ANNUAL REPORT



1961

THE SHERWIN-WILLIAMS COMPANY

THE SHERWIN-WILLIAMS COMPANY
AND CONSOLIDATED SUBSIDIARIES
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CHAIRMAN OF THE BOARD'S REPORT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Surplus Statements of The Sherwin-Williams Company for the fiscal year ended August 31, 1961.

The earnings before Federal Income Tax and provision for the Pension Plan are $30,657,915.

The amount estimated for Federal Income Tax is $14,114,539.

$1,930,000 has been approved by the Board of Directors to be taken out of earnings for the annual requirements of the Pension Plan.

The final consolidated earnings, after all deductions, are $14,613,376 as compared with $16,006,321 for 1960. After deducting $473,976 for Preferred Dividends, the earnings for 1961 are equivalent to $5.51 per share on the present outstanding 2,567, 332 shares of Common Stock, as compared with $6.04 last year.

Net sales amounted to $276,050,790, down 2.21% from last year. The decrease in sales and earnings can be attributed to the exceedingly bad weather in the spring and summer months and to the unfavorable economic conditions which prevailed for the greater part of our fiscal period.

This net sales figure does not include inter-company transactions, nor does it include sales of The Sherwin-Williams Company of Canada, Ltd. and of the wholly-owned unconsolidated Latin American subsidiaries.

During the past year, a number of expansions of physical plant were completed. The new Sherwin-Williams Research Center at Chicago was opened. This outstanding installation will materially strengthen our new product development program. The toluene sulfonation plant, erected as an adjunct to para-cresol facilities at Chicago, went on stream and is now providing increased production and higher quality para-cresol.

Facilities for the manufacture of metal five-gallon containers went into production at Hubbard, Ohio. New warehouses near Atlanta and Boston were put into operation better to serve the southeastern region of the country and the New England area, respectively. Arrangements were completed in Jamaica to produce Sherwin-Williams products for the growing West Indies area. A total of 148 new sales branches were opened in the United States during the fiscal year, bringing to 1591 the number of such servicing points now in operation.

In the coming year, enlargement of phthalic anhydride production at Chicago is planned. The Company also expects to continue its branch expansion program on a selective basis further to improve service to dealers, professional painters and industrial customers.

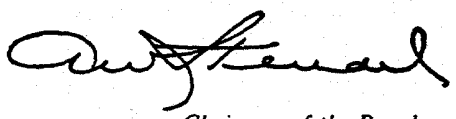
The demand for a wider range of colors in both interior and exterior paints continues to grow. To fulfill the demand in the trade sales area, the Company has vigorously promoted the Kem Colormeter and the new Custom Colormeter, two color metering devices that enable dealers to provide expanded color choice quickly, economically and with minimum inventory investment. A new edition of the Color Harmony Guide makes selection of pleasing interior decoration colors easier for consumers.

For many years our "Home Decorator" has been an important part of our promotional effort directed toward homemakers. This colorful book has earned high regard as an authoritative source of home decorating information in this country and abroad. In the past year, close to twelve million copies were distributed through dealers and branches in the United States as compared with four million copies less than a decade ago. A German edition was prepared for homemakers in parts of Europe, and a Spanish edition was distributed in Latin America. The annual editions of this book are unique in the industry.

A particularly promising area for growth lies in the finishing of construction materials before fabrication. Special coatings developed for the metal fabricating field—particularly the aluminum house siding industry—already enjoy wide acceptance. Through a new approach to wood finishing, the Forest Products Program, the Company expects to bring the advantages of pre-finishing to lumber producers and the wood finishing field. A laboratory devoted to this activity has been established in Oakland, California and marked strides toward solution of the complex problems involved have already been made.

Gross plant expenditures during the year were $6,695,894. No major plant expansion is contemplated this year although there will, of course, be constant additions and improvements to existing facilities.

On behalf of the Directors, I take pleasure in expressing to the 16,250 employees our appreciation for their cooperation and loyalty which has made possible these results in an exceedingly difficult year.



Chairman of the Board

THE SHERWIN-WILLIAMS COMPANY

Consolidated Balance S

Assets

CURRENT ASSETS		
Cash		$ 30,633,260
Trade accounts receivable, less allowances ($631,885) for doubtful accounts		31,060,892
Inventories—raw materials and supplies, in process and finished merchandise —at lower of cost or market		67,444,662
TOTAL CURRENT ASSETS		$129,138,814
INVESTMENTS AND OTHER ASSETS		
Securities of unconsolidated subsidiaries —principally at cost—Note A	$ 5,059,616	
Receivables, advances, and miscellaneous items	549,290	5,608,906
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment—on the basis of cost	$ 90,890,329	
Less allowances for depreciation	41,526,157	49,364,172
DEFERRED CHARGES		
Advertising stock and supplies	$ 1,716,872	
Prepaid insurance and other items	1,402,489	3,119,361
		$187,231,253

Note A—Includes investments in partly-owned Canadian subsidiary ($4,183,0
($120,000). The approximate amounts of the Company's equity in accumulated unc
follows: Canada—$5,546,000; Brazil—$2,145,000; Argentina—$348,000.

IPANY AND CONSOLIDATED SUBSIDIARIES

Balance Sheet, August 31, 1961

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, compensation, and miscellaneous items		$ 14,796,058
Dividend on Preferred Stock—payable September 1, 1961		117,420
Deposits—employees and officers		1,154,041
Accrued taxes, other than federal taxes on income		1,228,139
Federal taxes on income—estimated		8,900,000
TOTAL CURRENT LIABILITIES		$ 26,195,658
RESERVES		
For contingencies and other	$ 1,988,090	
For pensions	2,366,126	4,354,216
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Preferred—authorized 395,500 shares (par value $100.00 per share—redeemable at $105.00 per share):		
Outstanding—Cumulative Preferred Stock, 4% series—117,300 shares	$ 11,730,000	
Common — authorized 5,000,000 shares (par value $12.50 per share):		
Outstanding 2,567,332 shares—stated capital	33,172,651	
Earned surplus	111,778,728	156,681,379
		$187,231,253

adian subsidiary ($4,183,000) and wholly-owned subsidiaries in Brazil ($757,000) and Argentina equity in accumulated undistributed net income, based on the records of such subsidiaries, were as ina—$348,000.

CONSOLIDATED INCOME AND EARNED SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1961

Income

Net sales		$276,050,790
Dividends received (net) from unconsolidated foreign subsidiaries—Note A		331,750
Miscellaneous		684,083
		$277,066,623
Deductions from income:		
Cost of products sold and selling, general, and administrative expenses	$241,763,124	
Provision for pensions	1,930,000	
Provision for depreciation	3,589,043	
Provision for foreign taxes on income	465,825	
Miscellaneous	590,716	248,338,708
INCOME BEFORE FEDERAL INCOME TAXES		$ 28,727,915
Federal income taxes:		
Provision for the year—estimated	$ 14,400,000	
Less adjustment for prior years	285,461	14,114,539
NET INCOME		$ 14,613,376

Earned Surplus

Balance at September 1, 1960		$105,305,362
Net income for the year		14,613,376
Accumulated earnings of unconsolidated subsidiary merged with parent		20,790
Discount on Preferred Stock redeemed		15,172
		$119,954,700
Cash dividends declared:		
Preferred—$4.00 per share	$ 473,976	
Common—$3.00 per share	7,701,996	8,175,972
BALANCE AT AUGUST 31, 1961		$111,778,728

Note A—Dividends received from unconsolidated subsidiaries were approximately $138,000 in excess of the Company's equity in net income of such subsidiaries (after provision for losses on foreign exchange) for the year ended August 31, 1961.

ACCOUNTANTS' REPORT

Board of Directors
The Sherwin-Williams Company
Cleveland, Ohio

We have examined the consolidated financial statements of The Sherwin-Williams Company and consolidated subsidiaries for the year ended August 31, 1961. 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 balance sheet and statements of income and earned surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1961, and the consolidated 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.

ERNST & ERNST

Cleveland, Ohio
October 16, 1961

THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

101 Prospect Ave., N. W., Cleveland, Ohio

Manufacturers of Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Zinc Pigments, Dyes, Chemicals, Lithopone, Linseed Oil, Dry Colors, Brushes, Cans, Insecticides.

Main Plants Cleveland • Chicago • Dayton • Detroit • Newark • Pittsburgh Hubbard, Ohio; Oakland, Cal.; Bound Brook, N. J.; Gibbsboro, N. J.; Deshler, Ohio; Dallas-Garland, Texas; Los Angeles; Coffeyville, Kan.; San Leandro, Cal.; Montreal, Toronto, Winnipeg, Vancouver and Gravenhurst, Canada

Research Center Chicago, Illinois

Directors

E. C. Baldwin
S. B. Coolidge
E. A. Daniels
C. S. Eaton
George Gund
C. P. Jarden
G. H. Robertson
F. J. Squires
A. W. Steudel
W. M. Stuart
B. M. Van Cleve
N. E. Van Stone
C. M. White
H. D. Whittlesey
J. D. Wright

Officers

A. W. Steudel	*Chairman of the Board and Chief Executive Officer*
E. C. Baldwin	*President*
S. B. Coolidge	*Vice President*
B. M. Van Cleve	*Vice President*
N. E. Van Stone	*Vice President*
H. D. Whittlesey	*Vice President*
F. J. Squires	*Treasurer*
H. D. Lester	*Secretary and Asst. Treasurer*
V. A. Hollis	*Asst. Secretary*
W. C. Fine	*Asst. Secretary*

Transfer Agents Cleveland Trust Company, Cleveland, Ohio
Bankers Trust Company, New York, N. Y.

Registrars Central National Bank, Cleveland, Ohio
Morgan Guaranty Trust Company, New York, N. Y.