ANNUAL REPORT

SWP

COVER THE EARTH

FOR 1964

OUR NINETY-EIGHTH YEAR

THE SHERWIN-WILLIAMS COMPANY

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

FINANCIAL HIGHLIGHTS

August 31, 1964, and 1963

	1964	*1963*
Net sales	$313,518,226	$291,838,896
Income before taxes on income	33,619,817	29,885,814
Taxes on income—United States and foreign	16,552,763	14,863,074
Net income	17,067,054	15,022,740
Per share of common stock	6.48	5.68
Cash dividends declared:		
Preferred	406,401	436,796
Common	7,708,292	7,701,996
Working capital	116,386,560	112,026,735
Ratio of current assets to current liabilities	4.94 to 1	4.87 to 1
Expenditures for plant additions	9,395,018	5,125,063
Provision for depreciation	4,082,493	3,964,817
Shareholders equity:		
Preferred — at redemption price of $105 a share	10,406,550	11,251,485
Common	167,031,732	157,631,243
Outstanding shares at August 31:		
Preferred	99,110	107,157
Common	2,572,399	2,567,332
Number of shareholders at August 31:		
Preferred	255	276
Common	6,577	6,286
Number of employees at August 31	15,497	15,115

LETTER TO SHAREHOLDERS

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Earned Surplus Statements of The Sherwin-Williams Company and consolidated subsidiaries for the fiscal year ended August 31, 1964.

The consolidated earnings amounted to $17,067,054 as compared with $15,022,740 for 1963. After deducting $406,401 for Preferred Dividends, the earnings for 1964 are equivalent to $6.48 per share on the 2,572,399 shares of Common Stock outstanding at August 31, as compared with $5.68 last year, an increase of 14.1%.

Consolidated net sales amounted to $313,518,226. This is the highest sales total in the Company's history and is 7.43% over the previous high of last year.

The generally high level of the economy exerted a constructive influence on sales, as did favorable weather on the Trade Sales sector. The gain in sales was, in the main, consistent throughout all divisions of the business.

The increase in final operating margins resulted from the combination of added sales volume and effective cost control in both manufacturing and distribution.

The past year witnessed continuing changes and expansion by the Company in marketing and distribution. Further concentration was placed on sales to selected mass marketing outlets and, additionally, a number of contracts were negotiated for the operation of leased paint departments in established outlets. These moves were taken to assure our products being featured and sold where retail traffic is heavy. At the end of the fiscal year the Company and its consolidated subsidiaries were operating 1,934 branches, including the leased paint departments referred to above. Further growth in this area is anticipated during the new year.

Among other factors contributing to increased sales during the year was intensified advertising and promotional effort, particularly through the television medium, featuring Super Kem-Tone latex wall paint, Kem-Glo enamel, SWP exterior oil base paint and A-100 latex exterior paint. Special emphasis was also given to promotion directed at professional painting contractors and architects.

To capture an increasing share of the Trade Sales market, we developed and are currently introducing the "Excello" line. This line is designed to attract those "budget-minded" consumers who hesitate to purchase the highest quality paints traditionally associated with the Sherwin-Williams trade-mark. "Excello" paints will be marketed under the Sherwin-Williams name but not under the "Cover-the-Earth" trade-mark. That trade-mark will continue to be reserved to identify the highest quality paints available, while "Excello" will identify the "next-to-the-highest-quality" paints. All domestic subsidiaries are also taking this dual route to the Trade Sales market, using their established trade-marks and company names in a similar pattern. This broadened approach of two price levels is in keeping with today's merchandising trends.

An established paint manufacturer in Peru was licensed to produce our products in that Latin American country. The Puerto Rican company came into production. Sherwin-Williams (Europe) S.A., based at Antwerp, concluded its first year of operation and achieved satisfactory progress. The expansion of international markets will receive increasing attention in the coming year.

Research and development continued to be strongly emphasized. Outlays in this area rose 8.7% over the previous year. In addition to the "Excello" line, new products to meet the specialized needs of professional painting contractors and architects also were developed and improvements made in existing products. In Chemical Coatings, further marked progress was made in materials for pre-finishing natural and compounded wood, aluminum and steel, and newly-developed "Therm-O-Clad" insulating varnishes further enhanced our position in the electrical and electronics field. The "Versatyl" line of flushed colors marketed by the Pigment, Color and Chemical Department met with immediate acceptance in the printing ink industry.

Expenditures for plant in the past year were $9,395,018 with a major portion being invested primarily to improve cost efficiency and customer service. A collateral aim and benefit was the addition of needed manufacturing capacity. The large paint consolidation project at Chicago is practically completed and efficiencies in operation are already apparent. Similar but smaller programs were completed at Cleveland, Detroit, Oakland and Garland. A new warehouse at Oakland became fully operative in the summer. Land has been purchased at Newark for an additional facility to relieve present physical limitations at that location. The enlargement of the Phthalocyanine Blue Plant at Chicago is well under way. This will increase the usable capacity of this unit substantially and the advantages will begin to be felt in the new fiscal year.

Principal plant expenditures in the coming year will continue to be directed toward modernization and cost efficiencies in manufacturing.

Once again the Management expresses its thanks to the entire organization for the loyal effort and enthusiasm that have made this year's results possible.

A. W. Steudel — E. C. Baldwin

Chairman of the Board — *President*

Cleveland, Ohio
October 22, 1964

S-W 000370

THE SHERWIN-WILLIAMS COMPANY AN[D

Consolidated Balance Sheets, Augu[st

Assets	1964	1963
Current Assets		
Cash	$ 20,882,061	$ 22,416,518
U. S. Treasury bills—at cost	9,359,337	10,869,059
Trade accounts receivable, less allowances for doubtful accounts of $614,652 in 1964 and $611,611 in 1963	34,007,197	32,906,090
Inventories—principally at lower of cost (average or first-in, first-out method) or market:		
Finished merchandise	$ 56,832,031	$ 50,947,734
Work in process, raw materials, and supplies	24,823,721	23,866,935
	$ 81,655,752	$ 74,814,669
TOTAL CURRENT ASSETS	$145,904,347	$141,006,336
Investment and Other Assets		
Common shares of The Sherwin-Williams Company of Canada, Limited—at cost—Note A	$ 4,182,766	$ 4,182,766
Receivables, advances, and miscellaneous other assets	1,293,537	1,123,180
	$ 5,476,303	$ 5,305,946
Property, Plant, and Equipment — on the basis of cost		
Land	$ 2,458,899	$ 2,138,422
Buildings	30,885,796	29,474,023
Machinery and equipment	72,654,632	67,024,780
Less allowances for depreciation	49,749,659	47,044,069
	$ 56,249,668	$ 51,593,156
Deferred Charges		
Advertising stock and supplies	$ 1,673,827	$ 1,493,941
Prepaid insurance and other items	1,654,138	1,811,040
	$ 3,327,965	$ 3,304,981
	$210,958,283	$201,210,419

MPANY AND CONSOLIDATED SUBSIDIARIES

e Sheets, August 31, 1964, and 1963

Liabilities, Capital Stock, and Surplus	*1964*	*1963*
Current Liabilities		
Trade accounts payable	$ 5,805,960	$ 7,673,073
Payrolls, compensation, and other accruals	11,013,838	9,740,135
Dividend payable on Preferred Stock	99,110	108,282
Deposits—employees and officers	847,243	1,031,014
Taxes, other than taxes on income	1,798,093	1,890,048
Taxes on income	9,953,543	8,537,049
TOTAL CURRENT LIABILITIES	$ 29,517,787	$ 28,979,601
Reserves		
For deferred federal taxes on income	$ 2,671,100	$ 2,037,000
For pensions and other items	1,331,114	1,311,090
	$ 4,002,214	$ 3,348,090
Capital Stock and Surplus		
Capital stock:		
Preferred—authorized 395,500 shares, par value $100 per share:		
Cumulative Preferred 4% series (4,950 shares redeemable annually at $105 a share):		
Outstanding—99,110 shares in 1964 and 107,157 shares in 1963	$ 9,911,000	$ 10,715,700
Common-authorized 5,000,000 shares, par value $12.50 per share—Note B:		
Outstanding—2,572,399 shares in 1964 and 2,567,332 shares in 1963—stated capital (13.05)	33,580,544	33,172,651
Earned surplus	133,946,738	124,994,377
	$177,438,282	$168,882,728
	$210,958,283	$201,210,419

See notes to financial statements.

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THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

EXECUTIVE OFFICES

101 Prospect Avenue, N. W., Cleveland, Ohio 44115

Transfer Agents

The Cleveland Trust Company, Cleveland, Ohio
Bankers Trust Company, New York, N.Y.

Registrars

Central National Bank of Cleveland,
Cleveland, Ohio

Morgan Guaranty Trust Company of New York,
New York, N.Y.

PRINCIPAL PRODUCTS

Paints, Enamels, Varnishes, Lacquers, Stains, Zinc Pigments, Dry Colors, Lithopone, Organic Chemicals, Coal Tar and Petroleum Intermediates, Barium Chemicals, Linseed Oil, Metal Cans, Insecticides, Brushes, Rollers and Other Painting Accessories.

DOMESTIC PLANTS

Bound Brook, New Jersey
Chicago, Illinois (two)
Cleveland, Ohio (two)
Coffeyville, Kansas
Dayton, Ohio
Deshler, Ohio
Detroit, Michigan
East Newark, New Jersey
Garland, Texas
Gibbsboro, New Jersey
Hubbard, Ohio
Los Angeles, California
Newark, New Jersey
Oakland, California
Pittsburgh, Pennsylvania
San Leandro, California

FOREIGN PLANTS

Bayamon, Puerto Rico
Buenos Aires, Argentina
Gravenhurst, Canada
Mexico City, Mexico
Montreal, Canada (three)
Red Mill, Canada
Sao Paulo, Brazil
Toronto, Canada
Vancouver, Canada
Winnipeg, Canada

RESEARCH CENTER

Chicago, Illinois

PRINTING DIVISION

North Olmsted, Ohio

CONSOLIDATED SUBSIDIARIES

ACME QUALITY PAINTS, INC.
Detroit, Michigan

THE CARL GRAHAM PAINT & WALLPAPER COMP
Wichita, Kansas

COMPANIA SHERWIN-WILLIAMS, S.A. DE C.V.
Mexico City, Mexico

DESHLER PRODUCTS, INC.
Deshler, Ohio

THE LOWE BROTHERS COMPANY
Dayton, Ohio

JOHN LUCAS & COMPANY, INCORPORATED
Philadelphia, Pennsylvania

W. W. LAWRENCE & COMPANY
Pittsburgh, Pennsylvania

THE MARTIN-SENOUR COMPANY
Chicago, Illinois

ROGERS PAINT PRODUCTS, INC.
Detroit, Michigan

RUBBERSET COMPANY
East Newark, New Jersey

RUBBERSET COMPANY (CANADA) LIMITED
Gravenhurst, Canada

R. C. VAN NAME INC.
Port Richmond, New York

SHERWIN-WILLIAMS (EUROPE) SOCIETE ANONYME
Antwerp, Belgium

THE SHERWIN-WILLIAMS CO. OF PUERTO RICO, INC.
San Juan, Puerto Rico

THE SHERWIN-WILLIAMS CO. (WEST INDIES) LTD.
Kingston, Jamaica

UNCONSOLIDATED SUBSIDIARIES

SHERWIN-WILLIAMS ARGENTINA, INDUSTRIAL Y COMERCIAL, S.A.
Buenos Aires, Argentina

SHERWIN-WILLIAMS DO BRASIL S/A TINTAS E VERNIZE
Sao Paulo, Brazil

THE SHERWIN-WILLIAMS COMPANY OF CANADA, LIMITED
Montreal, Canada

THE CANADA PAINT COMPANY LIMITED
Montreal, Canada

THE MARTIN-SENOUR COMPANY LIMITED
Montreal, Canada

THE WINNIPEG PAINT & GLASS COMPANY, LIMITEI
Winnipeg, Canada

THE LOWE BROTHERS COMPANY, LIMITED
Toronto, Canada

THE E. HARRIS COMPANY LIMITED
Toronto, Canada

THE CARTER WHITE LEAD COMPANY OF CANADA LIMITED (50% OWNED—UNCONSOLIDATED)
Montreal, Canada

THE SHERWIN-WILLIAMS COMPANY OF CANADA, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, AUGUST 31, 1964, AND 1963

(*Expressed in Canadian Dollars*)

Assets	1964	1963
Current Assets		
Cash	$ 607,787	$ 655,243
Trade accounts receivable, less allowances for doubtful accounts of $140,000 in 1964 and $167,300 in 1963	6,344,226	6,418,395
Inventories—principally at lower of cost (average or first-in, first-out method) or market:		
Finished merchandise	$ 5,790,977	$ 5,776,885
Work in process, raw materials, and supplies	2,116,760	2,360,818
	$ 7,907,737	$ 8,137,703
TOTAL CURRENT ASSETS	$14,859,750	$15,211,341
Investments and Other Assets		
Investment in affiliated company	$ 200,000	$ 200,000
Miscellaneous receivables and advances	123,905	70,007
	$ 323,905	$ 270,007
Property, Plant, and Equipment—on the basis of cost		
Land	$ 639,879	$ 625,412
Buildings	4,380,852	4,365,937
Machinery and equipment	7,142,750	6,884,684
Less allowances for depreciation	8,504,248	8,192,511
	$ 3,659,233	$ 3,683,522
Deferred Charges		
Advertising stock and supplies	$ 182,271	$ 174,297
Prepaid insurance and other items	123,550	90,353
	$ 305,821	$ 264,650
	$19,148,709	$19,429,520
Liabilities, Capital Stock, and Surplus		
Current Liabilities		
Trade accounts payable	$ 1,869,369	$ 2,751,797
Payrolls, compensation, and miscellaneous items	1,006,538	908,575
Accrued taxes, other than taxes on income	200,401	165,671
Taxes on income—estimated	453,056	469,723
TOTAL CURRENT LIABILITIES	$ 3,529,364	$ 4,295,766
Capital Stock and Surplus		
Capital stock:		
Preferred shares, 7% cumulative, par value $100 per share: Authorized—40,000 shares; Outstanding—34,600 shares	$ 3,460,000	$ 3,460,000
Common shares, no par value: Authorized—225,000 shares; Outstanding—224,720 shares	224,720	224,720
Earned surplus	11,934,625	11,449,034
	$15,619,345	$15,133,754
	$19,148,709	$19,429,520

Note—Allowances paid to retired employees under the Company's non-funded, terminable retirement plan are charged to operations at the time of payment.

Comparative accounts for the year ended August 31, 1963, have been reclassified to conform with the current year presentation.

S-W 000376

THE SHERWIN-WILLIAMS COMPANY OF CANADA, LIMITED AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME AND EARNED SURPLUS

Years Ended August 31, 1964, and 1963

(Expressed in Canadian Dollars)

Income	*1964*	*1963*
Net sales	$35,369,794	$32,959,135
Dividends received	45,000	45,000
Miscellaneous	139,016	51,491
	$35,553,810	$33,055,626
Deductions from income:		
Cost of products sold	$22,245,419	$20,400,963
Selling, general, and administrative expenses	10,833,643	10,539,369
Allowances paid to retired employees—Note	257,436	257,002
Interest expense	143,940	177,368
Remuneration of officers and directors' fees	173,948	161,513
Legal fees	29,497	17,573
	$33,683,883	$31,553,788
INCOME BEFORE TAXES ON INCOME	$ 1,869,927	$ 1,501,838
Taxes on income—estimated	850,000	685,000
NET INCOME	$ 1,019,927	$ 816,838
Provisions for depreciation included above amount to $383,726 in 1964 and $373,651 in 1963		
Earned Surplus		
Balance at beginning of year	$11,449,034	$11,099,116
Net income for the year	1,019,927	816,838
	$12,468,961	$11,915,954
Cash dividends declared:		
Preferred—$7.00 per share	$ 242,200	$ 242,200
Common—$1.30 per share (1963—$1.00)	292,136	224,720
	$ 534,336	$ 466,920
Balance at end of year	$11,934,625	$11,449,034

Note to financial statements appears on the balance sheet.

AUDITORS' REPORT

To the Shareholders,
The Sherwin-Williams Company of Canada, Limited

We have examined the consolidated balance sheet of The Sherwin-Williams Company of Canada, Limited and its subsidiaries as of August 31, 1964, and the related statements of consolidated 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 balance sheet and statements of income and earned surplus present fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1964, 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 and as shown by the books of the Companies.

ERNST & ERNST
Chartered Accountants

Montreal, Quebec
September 25, 1964