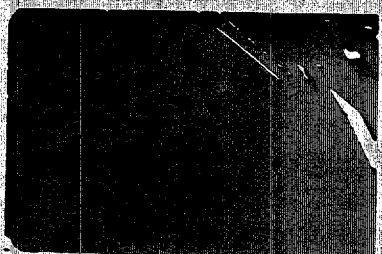


**PRODUCT
INFORMATION CENTER**



1970

SHERWIN-WILLIAMS

REPORT TO

SHAREHOLDERS

N11585

0007-SWP-000005622

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TRANSFER AGENTS

The Cleveland Trust Company
Cleveland, Ohio

Bankers Trust Company
New York, New York

REGISTRARS

Central National Bank of Cleveland
Cleveland, Ohio

Morgan Guaranty Trust Company of New York
New York, New York

TRUSTEES

5.45% Debentures Due 1992
The Cleveland Trust Company
Cleveland, Ohio

6.25% Convertible Subordinated Debentures Due 1995
Central National Bank of Cleveland
Cleveland, Ohio

Annual Meeting

The annual meeting of Shareholders will be held at
10:30 A.M., December 16, 1970, at the Sheraton-
Cleveland Hotel, Public Square, Cleveland, Ohio.



Financial Highlights

	August 31	
	1970	1969
Net sales	\$525,787,767	\$495,139,134
Income before income taxes and extraordinary credit	29,029,995	30,471,731
Income taxes—United States and foreign	14,487,082	11,829,912
Income before extraordinary credit	14,542,913	18,641,819
Extraordinary credit—net gain resulting from the sale of securities of Berger, Jenson & Nicholson Limited less applicable income taxes	534,482	—0—
Net income	15,077,395	18,641,819
Cash dividends declared:		
Preferred	1,109,583	1,045,175
Common	10,656,715	10,650,863
Per Common Share:		
Net income	2.62*	3.29
Cash flow	4.69	5.18
Dividends paid	2.00	2.00
Working capital	184,209,262	169,675,484
Ratio of current assets to current liabilities	4.25 to 1	4.78 to 1
Capital expenditures	15,485,604	30,721,718
Provisions for depreciation	10,645,666	9,265,119

*Includes \$0.10 extraordinary credit.



To Our Shareholders

Following a discouraging first half in our 1970 fiscal year, our operations began to improve in the third quarter and this improvement continued at an accelerated pace during the final quarter. Sales for the year amounted to \$525,787,767, the first time they have exceeded the half-billion dollar mark, compared with \$495,139,134 last year. Net earnings for the year were \$15,077,395, or \$2.62 per common share, compared to \$18,641,819, or \$3.29 per common share last year.

A comparison of fourth quarter net income from operations this year with that of a year ago is particularly encouraging. Net income during the 1970 fourth quarter was \$8,201,251, or \$1.49 per share, including an investment tax credit of \$0.04 per share. Comparable figures for the last quarter of 1969 were: net income, \$7,999,365, or \$1.44 per share, including an investment tax credit of \$0.51 per share.

Our 1970 fourth quarter sales were \$158,726,347, up 7.7% from the same period last year. It would appear that consumers do not now have the same reluctance to buy that they exhibited during the last part of calendar 1969 and the first five months of 1970.

The excellent sales volume has required high levels of operations for our plants, with the result that costs have been satisfactory.

Since there is a lag time of four to six months between housing starts and paint used on new houses, the pickup in residential housing that has been recorded in recent months has not yet been reflected in additional sales volume. If the recent pickup is sustained, it will, of course, be of material help to us.

As indicated to you in interim reports, the major start-up costs of new facilities are now behind us so that we are now benefiting and will continue to do so from the production coming from them. Our current paint manufacturing capacity will permit us to support a significantly larger volume of sales without major capital investment.

If you examine our balance sheet, you will quickly see that as a result of the long-term financing accomplished on a favorable basis in the spring of 1970 our financial position is very strong. In total, our overall liquidity places us in a very favorable position to meet our current problems and take advantage of the many opportunities of the future.

We hope in reading through our report you will concur that the position of Sherwin-Williams is indeed strong by virtue of ability to meet the many needs of our customers in their daily lives.

At the organization meeting of the Board held immediately after the annual shareholders meeting in December 1969, the following important management changes were made:

- E. Colin Baldwin *Chairman and Chief Executive Officer*
- Walter O. Spencer *President*
- Richard G. Bull *Executive Vice President—Marketing*
- William Moonan *Vice President—Auxiliary Divisions*
- G. F. Schlaudecker *Vice President—Chemical Operations*
- Richard R. Crow *Vice President—Personnel*

These assignments are consistent with our long range organizational planning.

After long and distinguished careers, Mr. John S. Prescott, former Senior Vice President, and Mr. Henry D. Lester, Senior Vice President—Finance, have retired and, consistent with normal policy, have submitted their resignations as Directors. At the Directors' meeting held October 22, 1970, the Board elected as Directors, George F. Schlaudecker, Vice President—Chemical Operations, and William Moonan, Vice President—Auxiliary Divisions, to fill the respective vacancies.

The Board also elected William C. Fine, who has been Vice President—Financial Operations, as Vice President—Finance, and Virgil A. Hollis, who has been Assistant Vice President—Financial Operations, as Assistant Vice President—Finance.

Although we faced severe problems during the fiscal year ended August 31, 1970, it appears that real progress has been achieved and that we can look forward to '70-'71 with confidence.

On behalf of our Directors, we want to thank all of our employees for their help and cooperation.

E. C. Baldwin

Chairman of the Board

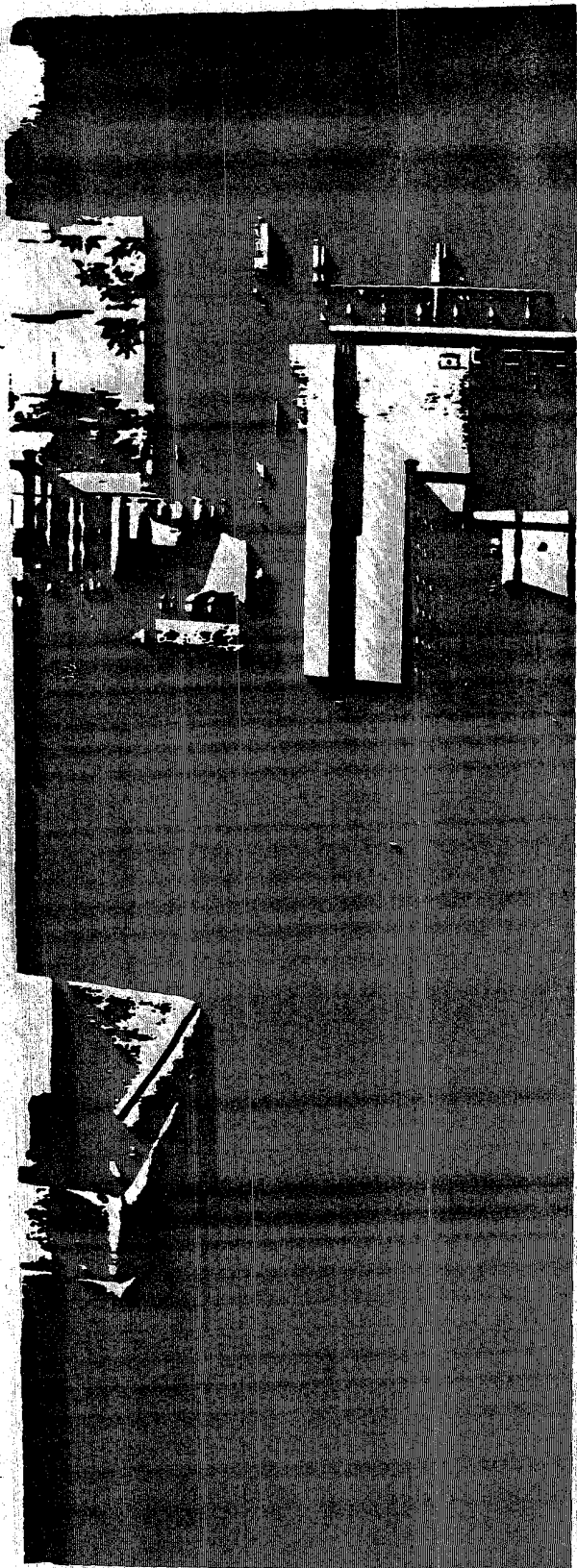
W. C. Spencer

President



Chairman Baldwin

President Spencer



SERVING . . . IN MANY WAYS

Business exists to serve people: to serve customers by providing what they need and want; to serve employees by creating avenues to personal growth and financial reward; to serve owners by earning a satisfactory return on their investment.

The first-named function is paramount. Success in fulfilling it makes the other two possible.

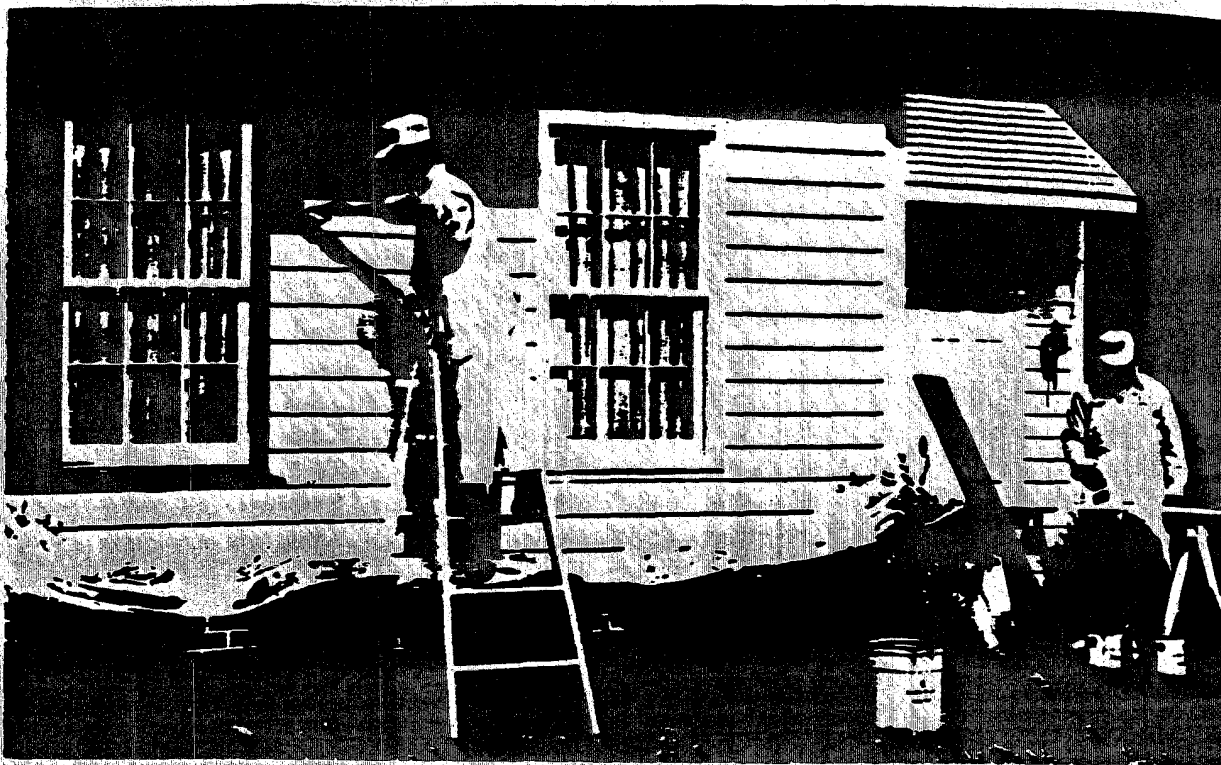
This is true in all fields, but particularly in those areas where changing modes of living spur new needs and wants. To keep pace, business has to anticipate people's changing tastes and preferences. Existing products must be continually re-evaluated. New products must be developed. The scope of services has to be expanded.

But not only tastes and preferences have a bearing here. Technology also plays an important role. Inventions, innovations, improvements change the priorities—even the direction—of people's needs and wants.

It is within this framework that the products and services of The Sherwin-Williams Co. are brought to the marketplace. From the readily apparent esthetic impact of new color in the home, to far less evident ingredients of food preservatives—our products serve people in both obvious and subtle ways. From industrial environmental color styling that promotes employee safety and efficiency, to new coating application methods that help improve quality and reduce costs of manufactured items—our services contribute constructively to the lives of many people.

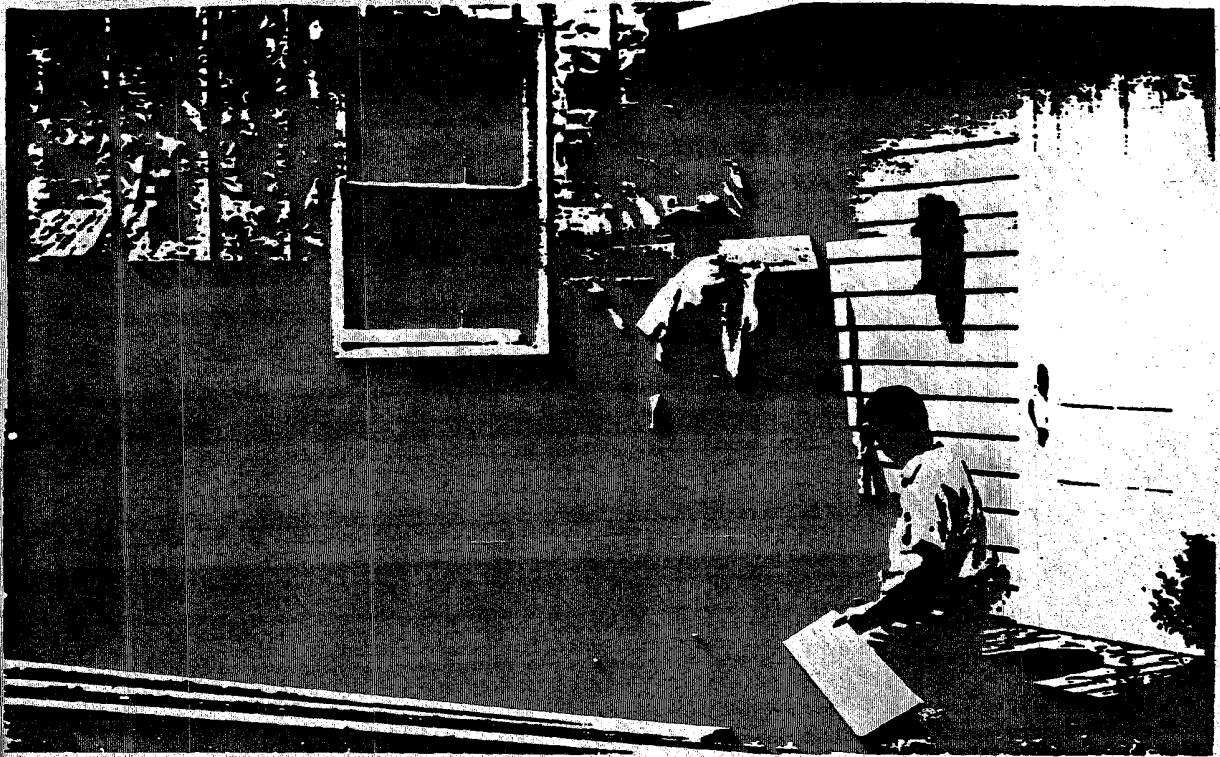
The following brief review outlines the roles of a number of our products and services in fulfilling the service-to-people function. Space does not permit a complete catalog. But the examples discussed and illustrated here do reflect the scope of our commitment to meeting the needs and wants of people.

The inviting room at left reveals many facets of Sherwin-Williams. The colorful paint on cupboards, shelves and woodwork, the handsome patina of the pre-finished wood paneling and beams, the incredibly durable finish on furniture and appliances—all originated in our paint, varnish and lacquer laboratories. The eye-catching design in the draperies was achieved through the use of Sher-dye, our well-known textile printing material. Sherwin-Williams colors from the Chemicals Division show up again in the floor tile and in the leather-like plastic upholstery of the lounge chair and hassocks. Unseen, but no less important, are the safety and dependability of Sherwin-Williams electrical insulation materials used in many electrical appliances.



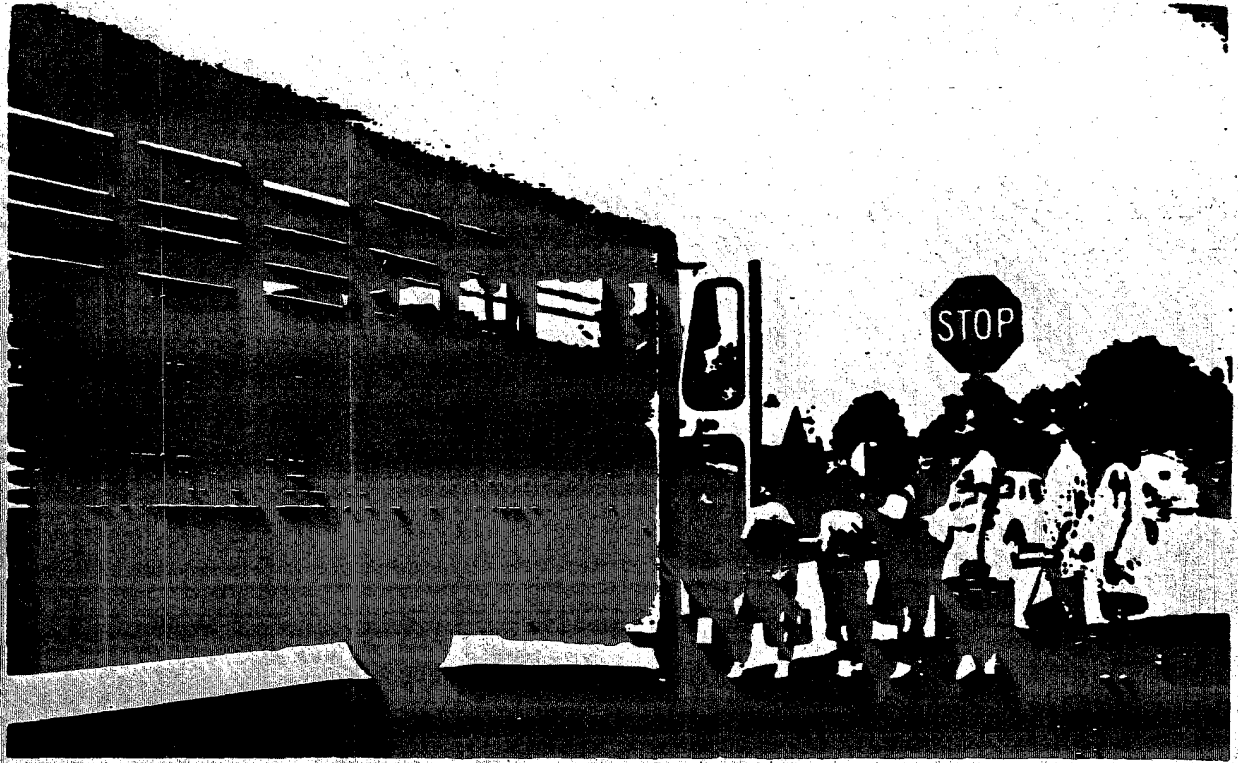
SERVING . . . IN MANY WAYS

PROFESSIONAL PAINTING CONTRACTORS rely on Sherwin-Williams to provide their customers with wide freedom of choice in color and type of finish they want in and on their homes. Bringing highly skilled craftsmanship to a task that is generations-old, professional painters readily satisfy the more discriminating tastes and insistence on quality typical of today's home-owner. Still another product of our manufacture, barium carbonate, protects architectural brick such as that used in the foundation of this house against unsightly efflorescence.



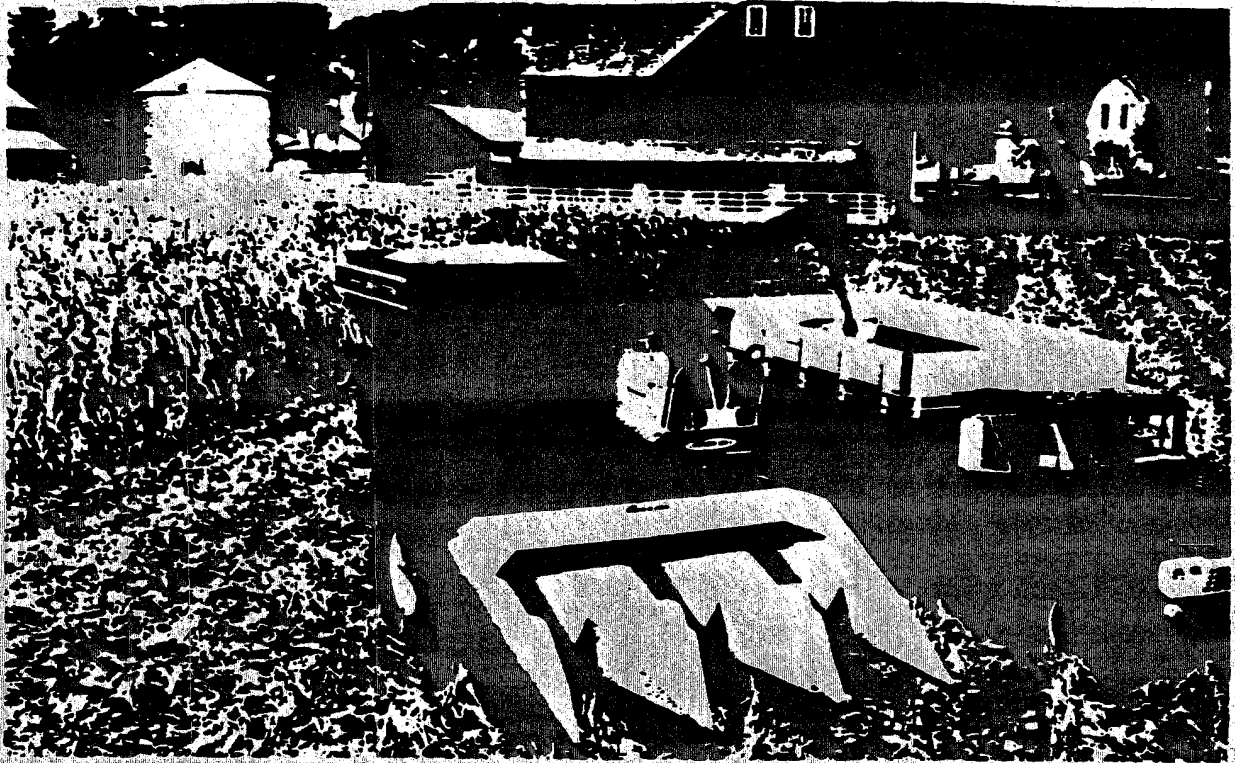
SERVING ... IN MANY WAYS

METAL BUILDING COMPONENTS are important elements in new construction, remodeling and renovation. Sherwin-Williams finishes, applied to the metal before it is formed into such intricate shapes as siding, rain carrying equipment and window sash, serve well the needs of both producers and users of these components. The finishes withstand the stresses of metal forming operations during manufacture; provide users a wide range of colors that keep their sparkling appearance for many, many years.



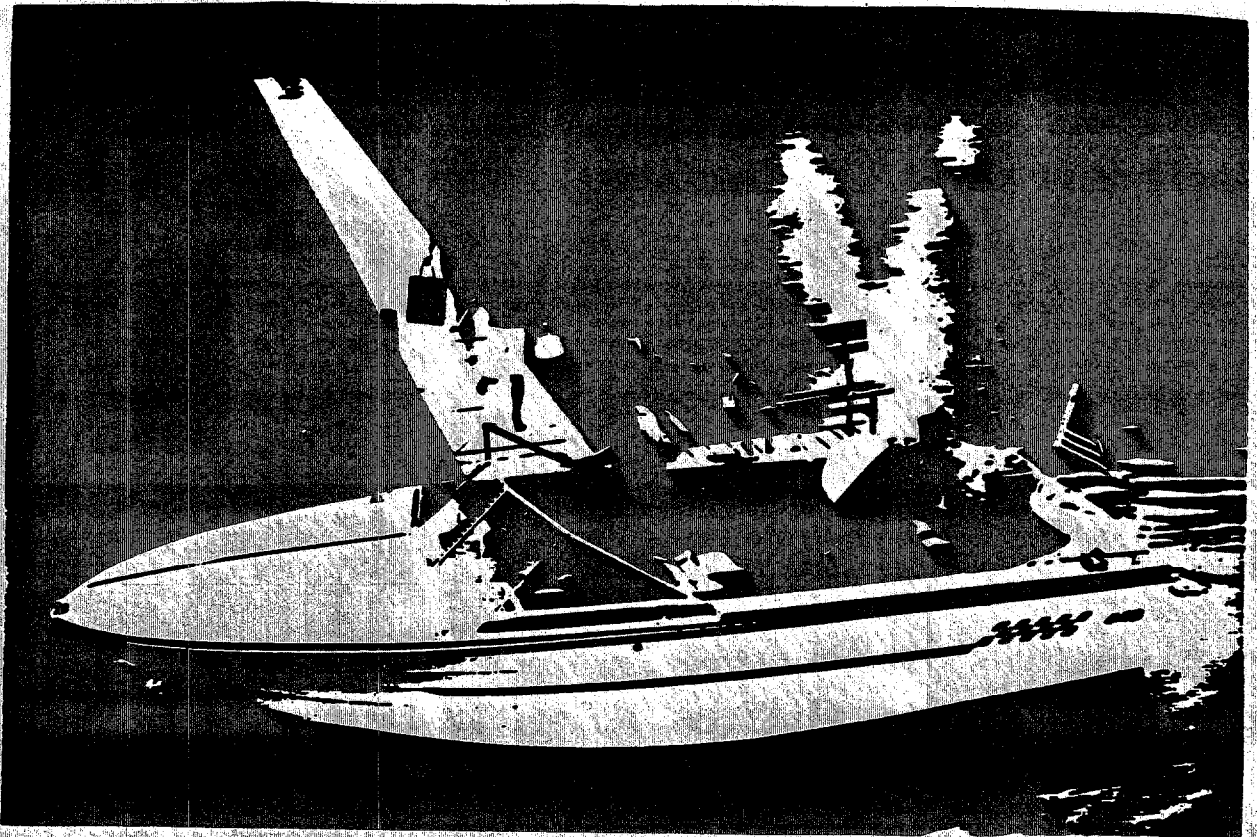
SERVING . . . IN MANY WAYS

FOR MANY CHILDREN, school days are surrounded by Sherwin-Williams products. High visibility finishes for school buses, traffic lane and crosswalk marking paints, and finishes for directional signs all play a part in getting youngsters to and from school safely. School rooms are painted to make them more attractive and conducive to learning. Specialized finishes on desks, laboratory benches, library furniture and other equipment resist the hazards of daily use. Even the roads to school can be improved by Sherwin-Williams products: concrete curing compounds that lower the cost of road construction; anti-spawling materials that make concrete roads last longer.



SERVING . . . IN MANY WAYS

FARMERS SERVE PEOPLE and Sherwin-Williams serves farmers. Highly efficient equipment, like this "Uni-Sheller" that picks and shells three rows of corn at a time, is protected against the elements by tough, durable industrial finishes. Farm vehicles, like their city counterparts, keep their new look longer, thanks to Sherwin-Williams automotive finishes. Farm buildings are painted to protect and beautify them. Fertilizers are fortified with Sherwin-Williams zinc sulfate to correct zinc deficiency in the soil and assure higher yields. Other products of the Chemicals Division are used by the tire manufacturing industry to insure longer life for rubber tires.

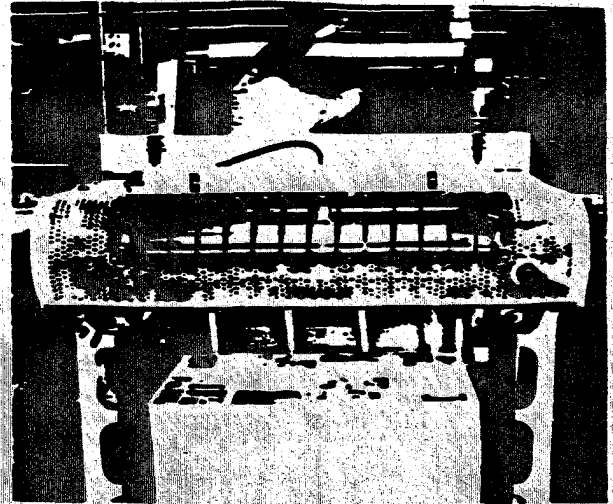
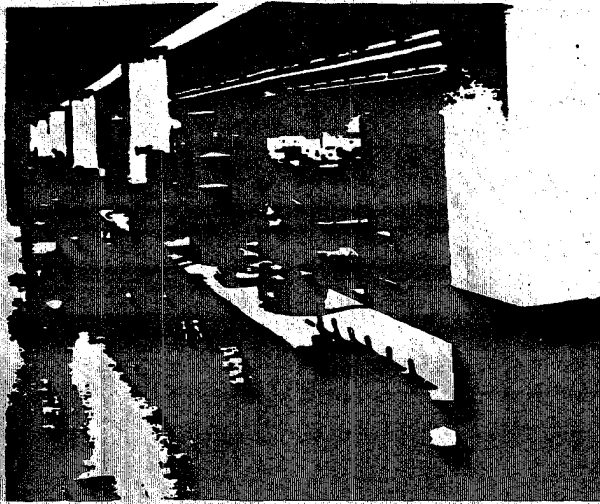


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SERVING ... IN MANY WAYS

MORE AND MORE PEOPLE are enjoying leisure time activities. Sherwin-Williams helps extend their hours of pleasure by providing care-free finishes for recreational equipment. For example: long-lived, eye-catching coatings for boats; durable paints for swimming pools; weather-resistant finishes for hunting equipment; and colorful, rugged coatings for snowmobiles. Other materials we manufacture are found in or on such diverse sporting goods as golf balls, diving gear, tennis rackets, snow and water skis to name a few. For those whose leisure time pursuits include the care and enjoyment of animals, we also produce ingredients of veterinary medicines that help keep pets and working animals healthy.

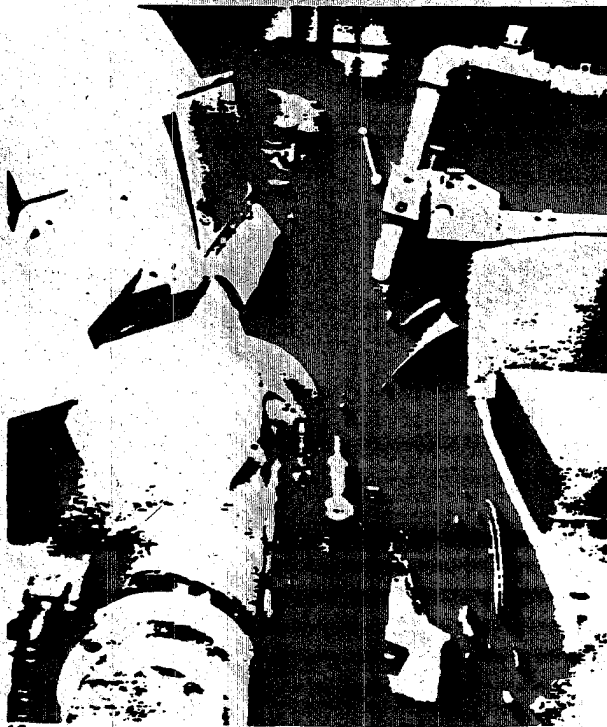




SERVING ... IN MANY WAYS

COLOR STYLING PLANS we develop for industrial and commercial buildings have as their goal improvement in safety, employee morale and housekeeping—all of which contribute directly to increased efficiency. The Western Electric Service Center, Los Angeles, pictured above, recently underwent a color face lifting. The color combinations used achieve the aims of management and please employees.

BLACK PRINTING INK is made blacker by the addition of our alkali blue pigment when the ink is being made. We also supply ink manufacturers a variety of other colors to provide a full spectrum. The colors are available in many different types of dispersions that make them adaptable for inks used in most printing processes. Special purpose ink ingredients are another group of products supplied to the printing industry.

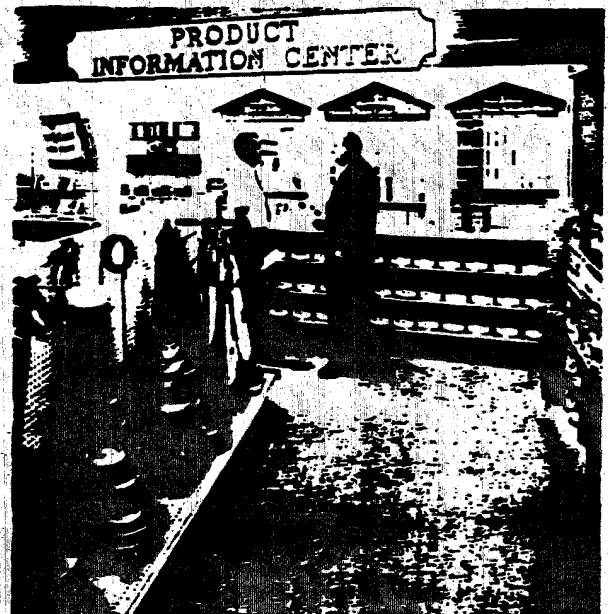


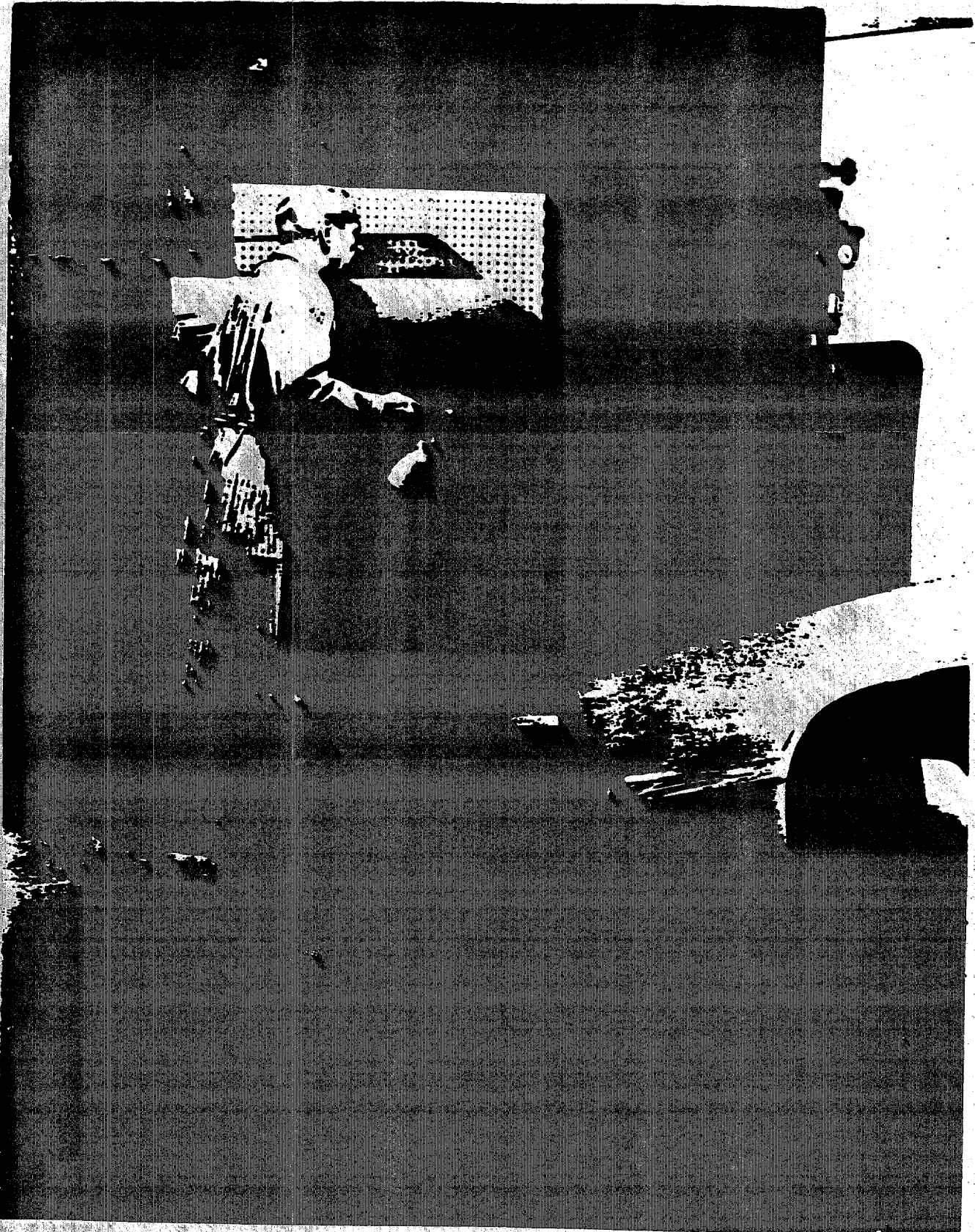
TOOLS OF PRODUCTION are safer, often easier to operate when color is put to work as on the centerless grinder at left. To speed such grinding operations, our Osborn Manufacturing Co. subsidiary produces the "Ramron" polyurethane grinding wheel. This new development removes more metal more quickly than conventional grinding wheels: meets mounting needs for more efficient, lower cost operations.



SERVING... IN MANY WAYS

SHERWIN-WILLIAMS BRANCHES are more than sources of material supply. They are also sources of product and application information and decorating inspiration. Visual aids help customers identify paint problems they may encounter and suggest workable solutions. Easy-to-read charts spell out the proper product for specific applications. Color samples from the Color Boutique and other color selection aids take the guesswork out of color choice. All branches offer wall coverings other than paint; many provide floor coverings, drapery materials and decorative accessories. All this to the end that people may find what they need and want for their homes close at hand.





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MATCHING NEW COLORS for cars in automotive refinishes is an important Company activity. Some of the latest refinishing colors are here being checked in a test spray booth.

Operating Review



We were able to achieve a considerable "turn-around" in operating earnings for the fourth quarter, as compared to disappointing results for the first nine months of fiscal 1970.

The fourth quarter profited significantly from substantial sales increases and higher operating levels in the paint, varnish and lacquer segment. Rigid but sound control of costs and expenses in all divisions of the Company also made an important contribution.

Paint, Varnish & Lacquer

Sales in this largest segment of our business increased 5.2% this year. In total it accounted for 61.9% of consolidated sales in 1970. While sales increased in all markets, a major portion of the gain came in the consumer market and in the automotive refinishes market.

For the year as a whole, the only soft area of sales to contractors centered around the continued low level of new home construction. However, this gives promise of improvement in the year ahead.

We continue to build and strengthen our Company-operated branch distribution system. During the year 33 new branches were opened, 93 were relocated and 43 were closed to keep pace with changes in the marketplace, leaving 1,959 branches in operation at year end. This reflects, in part, the continuation of our program of enlarging, modernizing and consolidating some units into complete decorating centers.

In addition to increased paint sales, branch operations were materially enhanced this year by increased sales of painting tools, wallpaper, hard floor coverings, carpeting, draperies, decorative accessories, unpainted furniture and related items. Such non-paint materials accounted for 20% of consolidated sales.

Although 42 new leased departments were added to our network during the year, the total of such leased departments decreased from 323 to 310. This was occasioned by a change in policy on the part of some retailers who have elected to operate the departments heretofore leased to us. However, we continue to supply the paint to these departments. Despite the fact that the number of leased departments operated by us declined during the year, total sales through leased departments for the year increased 6.3%.

Sales to dealers declined slightly during the year. This was due largely to competitive pressures for distribution

through dealers as the number of buying units continues to decrease. In the past several years many smaller outlets who bought all of their own goods directly have been replaced by fewer but larger multiple-unit establishments and dealer-owned buying organizations. In response to this shift in the distribution pattern, we have been stepping up sales effort and developing new merchandising programs for this important market.

In the professional painter and industrial maintenance market, sales continued to grow. Several factors contributed to this, such as greater attention being given to serving the professional needs of the architect and the introduction of highly specialized products that enabled us to penetrate more segments of this market.

More aggressive selling and expanded services also played an important role in the sales growth. Our color styling service for industrial plants and other large structures was given more emphasis and an increasing number of customers availed themselves of it. Seminars for industrial maintenance customers stimulated sales by providing authoritative information in such areas as corrosion control. Both of these services will continue to be expanded.

Although sales gains in industrial finishes fell short of projections for the year, an increase was realized. This was accomplished despite a significant softening of the capital goods industry, a succession of strikes in customers' plants, and the work stoppage in the trucking industry.

The new Chemical Coatings Service Center at Fort Smith, Arkansas, is now rendering a custom color and technical service to fabricators of wood, metal and plastic products in that area. Feasibility studies for other service centers are now under way. A consolidation of two Chemical Coatings Sales Zones in the southeastern part of the country is designed to increase marketing effectiveness there.

Considerable market research is being carried on in the field of modular building in which the use of industrial finishes will be highly significant. Spurred by HUD's "Operation Breakthrough", interest in this mode of construction is growing rapidly. Indications are that it will be an important area of construction activity in the near future.

Sales of automotive finishes continued the excellent growth pattern of the last several years. This was one of the brightest spots in our entire sales picture. Materials for

Operating Review

these markets are sold by Sherwin-Williams, and by the Acme, Martin-Senour and Rogers Divisions. All had very gratifying sales increases.

Continued growth in automotive refinishes seems assured in view of the increasing number of cars and trucks. In order to participate more fully in a rapidly growing segment of this market, plans are now being implemented to make available a complete line of color matches for imported car colors.

An important aspect of our efforts to increase profitability in Paint, Varnish & Lacquer operations is the continuing program of individual product evaluation carried on by our Corporate Products Department. A decision to introduce, continue, or discontinue any item is made on the basis of profitability and inventory movement. Every new product must meet these criteria. As slow-moving items with a low return on investment are eliminated, warehouse and production facilities are able to provide better service on the products which are in strong demand. Because of the volume of statistics required to support such a program, this would not have been economically feasible before the advent of modern computers.

With the plant expansion program essentially completed, Paint, Varnish & Lacquer factories are in a strong position to support the considerable increase in unit sales which we are confident will come. All plants are now equipped to produce virtually all product lines required in the geographical area which each serves.

The advantages of expanded plant capacity were demonstrated clearly in the fourth quarter of the fiscal year when sales increased markedly. In this period, production of some product lines was more than doubled over the comparable period a year ago. In addition to meeting the increased sales demand, this stepped-up volume had a very salutary effect on operating costs. For the year as a whole, units of output were up approximately 5%.

To capitalize further on the expanded production capacity and to coordinate this with speed of delivery to the field, we are exploring the feasibility of establishing distribution service centers with leased truck fleets. A warehouse built to our specifications has been leased in the Washington-Baltimore area where the new distribution concept will be tested early in the new fiscal year.

Chemicals

Sales of the Chemicals Division showed improvement in 1970. The Division accounted for 10.1% of consolidated sales. Internally, shipments to our paint, varnish and lacquer manufacturing plants increased markedly due principally to the increased production at the titanium dioxide plant.

In its first full year, the new titanium dioxide plant made an operating profit. In the fourth quarter this plant reached rated capacity and continued profitability of this unit is expected throughout fiscal 1971. The quality of the plant's product is excellent and reflects itself in the quality of the paints in which it is being used.

Extensive technical and supervisory attention at the Alkali Blue Plant in Chicago throughout the year resulted in very significant improvement in quality and output. Recent price increases and a continuing technical program for further cost reduction and product improvement should result in a substantial increase in profit contribution from this plant in 1971.

The October 1969 cyclamate ban by the FDA caused an initial increase in saccharin usage due to product reformulations. In spite of subsequent adverse publicity aimed at synthetic sweeteners and food additives, saccharin sales have continued unexpectedly high.

Marketing efforts of the Chemicals Division have been reorganized to achieve maximum effectiveness in both near-term and long-range profit planning by product groups and functional markets. The Division's current businesses are defined as pigments, organic chemicals, inorganic chemicals, vegetable oil products, consumer specialty products, and contract custom manufacturing. Profit improvement plans in each of these areas are being coordinated by marketing managers, and a five-year plan has been developed for each area and for the Division. A Commercial Development Department was established to seek new profit opportunities for the Division.

Metal Containers

Growth in sales of the Container Division continued during the fiscal year. Sales amounted to 4.6% of total consolidated sales.

As in each of the past several years, the Division increased total container production, enabling it to expand sales to outside customers while continuing to meet internal requirements. During 1970, 61.8% of all shipments went to outside customers. In 1969 that figure was 61.4%.

Operating Review

Other Operations

Sales of The Osborn Manufacturing Company, which accounted for 3.4% of total consolidated sales in 1970, showed a gain over the previous year. During the year, expansion of the Schmitz & Ludwig plant at Frankenberg, Germany, (acquired by Osborn in 1969) was completed, and production of Osborn power-driven brushes there was begun.

The Rubberset Company (Ohio), Sprayon Products, Inc. and the Deshler Products Division, all of whose sales are included in the total of Paint, Varnish & Lacquer sales, also scored sales gains during the year.

Rubberset, in particular, had excellent growth in external sales, while continuing to provide a broad line of products for internal distribution through dealers and Company-operated branches. The 14% gain in external sales resulted largely from the introduction of new packaging and point of sale display racks. Rubberset completed a licensing agreement with a European brush manufacturer to produce nylon brushes in France.

Sprayon strengthened its position in the industrial supply and automotive specialties markets and is planning further moves into the adhesives and janitorial supply markets. Deshler made marked gains in production of paint rollers and tack cloths during the year, and plans to introduce a new line of paint rollers designed to simplify roller selection for customers.

International Operations

Income from operations abroad declined somewhat from the previous year. A major factor in the modest decline was the continued unsettled economic climate in Brazil that precluded payment of dividends from our subsidiary there. Additionally, relatively high costs were encountered in realigning operations of Verffabrieken Ralston N.V. in the Netherlands during its first full year as a consolidated subsidiary. Royalty payments from licensees in three countries were delayed, or otherwise affected, due to economic and monetary conditions.

These negative factors were partially offset by improved earnings in Mexico and modest increases in royalties from some of our long-established licensees.

During the year a license agreement covering production of coil coatings was negotiated with Shinto Paint Co., Ltd. of Amagasaki, Japan. Negotiations with paint producers in other countries were initiated and we expect successful

completion of some of these to be reached in the year ahead. A full listing of present licensees will be found on page 32 of this report.

Increasing emphasis is being placed on this aspect of our business in light of the promising possibilities and opportunities that exist. We look for steady growth in royalties from our newer licensees as they become more firmly established. Our plans include further expansion of both full-line and specialized licensees. We are also actively studying the feasibility of acquiring equity positions in paint companies in several countries.

Capital Expenditures

A considerable reduction in expenditures for plant and equipment was planned for 1970 as a result of the near-completion of the extensive expansion program carried through in previous years. In view of general economic conditions, expenditures were deliberately and significantly reduced further. Total capital expenditures in fiscal 1970 were \$15,485,604 as contrasted to \$30,721,718 for fiscal year 1969.

Major projects that were completed during the year, or that will be completed in the near future, include: improvements in operating efficiencies at Chicago; plant additions for Sprayon Products at both Bedford Heights, Ohio, and Anaheim, California; installation of an alternate fuel system at the Ashtabula, Ohio, titanium dioxide plant to prevent recurrence of the difficulties caused last winter by shortages of natural gas in periods of extreme cold weather; and consolidation of Azo dye and dry color production facilities at Chicago.

Additionally, the 80,000 square-foot expansion of the Elgin, Illinois, container plant is practically completed. Barring further equipment delivery delays, certain of the expanded facilities are expected to be operational in fiscal 1971.

Research and Development

In our business particularly, research and development is vitally important—currently and for the future. As a result, it receives heavy support with dollars, time and talent.

We are continuing to devote considerable effort to the elimination of volatile hydrocarbon components in products by seeking, where possible, to develop substitute systems. This is being done to remove one source of air pollution and to make our products easier to use. Recent developments along this line include Kem-Namel, a water-based semi-gloss latex enamel, and Kem-I-Coat latex house paint. The former has been on the market for some months now and the latter is being test marketed.

Operating Review

Comparable progress has been made in the development of Kemperse, a textile printing system. This product contains no volatile hydrocarbons to evaporate into the air. Fabrics printed with it require no solvent removal treatment after printing, nor are solvents required to clean up printing equipment during and after production. Hence, no hydrocarbon solvents enter sewage disposal systems or contribute to water pollution.

Marked progress has also been made in the development of flame retardant polyester resins. These are expected to find wide application in molded products, particularly components in modular construction. In addition to flame resistance, products formed from these resins have the added advantage of integral color and require finishing only when a color change is desired.

In recent years, computers have become effective tools in improving paint, varnish and lacquer formulas. New programs based on recently developed mathematical concepts are now being written to enhance further our capabilities in controlling costs and increasing product performance. As the components of our products become more numerous and more complex, the variables in formulating increase in geometric progression. The computer program will provide formulators a more complete understanding of the interactions of the components and lead to more precise design of products for specific applications.

The establishment of a new laboratory to test and evaluate brushes, rollers and other paint applicators puts us in the unique position of being able to give our customers the best possible combination of paint product and applicator.

In the Chemicals Division, the Technical Department has been reorganized to achieve more effective results in support of its long-range profit improvement plans for each marketing area. Research laboratory objectives have been redefined, and the five major laboratories of the Division have been regrouped into four units designed to specialize in research on pigments, organic chemicals, inorganic chemicals and chemical specialties. The Cincinnati laboratory will continue to support custom manufacturing and high purity organic chemical products. A Process Engineering Section has been organized to support all divisional laboratories. Engineering Services Groups have been established at four of the six factories of the Division. Long-range product improvement and cost reduction programs are being planned in cooperation with the divisional marketing and manufacturing managements.

Environmental Control

During the year we created the new position of Corporate Director of Environmental Control. This was done to co-

ordinate efforts and improve our capabilities to handle pollution control at all Company installations. This has become increasingly important as the degree of control required is constantly changing. Our objective is to keep pace with these changing requirements and with the developing technology of environmental quality control itself.

We have been actively pursuing the goals of prevention and elimination of water, air and noise pollution for more than a score of years. Controls have been designed into all new facilities and considerable effort has been devoted to upgrading controls in existing plants where requirements have changed since control equipment was initially installed. More than \$1,000,000 was invested for this purpose in major control projects that became operational in fiscal 1970.

Labor Relations and Manpower Development

Employment at year end totalled 20,465 people. Plans developed in 1969 to predetermine our labor costs in 1970 and 1971 have materialized. Our labor contracts at Chicago, Detroit, Dayton, Cleveland, Newark and Gibbsboro, New Jersey, and Coffeyville, Kansas, due to expire between May 1970 and January 1971, were extended for a period of two years. The settlement consisted of an upward adjustment of wage rates during the last year of the existing contracts and additional increases in wage rates and fringe benefits during the two-year extension. The economic package agreed upon is considered eminently fair to the employees and the Company. With the West Coast plant contracts already closed until 1972, and the Garland, Texas, contract expiring in October 1971, we anticipate steady production throughout fiscal 1971.

During the year, we trained and placed 100 hard-core unemployed in permanent jobs under the National Alliance of Businessmen program. Our retention rate was again better than the national average. These results were particularly gratifying since they came at a time when many companies found it necessary to curtail their efforts in the program. Continuation of our participation reaffirms our commitment to work on the social problems that face us.

We stepped up our programs of "in-service" training. An Assessment Program was established as one more tool to help in the identification and development of our young managers. Seminars were held to improve skills in the areas of expense budgeting, manpower reviews, more effective supervision, union relations and recruiting. Much progress has been made and will continue to be made in this very important goal of assisting all of our people to achieve their maximum potential.



Sales

Consolidated net sales crossed the half-billion dollar mark for the first time in the Company's history, reaching \$525,787,767 compared to \$495,139,134 in fiscal 1969—an increase of 6.2%. All major divisions of the business contributed to the increase.

Earnings

Consolidated net earnings totalled \$15,077,395, including an after-tax gain of \$534,482 from the sale of securities of Berger, Jenson & Nicholson Limited. After provision for preferred dividends, net earnings per common share were \$2.62, as compared to \$3.29 last year.

Pre-tax earnings this year, excluding the effect of the Berger, Jenson & Nicholson Limited transaction, were \$29,029,995 against \$30,471,731.

Taxes

U.S. and foreign taxes on regular income this year were \$14,487,082 plus \$552,000 relative to the Berger, Jenson & Nicholson Limited transaction for a total of \$15,039,082 as compared to \$11,829,912 last year. A substantial reduction in the investment tax credit in 1970, which decreased to \$218,000 from \$2,722,000 last year, contributed to a much higher and more normal effective tax rate in the current year.

Taxes other than federal, all of which are absorbed in regular operations, continued to rise. In fiscal 1970 these taxes amounted to \$13,402,332, up from \$12,308,667 in 1969.

Dividends

A total of \$11,766,298 in dividends was declared in fiscal 1970, of which \$10,656,715 was applicable to common stock at the annual rate of \$2.00 per share.

Capital Expenditures

Having largely completed a major plant modernization and expansion program, expenditures in 1970 dropped to \$15,485,604 from \$30,721,718 in 1969, \$31,303,399 in 1968 and \$26,998,256 in 1967.

Depreciation in 1970 totalled \$10,645,666, up from \$9,265,119 in 1969.

1971 expenditures tentatively have been budgeted at \$12,000,000. This amount could be somewhat higher if certain projects currently under study appear to be economically feasible during this next year.

General Financial Condition

During the year, a \$40,000,000 issue of 25-year convertible subordinated debentures was sold to provide a larger base of long-term and permanent capital. \$25,000,000 of the proceeds were used to repay outstanding bank loans and the balance was added to the Company's general resources.

The working capital position remains strong, having risen to \$184,209,262 in 1970 from \$169,675,484 in 1969. The current ratio at year end of 4.25 to 1 also gives an indication of financial strength. Cash and cash equivalents increased, partially due to the financing mentioned above and at year end totalled \$23,833,723, equal to 42.1% of current liabilities. Accounts receivable continue to be soundly managed and inventories effectively controlled.

The seasonal nature of certain portions of the Company's business requires short-term borrowings during the year to finance operations efficiently. By virtue of a strong and well-balanced financial condition, there is adequate capacity to obtain such funds as may be needed.

Retirement Plans

Substantially all employees of the Company and its domestic subsidiaries participate in noncontributory pension plans. The Company contributed \$4,430,636 in 1970 to the various plans.

Employee Stock Purchase Plan

Just over 7,000 salaried employees currently are participating, through regular payroll deductions, in the plan which was started on April 1, 1969. The individual employee has the option of having all of his contribution invested in the Company's common stock, or of having a portion of it invested in a government securities fund. The Company's contribution—presently 25% of the total amount invested by the employee—is used to purchase additional stock.

At August 31, 1970, 114,299 shares of common stock, representing 2.1% of the total number of shares outstanding, were owned by this employee fund.



THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries

Statement of Consolidated Income

	<u>Year Ended August 31</u>	
	1970	1969
Net sales	\$525,787,767	\$495,139,134
Other income—net	1,130,959	1,318,643
	<u>526,918,726</u>	<u>496,457,777</u>
Costs and expenses (including depreciation computed principally on the straight-line method of \$10,645,666 in 1970 and \$9,265,119 in 1969):		
Cost of products sold	332,386,375	310,852,298
Selling, general and administrative expenses	154,312,500	144,629,247
Pensions—Note F	4,430,636	4,740,312
Interest	6,759,220	5,764,189
	<u>497,888,731</u>	<u>465,986,046</u>
Income Before Income Taxes and Extraordinary Credit	29,029,995	30,471,731
Income taxes:		
United States—Note B:		
Payable currently	13,048,000	9,825,000
Deferred	380,053	805,775
Foreign	1,059,029	1,199,137
	<u>14,487,082</u>	<u>11,829,912</u>
Income Before Extraordinary Credit	14,542,913	18,641,819
Extraordinary credit—net gain resulting from the sale of securities of Berger, Jenson & Nicholson Limited less applicable income taxes of \$552,000.	534,482	—0—
Net Income	<u>\$ 15,077,395</u>	<u>\$ 18,641,819</u>
Net income per common share—Note E:		
Assuming no dilution:		
Income before extraordinary credit	\$ 2.52	\$ 3.29
Extraordinary credit10	—0—
Net income	<u>\$ 2.62</u>	<u>\$ 3.29</u>
Assuming full dilution:		
Income before extraordinary credit	\$ 2.43	\$ 3.23
Extraordinary credit09	—0—
Net income	<u>\$ 2.52</u>	<u>\$ 3.23</u>

See notes to consolidated financial statements.

Consolidated

Assets	August 31	
	1970	1969
<i>Current Assets</i>		
Cash	\$ 12,833,723	\$ 11,400,515
Short-term investments—at cost (approximate market)	11,000,000	—0—
Trade accounts receivable, less allowances (\$1,288,000 in 1970; \$1,292,000 in 1969)	63,444,163	56,755,891
Inventories—at lower of cost (average or first-in, first-out method) or market:		
Finished merchandise	104,314,963	100,270,879
Work in process, raw materials and supplies	41,498,693	35,723,641
	145,813,656	135,994,520
Prepaid expenses	5,201,275	5,955,478
Recoverable federal income taxes	—0—	2,188,749
Deferred federal income taxes—Note B	2,524,283	2,209,185
Total Current Assets	240,817,100	214,504,338
<i>Investments and Other Assets</i>		
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	4,494,671	3,899,921
	8,677,437	8,082,687
<i>Property, Plant and Equipment—on the basis of cost</i>		
Land	5,369,650	5,141,679
Buildings	73,826,032	62,062,159
Machinery and equipment	150,918,221	150,350,084
	230,113,903	217,553,922
Less allowances for depreciation	91,501,975	82,766,450
	138,611,928	134,787,472
	\$ 38,106,465	\$ 357,374,497

THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries



Consolidated Balance Sheet

		August 31	
Liabilities and Shareholders' Equity		1970	1969
	<i>Current Liabilities</i>		
515	Notes payable	\$ 2,817,030	\$ 2,817,030
3—	Trade accounts payable	14,643,685	13,582,390
	Payrolls, compensation and amounts withheld	13,346,413	14,405,914
391	Pension, interest and other accruals	13,034,166	10,640,635
	Dividends payable on preferred stock	277,428	277,324
	Taxes, other than income taxes	3,549,483	3,105,561
379	Income taxes	8,939,633	—
541		<u>56,607,838</u>	<u>44,828,854</u>
520	Total Current Liabilities		
	<i>Long-Term Debt—Note C</i>		
478	5.45% Debentures	50,000,000	50,000,000
749	6.25% Convertible Subordinated Debentures	40,000,000	—
185	Revolving credit notes payable	—	25,000,000
338		<u>90,000,000</u>	<u>75,000,000</u>
	<i>Deferred Federal Income Taxes—Note B</i>	7,098,909	6,403,758
	<i>Reserves—for pensions and other items</i>	3,163,153	2,674,934
66			
21	<i>Shareholders' Equity</i>		
87	Capital stock—Notes D and H:		
	Serial preferred—without par value	9,198,742	9,195,438
179	Common—\$6.25 par value	33,348,037	33,342,156
59	Other capital	1,289,236	1,247,841
184	Retained earnings	188,090,409	184,779,312
122		<u>231,926,424</u>	<u>228,564,747</u>
150	Less cost of common shares in treasury	689,859	97,796
172		<u>231,236,565</u>	<u>228,466,951</u>
197		<u>\$388,106,465</u>	<u>\$357,374,497</u>

See notes to consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries



Statement of Consolidated Source and Application of Funds

	Year Ended August 31	
	1970	1969
<i>Source of Funds</i>		
From operations:		
Net income	\$15,077,393	\$18,641,819
Provision for depreciation	10,645,666	9,265,119
Increase in noncurrent deferred federal income taxes	695,151	650,572
	<u>26,418,212</u>	<u>28,557,510</u>
Proceeds from sale of 6.25% Convertible Subordinated Debentures	40,000,000	—0—
Increase (decrease) in revolving credit notes	(25,000,000)	22,000,000
	<u>15,000,000</u>	<u>22,000,000</u>
Proceeds from sale of stock issued under stock option plan	50,625	644,736
	<u>\$41,468,837</u>	<u>\$51,202,246</u>
<i>Application of Funds</i>		
Cash dividends declared	\$11,766,298	\$11,696,038
Additions to property, plant and equipment, net of retirements	14,470,122	30,025,394
Purchase of common shares for treasury	592,063	58,763
Noncurrent assets acquired through acquisitions	—0—	2,041,806
Addition to working capital	14,533,778	6,756,835
Other—net.	106,576	623,410
	<u>\$41,468,837</u>	<u>\$51,202,246</u>

See notes to consolidated financial statements.



THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries

Statement of Consolidated Shareholders' Equity

	Serial Preferred Stock	Common Stock	Other Capital	Retained Earnings	Common Stock in Treasury
Balance at September 1, 1968	\$9,344,360	\$33,210,756	\$ 600,173	\$177,833,531	\$ (39,033)
Series B preferred stock:					
375 shares issued upon exercise of stock options	13,322	—	14,241	—	—
Cash in lieu of fractional shares—145 shares	(5,151)	—	(9,439)	—	—
Common stock issued:					
918 shares upon conversion of 551 shares of Series A preferred stock	(19,575)	5,738	13,837	—	—
6,192 shares upon conversion of 3,871 shares of Series B preferred stock	(137,518)	38,700	98,818	—	—
13,914 shares upon exercise of stock options	—	86,962	530,211	—	—
Net income	—	—	—	18,641,819	—
Cash dividends declared:					
Series A preferred stock—\$4.00 per share	—	—	—	(297,247)	—
Series B preferred stock—at an annual rate of \$4.40 per share	—	—	—	(747,928)	—
Common—\$2.00 per share	—	—	—	(10,650,863)	—
Purchase of 1,100 common shares for treasury	—	—	—	—	(58,763)
Balance at August 31, 1969	<u>9,195,438</u>	<u>33,342,156</u>	<u>1,247,841</u>	<u>184,779,312</u>	<u>(97,796)</u>
Series B preferred stock:					
125 shares issued upon exercise of stock options	4,441	—	4,746	—	—
Common stock issued:					
41 shares upon conversion of 25 shares of Series A preferred stock	(888)	256	632	—	—
11 shares upon conversion of 7 shares of Series B preferred stock	(249)	69	180	—	—
889 shares upon exercise of stock options	—	5,556	35,882	—	—
Other	—	—	(45)	—	—
Net income	—	—	—	15,077,395	—
Cash dividends declared:					
Series A preferred stock—\$4.00 per share	—	—	—	(296,096)	—
Series B preferred stock—\$4.40 per share	—	—	—	(813,487)	—
Common—\$2.00 per share	—	—	—	(10,656,715)	—
Purchase of 20,600 common shares for treasury	—	—	—	—	(592,063)
Balance at August 31, 1970	<u>\$9,198,742</u>	<u>\$33,348,037</u>	<u>\$1,289,236</u>	<u>\$188,090,409</u>	<u>\$(689,859)</u>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

August 31, 1970



NOTE A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all significant subsidiaries except The Sherwin-Williams Company of Canada, Limited (majority owned). At August 31, 1970, the Company's equity in the consolidated net assets of that subsidiary amounted to \$8,971,000, representing an increase during the year of \$1,520,000, after deducting \$116,000 of dividends received which are included in other income. The increase consists of \$1,254,000, representing the Company's equity in the subsidiary's earnings for the year ended August 31, 1970, and a gain from conversion into United States dollars of \$382,000. Equity in earnings included \$1,211,000 extraordinary credit resulting from the sale of a division.

Intercompany transactions have been eliminated. Appropriate rates of exchange have been used to translate foreign currency amounts into United States dollars, and the effect, which was not significant, was included in consolidated income.

NOTE B — INCOME TAXES

The income tax provision has been reduced by investment tax credits of approximately \$218,000 in 1970 and \$2,722,000 in 1969 using the flow-through method.

The Company has recognized the deferred income tax liabilities and benefits resulting from timing differences between financial and tax accounting. The principal differences relate to depreciation and reserves.

NOTE C — LONG-TERM DEBT

The 5.45% Debentures due 1992 and the 6.25% Convertible Subordinated Debentures due 1995 are redeemable in whole or in part at the option of the Company at the rates of 104% and 106.25% respectively and at declining rates to 100% in 1987 and 1990 respectively. The related indentures require annual sinking fund payments of \$2,000,000 for each of the issues, commencing in 1973 for the 5.45% Debentures and in 1981 for the 6.25% Debentures.

The Convertible Subordinated Debentures are convertible into Common Stock at a conversion price of \$46 a share.

NOTE D — CAPITAL STOCK

The following table sets forth the authorized and issued shares of the various classes of stock at August 31, 1970:

	SHARES	
	Authorized	Issued
Serial Preferred Stock:	1,500,000	
\$4.00 Cumulative Convertible Preferred Stock, Series A		74,024
\$4.40 Cumulative Convertible Preferred Stock, Series B		184,913
Common Stock (including 22,500 shares held in treasury)	15,000,000	5,335,686

The shares of Series A and Series B preferred stock are convertible at base conversion prices of \$57.93 and \$62.50 per share of Common Stock, respectively, taking each share of preferred stock at \$100 for this purpose. The holders of the preferred stock are entitled to one vote for each share.



**Notes to Consolidated
Financial Statements**
August 31, 1970

The Company may redeem the Series A preferred stock commencing in 1972 at \$104 per share and at a declining amount each year to \$100 per share in 1980 and thereafter, and the Series B preferred stock at \$110.50 until December, 1970, and at declining amounts to \$100 in 1981 and thereafter. The aggregate preference of the Serial Preferred Stock in involuntary liquidation is \$25,893,700.

At August 31, 1970, an aggregate of 1,452,779 shares of Common Stock were reserved for conversion of Serial Preferred Stock, conversion of Convertible Subordinated Debentures and exercise of stock options.

NOTE E — NET INCOME PER COMMON SHARE

Net income per common share assuming no dilution has been computed based on the average number of shares outstanding during the year after deducting the dividend requirements of the Serial Preferred Stock.

Net income per common share assuming full dilution has been computed assuming the conversion of the Series A preferred stock and the 6.25% Convertible Subordinated Debentures, as of the date of issuance, after adding to net income interest on the debentures net of income taxes. For the year ended August 31, 1970, the conversion of the Series B preferred stock and the exercise of stock options would have had a beneficial effect on net income per common share assuming full dilution, and as a consequence have been excluded from the computation.

NOTE F — RETIREMENT PLANS

Substantially all employees of the Company and its domestic subsidiaries, who meet certain requirements as to age and length of service, participate in noncontributory pension plans. The Company's policy is to accrue contributions for its pension funds representing normal cost and amortization of unfunded prior service costs over 30 years. At the most recent actuarial determination dates, the assets of the pension funds and the balance sheet accrual exceeded the actuarially computed value of vested benefits.

NOTE G — LEASES

Branches, offices, and certain warehouses and plants are leased for various periods. The rental expense of leased premises for the year ended August 31, 1970, aggregated approximately \$16,100,000. Approximately 85% of these rentals relate to leases expiring in five years or less.

NOTE H — STOCK OPTIONS

At August 31, 1970, there were 136,618 common shares reserved for issuance to officers and key employees under a stock option plan. Options are granted at prices not less than fair market value of the shares at date of grant. The options are exercisable to the extent of one-half or one-fifth of the optioned shares for each full year of employment following the date of grant, and expire five or ten years after date of grant.

THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries



A summary of the option transactions during the year follows:

	Shares	OPTION PRICES		Total	Market Prices
		Per Share			
At beginning of year:					
Options outstanding	136,912	\$40.25	to \$50.50	\$6,402,841	
Reserved for future options	595				
Changes during the year:					
Options becoming exercisable	28,225	45.625	to 50.50	1,325,603	\$1,351,984
Options exercised	889	40.25	to 49.50	41,438	47,019
Options canceled	8,000	40.25	to 50.50	371,469	
At end of year:					
Options outstanding	128,023	40.25	to 50.50	5,989,934	
Options exercisable	118,673	40.25	to 50.50	5,525,503	
Reserved for future options	8,595				

Accountants' Report

Board of Directors
The Sherwin-Williams Company
Cleveland, Ohio

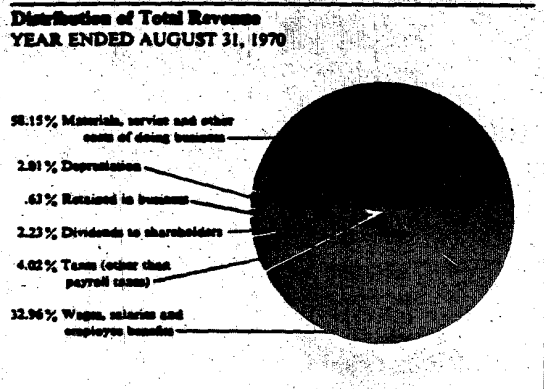
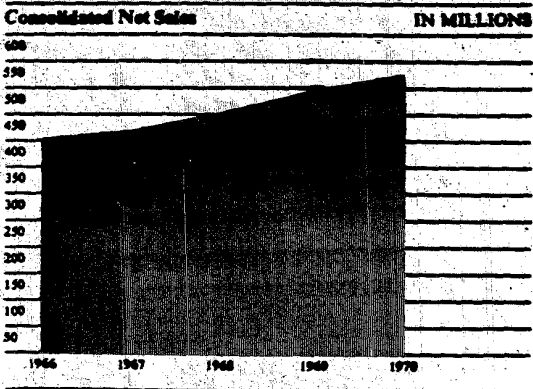
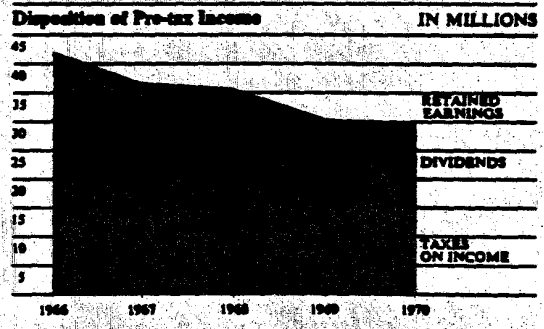
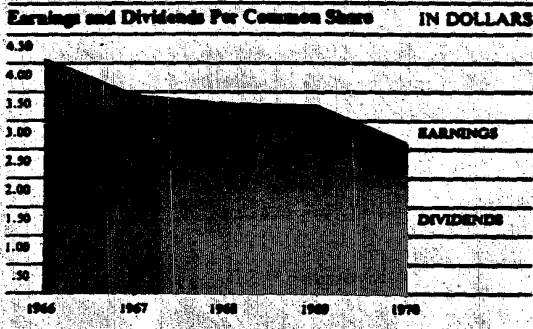
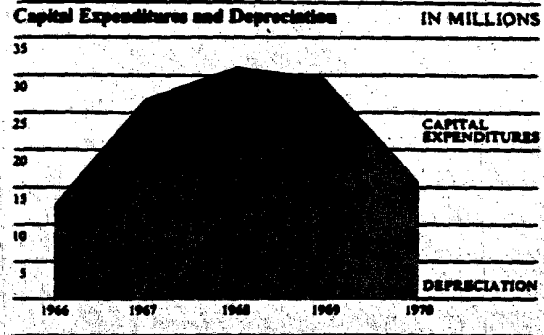
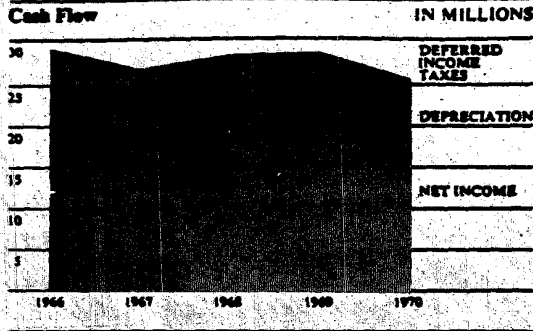
We have examined the consolidated financial statements of The Sherwin-Williams Company and consolidated subsidiaries for the year ended August 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, shareholders' equity, and source and application of funds present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1970, and the consolidated results of their operations, changes in shareholders' equity, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
October 14, 1970



THE SHERWIN-WILLIAMS COMPANY
And Consolidated Subsidiaries



Five-Year Comparison



Year Ended August 31

	1970	1969	1968	1967	1966
Net sales	\$525,787,767	\$495,139,134	\$452,526,660	\$417,409,220	\$403,930,885
Income before income taxes and extraordinary items . . .	29,029,995	30,471,731	36,271,098	36,526,914	41,813,333
Income taxes—United States and foreign	14,487,082	11,829,912	17,281,235	17,161,621	19,249,085
Net income	15,077,395(A)	18,641,819	18,989,863	19,365,293	22,564,248
Earnings per share of Common Stock	2.62(A)	3.29	3.36	3.44	4.06
Cash flow per share of Common Stock	4.69	5.18	5.11	4.88	5.29
Earnings as percent of sales . .	2.87 %	3.76%	4.20%	4.64%	5.59%
Return on invested capital— Common Stock (B)	6.89 %	9.01%	9.55%	10.19%	12.91%
Cash dividends declared:					
Preferred	\$ 1,109,583	\$ 1,045,175	\$ 299,444	\$ 278,057	\$ —0—
Common	10,656,715	10,650,863	10,616,510	10,585,957	9,860,431
Cash dividends per share of Common Stock	2.00	2.00	2.00	2.00	1.90
Number of shareholders:					
Preferred	1,078	1,075	1,280	93	96
Common	8,996(C)	8,278(C)	8,252	8,094	7,583
Preferred and common shareholders' equity	\$231,236,565	\$228,466,951	\$220,949,787	\$213,266,737	\$205,215,089
Common shareholders' equity.	205,342,865	202,582,551	194,646,187	186,940,337	178,912,689
Per share	38.53	38.05	36.64	35.25	33.87
Capital expenditures	15,485,604	30,721,718	31,303,399	26,998,256	12,469,661
Provisions for depreciation . . .	10,645,666	9,265,119	7,885,271	6,578,007	5,516,715
Working capital (current less current liabilities)	184,209,262	169,675,484	162,918,649	144,221,514	129,987,314
Ratio of current assets to current liabilities	4.25 to 1	4.78 to 1	4.93 to 1	4.77 to 1	4.55 to 1
Total assets	\$388,106,465	\$357,374,497	\$324,432,101	\$308,873,794	\$248,074,434
Number of employees	20,465	20,242	19,403	18,633	18,257

Above reflects acquisitions recorded as poolings of interests.

(A) Includes \$534,482 net gain after taxes, equal to \$0.10 a share, from the sale of securities of Berger, Jenson & Nicholson Limited.

(B) Based on common shareholders' equity at beginning of year.

(C) In addition to the registered shareholders, there were beneficial shareholders participating in the Company's Stock Purchase and Savings Plan for salaried employees (7,068 in 1970 and 7,220 in 1969).



The Sherwin-Williams Company

Expressed in

Consolidated Balance Sheet

August 31

		1970	1969	
Assets	<i>Current Assets</i>			
	Cash	\$ 674,889	\$ 56,675	
	Trade accounts receivable, less allowances (\$167,700 in 1970; \$153,000 in 1969)	5,975,071	8,546,150	
	Other accounts receivable	92,223	249,953	
	Inventories—at the lower of cost (average or first-in, first-out method) or market: Finished merchandise	8,293,006	8,459,240	
	Work in process, raw materials and supplies	2,614,206	2,818,007	
		<u>10,907,212</u>	<u>11,277,247</u>	
	Prepaid expenses	485,450	528,652	
	Recoverable income taxes	284,507	272,544	
		Total Current Assets	18,419,352	20,931,221
	<i>Investment and Other Assets</i>			
	Common shares of The Carter White Lead Company of Canada Limited (50% owned)—at cost	200,000	200,000	
	Miscellaneous receivables and advances	66,410	45,414	
		<u>266,410</u>	<u>245,414</u>	
	<i>Property, Plant and Equipment</i> —on the basis of cost			
Land	607,442	607,442		
Buildings	5,667,497	5,614,776		
Machinery and equipment	8,010,756	8,100,873		
	<u>14,285,695</u>	<u>14,323,091</u>		
Less allowances for depreciation	9,717,230	9,685,746		
	<u>4,568,465</u>	<u>4,637,345</u>		
	\$23,254,227	\$25,813,980		
Liabilities and Shareholders' Equity	<i>Current Liabilities</i>			
	Owing to bank	\$ —	\$ 4,029,707	
	Trade accounts payable	4,085,524	3,346,953	
	Payrolls, compensation and other accruals	512,034	795,796	
	Taxes, other than income taxes	566,435	447,829	
	Advance received on account of the sale of a division of the Company	—	500,000	
		<u>5,163,993</u>	<u>9,120,285</u>	
	<i>Unfunded Pension Costs Reduced to a Net of Tax Basis</i>	1,610,565	1,729,283	
	<i>Deferred Income Taxes</i>	568,250	591,000	
	<i>Shareholders' Equity</i>			
	Capital stock:			
	Preferred, 7% cumulative, par value \$100 per share:			
	Authorized —40,000 shares			
	Outstanding—34,600 shares	3,460,000	3,460,000	
	Common, no par value:			
Authorized —225,000 shares				
Outstanding—224,720 shares	224,720	224,720		
Retained earnings	12,226,699	10,688,692		
	<u>15,911,419</u>	<u>14,373,412</u>		
	\$23,254,227	\$25,813,980		



Statements of Consolidated Income and Retained Earnings

		Year Ended August 31	
		1970	1969
Income	Net sales	\$35,578,432	\$42,630,420
	Dividends received	60,000	60,000
		<u>35,638,432</u>	<u>42,690,420</u>
	Costs and expenses (including depreciation computed principally on a declining balance method of \$434,759 in 1970 and \$449,313 in 1969):		
	Cost of products sold	21,423,564	27,050,236
	Selling, general and administrative expenses	12,835,431	13,658,115
	Company and government pension cost	492,015	520,574
	Interest expense	250,617	422,399
	Directors' remuneration	144,058	115,358
		<u>35,145,685</u>	<u>41,766,682</u>
	Income Before Income Taxes and Extraordinary Credit	492,747	923,738
	Income taxes	206,000	345,000
	Income Before Extraordinary Credit	286,747	578,738
	Extraordinary credit:		
	Proceeds from the sale of the Green Cross Division on September 1, 1969 in excess of the net carrying value of the tangible assets sold net of the income tax effect	1,662,000	—0—
	Net Income	<u>\$ 1,948,747</u>	<u>\$ 578,738</u>
Retained Earnings	Balance at beginning of year	\$10,688,692	\$10,576,874
	Net income for the year	1,948,747	578,738
		<u>12,637,439</u>	<u>11,155,612</u>
	Cash dividends declared:		
	Preferred \$7 per share	242,200	242,200
Common \$0.75 per share (1969—\$1)	168,540	224,720	
	<u>410,740</u>	<u>466,920</u>	
	Balance at end of year	<u>\$12,226,699</u>	<u>\$10,688,692</u>

Accountants' Report

To the Shareholders,
 The Sherwin-Williams Company of Canada, Limited,
 (Incorporated under the laws of Canada).

We have examined the consolidated balance sheet of The Sherwin-Williams Company of Canada, Limited and its subsidiaries as of August 31, 1970, and the related statements of consolidated income and retained earnings 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, these consolidated financial statements present fairly the consolidated financial position of The Sherwin-Williams Company of Canada, Limited and its subsidiaries at August 31, 1970, 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.

Montreal, Quebec
 October 2, 1970

Ernst & Ernst
 Chartered Accountants

Divisions, Subsidiaries and Licensees

Divisions

Acme Quality Paints	The Lowe Brothers Company	Rogers Paint Products
Deshler Products	John Lucas & Company	Sherwin-Williams Chemicals
W. W. Lawrence & Company	The Martin-Senour Company	Sherwin-Williams Containers

Consolidated Subsidiaries

Domestic:

The Osborn Manufacturing Company	Rubberset Company
Sprayon Products, Inc.	

Foreign:

Compania Sherwin-Williams, S. A. de C. V. Mexico City, D. F., Mexico	The Sherwin-Williams Co. of Puerto Rico, Inc. San Juan, Puerto Rico
Rubberset Company (Canada) Limited Gravenhurst, Ontario, Canada	The Sherwin-Williams Co. (West Indies) Ltd. Kingston, Jamaica
Verffabrieken Ralston N. V. Zeist, Netherlands	Sherwin-Williams (Europe) Societe Anonyme Antwerp, Belgium
Schmitz & Ludwig und Comp. Fabrik Technischer Bürsten GmbH. Frankenberg, Germany	

Unconsolidated Subsidiaries

Sherwin-Williams do Brasil S/A Tintas e Vernizes	Sao Paulo, Brazil
The Sherwin-Williams Company of Canada, Limited	Montreal, Canada
The Canada Paint Company Limited	Montreal, Canada
The E. Harris Company Limited	Toronto, Canada
The Lowe Brothers Company, Limited	Toronto, Canada
The Martin-Senour Company Limited	Montreal, Canada
The Winnipeg Paint & Glass Company, Limited	Winnipeg, Canada
The Carter White Lead Company of Canada Limited (50% owned—unconsolidated)	Montreal, Canada

Licensees

*Aktiebolaget Syd-fernis (Sweden)	Fabrica Nacional de Pinturas Sherwin-Williams de Colombia S. A.
*Astral Sa de Peintures, Vernis et Encres D'Imprimerie (France)	Sherwin-Williams del Ecuador Fabrica Nacional de Pinturas S. A.
*Donald Macpherson Group, Ltd. (England)	Sherwin-Williams Peruana S. A.
Fabrica Nacional de Pinturas "Espintbol" S. A. (Bolivia)	Sherwin-Williams, Philippines, Inc.
*Montecatini Edison S. p. A. (Italy)	Sherwin-Williams de Centro America, S. A.
*Nippon Paint Company, Ltd. (Japan)	Sherwin-Williams Española, S. A.
Pinturas Andina S. A. (Chile)	Sherwin-Williams Venezolana C. A.
Sherwin-Williams Argentina Industrial y Comercial S. A.	*Shinto Paint Co., Ltd. (Japan)
	*Coil Coatings

Products and Plants

Principal Products

Paints • Enamels • Varnishes • Lacquers • Stains • Aerosol Specialties
Zinc Pigments • Lithopone • Linseed Oil • Metal Containers
Industrial Power-Driven and Maintenance Brushes • Barium Chemicals
Colored Pigments • Synthetic Para Cresol • Saccharin • Strontium Chemicals
Foundry Machinery and Equipment • Finishing Machinery and Grinding Wheels
Organic Chemicals • Titanium Dioxide Pigments • Textile Printing and Dyeing Colors
Paint Brushes • Rollers and Other Painting Accessories

Domestic Plants

Anaheim, California	Elgin, Illinois
Ashtabula, Ohio (two)	Gariand, Texas
Bedford Heights, Ohio	Gibbsboro, New Jersey
Bound Brook, New Jersey	Greensboro, North Carolina
Chicago, Illinois (four)	Henderson, Kentucky
Cincinnati, Ohio	Hubbard, Ohio
Cleveland, Ohio (three)	Los Angeles, California
Coffeyville, Kansas	Morrow, Georgia
Crisfield, Maryland	Newark, New Jersey
Dayton, Ohio	Oakland, California
Deshler, Ohio	Pittsburgh, Pennsylvania
Detroit, Michigan	San Leandro, California

Foreign Plants

Bayamon, Puerto Rico	Sao Paulo, Brazil
Frankenberg, Germany	Toronto, Canada
Gravenhurst, Canada	Vancouver, Canada
Mexico City, Mexico	Winnipeg, Canada
Montreal, Canada	Zeist, Netherlands

Printing Division

North Olmsted, Ohio

Research Center

Chicago, Illinois

The A. W. Stuedel Technical Center

Chicago, Illinois

Container Division Technical Center

Countryside, Illinois



THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

EXECUTIVE OFFICES

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

Directors

E. Colin Baldwin
*Chairman of the Board and
Chief Executive Officer*

John N. Bauman
*Chairman of the Board
White Motor Corporation*

Keith S. Benson
*Executive Vice President
Diamond Shamrock Corporation
Chairman
Pickands Mather & Co.*

Willis B. Boyer
*President
Republic Steel Corporation*

Richard G. Bull
Executive Vice President—Marketing

William C. Fine
Vice President—Finance

Robert F. Hennig
Vice President—Purchasing

John A. Hill
*President
Hospital Corporation of America*

Allen C. Holmes
*Partner
Jones, Day, Cockley & Reavis
Attorneys*

Victor Holt, Jr.
*President
The Goodyear Tire & Rubber Company*

William Moonan
Vice President—Auxiliary Divisions

Robert W. Ramsdell
*Chairman and Chief Executive Officer
The East Ohio Gas Company*

George F. Schlaudecker
Vice President—Chemical Operations

Walter O. Spencer
President

John D. Wright
*Director
TRW Inc.*

Arthur W. Stuedel
Honorary Director

Officers

E. Colin Baldwin
*Chairman of the Board and
Chief Executive Officer*

Walter O. Spencer
President

Richard G. Bull
Executive Vice President—Marketing

William C. Fine
Vice President—Finance

Robert F. Hennig
Vice President—Purchasing

William Moonan
Vice President—Auxiliary Divisions

George F. Schlaudecker
Vice President—Chemical Operations

Richard R. Crow
Vice President—Personnel

Arthur B. Holton
*Vice President and
Technical Advisor to the President*

Virgil A. Hollis
Assistant Vice President—Finance

James F. Cole
Treasurer

Alan D. Childs
Secretary and General Counsel

Frank H. Clark
Assistant Treasurer and Assistant Secretary

Frank C. Kollath
Assistant Treasurer

William P. Inman
Assistant Secretary

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The Sherwin-Williams Company



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