \$1,460,425 over the past five years.

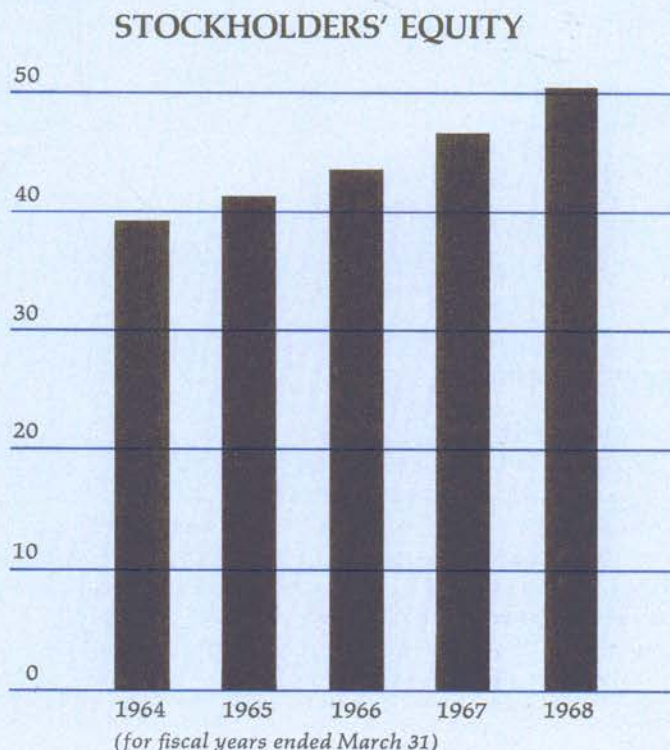
Working capital during the year was enhanced by smoother production cycles in our defense business as well as by increased turnover of our accounts receivable. The latter reflected the introduction last year of more modern credit terms for our retail jewelers which provided incentives for them to make earlier and more frequent payments.

The increase in receivables to \$40.3 million from \$37.5 million last year reflected primarily the increased shipments in our last fiscal quarter.

Major sources and uses of funds were as follows:

Source of Funds	Year Ended March 31	
	1968	1967
From operations:		
Income for year .....	\$4,536,771	\$3,899,983
Charges against income not requiring funds:		
Depreciation .....	1,124,079	876,130
Deferred Federal taxes on income	123,980	59,675
	<u>\$5,784,830</u>	<u>\$4,835,788</u>
Increase (decrease) in long-term debt ...	(248,971)	707,100
Proceeds from sales of Company's capital stock to officers and employees, net ..	285,375	351,663
Working capital of subsidiary consolidated in 1968 .....	633,430	—
	<u>\$6,454,664</u>	<u>\$5,894,551</u>
Use of Funds		
	Year Ended March 31	
	1968	1967
Dividends to stockholders .....	\$1,459,812	\$1,207,303
Additions to plant property, net .....	2,608,614	2,401,459
Deferred charges .....	(140,343)	(124,810)
Sundry assets and investments .....	(312,263)	1,093,574
Increase in working capital .....	2,838,844	1,317,025
	<u>\$6,454,664</u>	<u>\$5,894,551</u>

60 Millions of Dollars





**BULOVA** Watch Company, Inc. and Subsidiaries

## FIVE YEAR FINANCIAL REVIEW

*Fiscal Years Ended March 31*

<b>Operating Results:</b>	<b>1968</b>	<b>1967</b>	<b>1966</b>	<b>1965</b>	<b>1964</b>
Net sales .....	\$139,752,549	\$123,877,017	\$99,754,581	\$84,200,736	\$72,969,402
Income before income taxes .....	8,926,771	7,199,983	6,168,670	5,459,579	4,006,600
Net income .....	4,536,771	3,899,983	3,243,670	2,784,579	2,431,600
Net income per share* .....	\$2.17	\$1.90	\$1.58	\$1.36	\$1.20
Cash Dividends paid .....	1,459,812	1,207,303	1,181,774	1,158,228	1,121,465
Earnings retained after cash dividends ..	3,076,959	2,692,680	2,061,896	1,626,351	1,310,135
Cash Dividends paid per share .....	70¢	60¢	60¢	60¢	60¢
Stock Dividend paid .....	2%	2%	2%	2%	—

### Financial position (Year-end):

Current assets .....	104,186,616	99,258,884	88,240,389	74,002,660	62,228,755
Current liabilities .....	43,942,640	41,853,752	32,152,282	18,887,171	26,327,886
Working capital .....	60,243,976	57,405,132	56,088,107	55,115,489	35,900,869
Total assets .....	118,097,347	112,482,741	98,970,153	83,580,663	71,146,000
Stockholders' equity .....	50,021,475	46,403,951	43,359,608	41,269,516	39,441,510
Stockholders' equity per share** .....	\$23.73	\$22.29	\$21.00	\$20.05	\$19.26
Long-term debt .....	22,973,814	23,189,600	22,482,500	22,482,500	4,400,000

### Additional data:

Additions to Plant Property .....	2,608,614	2,401,459	1,608,661	1,208,439	1,146,423
Average number of shares, excluding stock held for resale, adjusted for 2% stock dividends of June 1964, 1965, 1966 and 1967 .....	2,093,044	2,053,657	2,049,929	2,047,813	2,018,511

\*Based on the average number of shares outstanding during each period adjusted retroactively for the 2% stock dividends of June 1964, 1965, 1966 and 1967.

\*\*Based on number of shares outstanding at the end of each period, adjusted retroactively for stock dividends.



**BULOVA** Watch Company, Inc. and Subsidiaries

## CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

Year Ended March 31, 1968 with Comparative Figures for 1967

	1968	1967
Net sales .....	\$139,752,549	\$123,877,017
Cost of goods sold .....	96,467,709	85,682,256
Gross profit from sales .....	43,284,840	38,194,761
Selling, general and administrative expenses .....	27,251,286	25,022,157
Profit from operations (after deducting depreciation: 1968—\$1,124,079; 1967—\$876,130) .....	16,033,554	13,172,604
<b>Income charges:</b>		
Taxes, other than U.S. and foreign income taxes .....	4,044,683	3,204,864
Interest paid (less interest earned: 1968—\$249,018; 1967—\$125,148) .....	2,907,399	2,757,251
Contributions to employees' retirement plans (note 6) .....	154,701	10,506
Income before income taxes .....	7,106,783	5,972,621
Income before income taxes .....	8,926,771	7,199,983
U.S. and foreign income taxes (note 2) .....	4,390,000	3,300,000
Net income for the year .....	4,536,771	3,899,983
Earned surplus at beginning of the year .....	34,616,313	32,635,884
	39,153,084	36,535,867
<b>Deduct dividends paid:</b>		
Cash—\$.70 per share (\$.60 in 1967) .....	1,459,812	1,207,303
Stock—2% (note 4) .....	946,385	712,251
	2,406,197	1,919,554
Earned surplus at end of the year (retained for use in the business)—(notes 3 and 4)	\$ 36,746,887	\$ 34,616,313
Net income per share of common stock .....	<u>\$2.17</u>	<u>\$1.90</u>
Pro forma earnings per share of common stock, reflecting issuance of stock for conversions and options (note 4) .....	<u>\$1.88</u>	<u>\$1.65</u>

(See Notes to Financial Statements)



**BULOVA** Watch Company, Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEET

March 31, 1968 with Comparative Figures at March 31, 1967

<i>Assets</i>	1968	1967
<b>Current assets:</b>		
Cash .....	\$5,228,006	\$ 4,450,715
Customers' accounts and notes receivable (less allowance for doubtful accounts and notes: 1968—\$1,072,466; 1967—\$909,882) .....	40,286,610	37,544,380
Other receivables .....	1,219,788	890,341
Inventories, at cost or less:		
Watch materials, including finished parts .....	42,251,457	39,806,467
Industrial and defense materials (net of progress collections: 1968—\$2,235,310; 1967—\$5,368,240) .....	7,631,005	7,607,278
Precious metals .....	4,137,931	4,735,469
Other .....	2,549,806	3,095,528
	<u>56,570,199</u>	<u>55,244,742</u>
Prepaid expenses .....	882,013	1,128,706
Total current assets .....	<u>104,186,616</u>	<u>99,258,884</u>
Noncurrent receivables and other assets .....	<u>1,129,332</u>	<u>1,291,983</u>
Investment in and advances to Swiss subsidiaries, not consolidated, at cost (note 1)	<u>141,988</u>	<u>1,568,105</u>
<b>Plant property, at cost (note 2):</b>		
Land, buildings and improvements .....	10,358,320	8,760,376
Machinery and equipment .....	10,176,089	8,323,277
Furniture, fixtures and leasehold improvements .....	1,363,426	1,101,177
	<u>21,897,835</u>	<u>18,184,830</u>
Less accumulated depreciation .....	<u>9,503,081</u>	<u>8,206,061</u>
	<u>12,394,754</u>	<u>9,978,769</u>
Deferred charges .....	<u>244,657</u>	<u>385,000</u>
	<u>\$118,097,347</u>	<u>\$112,482,741</u>

(See Notes to Financial Statements)





<i>Liabilities</i>	1968	1967
<b>Current liabilities:</b>		
Unsecured notes payable to banks and others (including current instalment on long-term debt: 1968—\$236,410; 1967—\$235,700) .....	\$ 29,613,631	\$ 29,748,564
Accounts payable .....	8,099,370	6,709,510
Accrued salaries, wages, commissions and expenses .....	3,717,749	3,540,385
Accrued domestic and foreign taxes .....	2,511,890	1,855,293
<b>Total current liabilities</b> .....	<u>43,942,640</u>	<u>41,853,752</u>
<b>Long-term debt (note 3):</b>		
5% Promissory Notes due May 31, 1979 .....	14,400,000	14,400,000
4½% Convertible Subordinated Debentures due August 1, 1984 .....	7,821,000	8,082,500
5¾% Promissory Notes due December 31, 1969-70 .....	472,820	707,100
6% Mortgage payable .....	279,994	—
	<u>22,973,814</u>	<u>23,189,600</u>
<b>Deferred Federal taxes on income (note 2)</b> .....	<u>1,159,418</u>	<u>1,035,438</u>
<b>Stockholders' equity (notes 3 and 4):</b>		
Common stock, \$5 par value:		
Authorized: 5,000,000 shares .....		
Issued: 1968—2,127,991 shares; 1967—2,068,599 shares .....	10,639,955	10,342,995
Capital surplus .....	2,908,621	1,847,401
Earned surplus (retained for use in the business) .....	36,746,887	34,616,313
	<u>50,295,463</u>	<u>46,806,709</u>
Deduct common stock, at cost, held for resale to officers and employees:		
1968—19,800 shares; 1967—27,370 shares .....	273,988	402,758
<b>Total stockholders' equity</b> .....	<u>50,021,475</u>	<u>46,403,951</u>
	<u>\$118,097,347</u>	<u>\$112,482,741</u>

(See Notes to Financial Statements)

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Bulova Watch Company, Inc. and all of its wholly-owned subsidiaries. A majority-owned Swiss subsidiary is not consolidated. Another Swiss subsidiary, acquired late in fiscal 1967, was not consolidated in that year.

Foreign currency items, principally Canadian and Swiss, included in the consolidated balance sheet consist of current assets \$18,951,000, other assets \$3,277,000, and liabilities \$5,544,000. Sales of the foreign subsidiaries of the Company amounted to \$13,550,000 for 1968. All foreign currency items have been converted at current exchange rates at March 31, 1968 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 2. Federal Income Taxes:

Deferred Federal taxes on income have been reflected in the accompanying consolidated financial statements to provide for the excess of tax over book depreciation of certain plant property. At such time as book depreciation exceeds tax depreciation, the tax applicable to such excess will be returned to income.

Federal income tax returns for the years ended March 31, 1966 and prior have been examined by the Treasury Department and all taxes for such years have been paid.

### Note 3. Long-Term Debt:

#### (a) 5% promissory notes due May 31, 1979:

The notes are payable in instalments of \$1,280,000 on January 31 in each of the years 1970 to 1979, inclusive, and a final instalment of \$1,600,000 on May 31, 1979. The notes contain minimum working capital requirements and place restrictions on the creation of additional indebtedness and other corporate actions, including the payment of dividends other than stock dividends. At March 31, 1968, earned surplus not restricted as to payments of dividends amounted to approximately \$12,404,000.

#### (b) 4 $\frac{1}{2}$ % convertible subordinated debentures due August 1, 1984:

The indenture relating to the debentures provides for a sinking fund for the redemption at par on August 1 in each year, beginning August 1, 1975, of not less than 10% or more than 20% of the total principal amount of debentures outstanding on July 31, 1974. Additional debentures may be redeemed at any time at stipulated premium prices. Debentures converted into shares of common stock, or otherwise cancelled or redeemed (but not through the sinking fund, except in excess of the minimum annual requirement) on or after August 1, 1974, may be credited against subsequent sinking fund requirements.

The debentures are convertible into common stock at the rate of 4.20 shares for each \$100 principal amount of debentures, subject to anti-dilution provisions. The 2% stock dividend payable June 28, 1968 resulted in an adjustment of the conversion rate to 4.29 shares.

The indenture places restrictions on various corporate ac-

tions, but these are generally less stringent than those contained in the 5% promissory notes referred to in (a) above.

### Note 4. Stockholders' Equity:

In June, 1967, the Company paid a 2% stock dividend of 41,372 shares of common stock of the Company. Earned surplus was charged for \$946,385, the market value of the stock issued; common stock was credited with the par value of the stock issued, \$206,860; and capital surplus was credited with the remainder of \$739,525. On May 16, 1968, another 2% stock dividend was declared, payable June 28 to stockholders of record June 4. This dividend will be reflected in the accounts for the fiscal year ending March 31, 1969.

Under the qualified stock option plan authorized by the stockholders in July, 1964, options for 37,000 shares of common stock were granted at a price of \$27.69 during 1968. Options for 8,072 shares were exercised and options for 2,600 shares were cancelled leaving 80,114 shares under option at March 31, 1968 at \$17.25 and \$27.69 per share (after adjustment for 2% stock dividend paid June, 1967). Under this plan, 3,367 shares may be granted subsequent to March 31, 1968. Under a prior plan, options for 6,827 shares were exercised during the year. At March 31, 1968, there remained 16,451 shares under option at a price of \$20.33 per share. No additional options may be granted under this plan.

During 1968, \$261,500 of the 4 $\frac{1}{2}$ % subordinated debentures of the Company were converted for 10,980 shares of common stock. Capital surplus was credited with \$200,289, the excess of the amount of the debentures over the par value of the shares issued and the deferred debt expense related to the cancelled debentures. At March 31, 1968, 328,482 shares of common stock were reserved for conversion of the convertible debentures.

Pro forma earnings per share of common stock as shown in the statement of income and earned surplus was computed assuming the issuance of stock reserved for options and conversions of debentures, and the elimination of debenture interest charges, net of taxes.

### Note 5. Contracts Subject to Renegotiation:

Profits under contracts with the United States Government subject to renegotiation have been cleared through the year ended March 31, 1967. Management is of the opinion that no excess profits were realized for the year ended March 31, 1968.

### Note 6. Retirement Plans:

The Company maintains a non-contributory pension plan for all of its employees in the United States. The Company's required contribution to the fund is determined after giving consideration to assumed earnings on the fund assets. In 1968, the assumed earnings rate was increased in recognition of favorable prior earnings experience of the fund. Based upon that rate, earnings of the fund were sufficient to provide for the actuarially computed benefits and, accordingly, no provision for contributions by the Company was required for 1968.

Separate retirement plans are maintained by the Company's Swiss branch and by several foreign subsidiaries. The contributions to employees' retirement plans as reflected in the accompanying statement of income and earned surplus for 1967 and 1968 relates to the foreign subsidiaries of the Company.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheet of Bulova Watch Company, Inc. and subsidiaries as of March 31, 1968 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. The financial statements of the Swiss branch and the Swiss subsidiaries of the Company, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. The assets and net sales so examined constitute 10% and 3%, respectively, of the related consolidated figures.

In our opinion, based upon our examination and the aforementioned reports of other independent public accountants, the accompanying consolidated financial statements present fairly the financial position of Bulova Watch Company, Inc. and subsidiaries at March 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.  
June 13, 1968

PEAT, MARWICK, MITCHELL & CO.

## Officers

Harry B. Henshel, *President*  
David Anderson, *Executive Vice President*  
August R. Bozzo, *Executive Vice President*  
Sol E. Flick, *Executive Vice President and General Counsel*  
William O. Bennett, *Vice President*  
John J. Carpenter, *Vice President*  
John Chiappe, *Vice President and Controller*  
Gerard A. Donovan, *Vice President*  
Harry R. Gewertz, *Vice President*  
Irving D. Holczer, *Vice President*  
Rene Perret, *Vice President*  
Michael D. Roman, *Vice President*  
Arthur Schwartz, *Vice President*  
Haskell C. Titchell, *Vice President*  
Lawrence F. Codraro, *Secretary*  
George C. Sheinberg, *Treasurer*  
Isidore Roberts, *Assistant Treasurer*  
Roland P. Talbot, *Assistant Secretary and Assistant Controller*

## Transfer Agent

Morgan Guaranty Trust Company of New York  
30 West Broadway, New York, New York 10015

## Registrar

Manufacturers Hanover Trust Company  
40 Wall Street, New York, New York 10015

## BULOVA PLANT FACILITIES

### Domestic Plant Locations

<i>Locations</i>	<i>Functions</i>	<i>Products</i>
Bulova Park, Flushing, N.Y.	Research, Manufacturing, Administration & Distribution	Watches; Research and Development; Timers
61-20 Woodside Ave., Woodside, N.Y.	Manufacturing, Development	Watch service equipment; Electronics products
62-10 Woodside Ave., Woodside, N.Y.	Product & Assembly	Crystals, Filters, Oscillators and Servo-amplifiers
Washington St., Sag Harbor, N.Y.	Manufacturing	Watch cases
South Valley Stream, L.I., N.Y.	Manufacturing, Engineering & Development	Artillery and Mortar fuzes; Safe & Arm Devices; Automation Equipment
751 Summa Ave., Westbury, L.I., N.Y.	Warehousing, Shipping, Service, Receiving	Clocks, Radios
425 Dexter St., Providence, R.I.	Manufacturing	Watch cases, Industrial and Military products
100 Nashua St., Providence, R.I.	Manufacturing	Military products
45 Salem St., Providence, R.I.	Manufacturing	Watch cases, Industrial and Military products

### Foreign Manufacturing Facilities

44, Faubourg du Jura, 2500 Bienne, Switzerland	Manufacturing	Watches and components
Place de la Gare, Neuchatel, Switzerland	Assembly & Manufacturing	Watches and Watch movements
12, Rue de Pont Neuf, Geneva-Carouge, Switzerland	Manufacturing	Watches
3 Rue Viaduc, Bienne, Switzerland	Manufacturing	Watches, Compasses, Escapements
P.O. Box 549, Christiansted, St. Croix, Virgin Islands (Orange Grove)	Manufacturing	Watch movements
105 Bartley Drive, Toronto, Ontario	Manufacturing, Sales & Service	Watches, Radios, Clocks, Timing machines

## BULOVA WATCH COMPANY, INC.

### Consumer Products—Domestic

#### Watches

- Accutron—patented tuning fork watch; introduced in 1960. Retail price: \$110 and up.
- Bulova—largest selling jeweled-lever watch. Retail price: \$35 and up.
- Caravelle—low-priced, jeweled-lever watch; introduced in 1961. Retail price: \$10.95-\$49.95.

#### Clocks and Radios

Repair parts, cleaning solutions, watch service equipment.

### Consumer Products—International

#### Major Marketing Subsidiaries:

- Bulova Watch Co., Ltd.—Canada
- Bulova International Ltd.—Hong Kong, Switzerland
- Bulova Watch S.p.A.—Italy
- Bulova U.K. Ltd.—United Kingdom
- Bulova GmbH—Germany
- Universal Geneve—Switzerland

### Industrial-Defense Divisions:

- Systems and Instruments—fuzes, automation and industrial products.
- Electronics Division—quartz crystal and tuning fork frequency control systems and components.
- Providence Division—industrial and fuze applications.
- Timer Division—Accutron-based industrial timers.

### Subsidiaries

- Atlantic Time Products Corporation
- Bulova Electronics International S. A.
- Bulova GmbH
- Bulova International Limited
- Bulova Watch Company Limited
- Bulova Watch S.p.A.
- Bulova U.K. Limited
- Manufacture des Montres Universal Perret Frères S.A.



*Annual Report for the year ended March 31, 1968*