Annual Report
1955

THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL

PRESIDENT

To the Stockholders:

We present herewith the Consolidated Balance Sheet and Consolidated Income and Surplus Accounts of The Sherwin-Williams Company for the fiscal year ended August 31, 1955.

The earnings before Federal Income Tax and provision for the Pension Plan are $26,451,701.

The amount estimated for Federal Income Tax is $11,772,106.

The allowance for the Pension Plan is $2,700,000.

The final consolidated net earnings, after all deductions, are $11,979,595.

This establishes a new high record of earnings in the Company's history.

The net amount earned on the 1,277,854 shares of Common Stock outstanding, after deducting Preferred Dividends, is $8.89 per share.

Sales again surpassed those of any preceding year. Compared with last year, the increase is 4 percent. Consumer products, which constitute the main bulk of the Company's business, showed a gain both in sales and profits. Industrial sales also contributed a larger volume as a result of the improved conditions in the industrial field. Super Kem-Tone and Kem-Glo, the country's leading finishes in wall paint and all purpose enamel respectively, are still running ahead of all previous years' records. This year the Kem line passed the one hundred million gallon mark since the introduction of Kem-Tone as an entirely new type of wall paint.

A major portion of the increase in this year's earnings over the previous year is due to larger profits from the growing operations in the chemical, color and can divisions of the Company. Further expansion plans are under way. The construction of a new can plant costing about $1,500,000 is near completion at San Leandro, California, which is intended to supply the needs not only of our own plants on the Pacific Coast, but also those of other companies. At Chicago a new Phthalic Anhydride unit is in operation. Phthalic Anhydride is a basic ingredient of alkyd resins and plasticizers. Approximately a million dollars has been appropriated for enlarging the facilities for the production of Paracresol, which is an important chemical base for a product used principally as an additive to airplane fuel and lubricants in general. It also plays a part in the manufacture of organic colors. Another plant now under construction, involving an expenditure of about $1,250,000, is for the production of Phthalocyanine Blues and Greens. The colors made by this process are the highest quality and most permanent available for paints, floor coverings, textiles and printing inks.

Inventories were substantially higher than at the close of the preceding year. The largest part of this increase was in finished goods and was the result of a program for leveling out production, thereby reducing costs and stabilizing employment.

Greater stress than ever was placed on research for the improvement of the Company's products in all lines and the development of new ones. By introducing a tube system for mixing colors, an infinite variety of color has now been placed at the service of the American home owner. In addition, better finishes are constantly being evolved that are "tailor made" to meet the specific needs of the industrial market.

The management is confident of an ever growing potential market for its products and is gearing its manpower to take full advantage of this prospect.

Again the management expresses its thanks to the organization for its fine spirit of enthusiasm and its loyalty and support in promoting the interests of the Company.

President.

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

AUGUST 31, 1955

Assets

CURRENT ASSETS		
Cash		$ 30,155,653
Trade receivables, less allowances for doubtful accounts		22,789,087
Inventories - raw materials and supplies, in process and finished merchandise, at lower of cost or market		50,463,555
TOTAL CURRENT ASSETS		$103,408,295
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note A	$4,951,621	
Miscellaneous receivables, advances, insurance deposits, and miscellaneous securities, less allowances	582,372	5,533,993
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment—at cost to consolidated companies, less allowances for depreciation		34,740,981
PATENTS AND TRADE-MARKS		
Nominal amount		1
DEFERRED CHARGES		
Advertising stock and miscellaneous supplies	$ 975,277	
Prepaid insurance and other deferred items	1,216,322	2,191,599
		$145,874,869

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, payrolls, and miscellaneous items		$ 16,856,231
Dividend on preferred stock—payable September 1, 1955		150,150
Deposits—employees and officers		1,440,579
Accrued taxes (other than federal income taxes) and miscellaneous items		989,689
Federal taxes on income—estimated	$12,400,000	
Less U. S. Treasury Tax Anticipation Certificates	5,000,000	7,400,000
TOTAL CURRENT LIABILITIES		$ 26,836,649
RESERVES		
For contingencies and other	$ 3,379,984	
For pensions	2,700,000	6,079,984
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Preferred—authorized 395,500 shares (par value $100.00 each—redeemable at $105.00 per share): Outstanding—cumulative preferred stock, 4% series—150,150 shares	$15,015,000	
Common—authorized 1,600,000 shares (par value $25.00 each): Outstanding 1,277,854 shares	31,946,350	
	$46,961,350	
Earned surplus	65,996,886	112,958,236
		$145,874,869

Note A—Securities of subsidiaries not consolidated are stated at cost and include investments of approximately $4,119,000 in a partly-owned Canadian subsidiary, and approximately $822,000 in subsidiaries in Brazil and Argentina. The approximate amounts of accumulated net income, not taken up, applicable to investments in subsidiaries not consolidated were as follows: Canada—$4,565,000; Brazil—$2,088,000; Argentina—$522,000. Transfer of funds from the South American subsidiaries is restricted and although they are wholly-owned the accounts of such subsidiaries are not consolidated for that reason.

Note B—Net current assets (approximately 4% of consolidated net current assets) of consolidated foreign subsidiaries, located in Mexico and Cuba, have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1955.

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CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY
AND CONSOLIDATED SUBSIDIARIES

Year ended August 31, 1955

INCOME

Profit from operations for the year ended August 31, 1955, before other income, provision for depreciation, other deductions, and federal taxes on income			$29,039,907
Other income:			
Dividends received (net) on capital stock of foreign unconsolidated subsidiaries—Note A		$ 475,531	
Miscellaneous		253,006	728,537
			$29,768,444
Other deductions:			
Provision for pensions		$ 2,700,000	
Provision for depreciation		2,451,947	
Provision for foreign taxes and miscellaneous items		631,253	
Net charge arising from sale or abandonment of depreciable assets		176,035	
Interest expense		57,508	
Federal taxes on income:			
Provision for the year—estimated	$12,400,000		
Adjustments for prior years	627,894*	11,772,106	17,788,849
NET INCOME			$11,979,595

EARNED SURPLUS

Balance at September 1, 1954			$60,407,834
Add net income for the year			11,979,595
			$72,387,429
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 615,450		
Common—$4.50 per share	5,750,343	$ 6,365,793	
Premium on preferred stock redeemed		24,750	6,390,543
BALANCE AT AUGUST 31, 1955			$65,996,886

*Indicates red figure.

Note A—Equity in net income for the year ended August 31, 1955, reported by unconsolidated subsidiaries was approximately $700,000 more than the Company's share of dividends paid by such subsidiaries.

Note B—The income accounts of the consolidated foreign subsidiaries (Mexico and Cuba) have been translated into U. S. dollars mainly on the basis of rates of exchange in effect at the close of the year.

AUDITORS' CERTIFICATE

Board of Directors,
The Sherwin-Williams Company,
Cleveland, Ohio.

We have examined the consolidated balance sheet of The Sherwin-Williams Company and consolidated subsidiaries as of August 31. 1955, and the related statements of consolidated income and 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 summaries of income and surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1955, 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
Certified Public Accountants

Cleveland, Ohio
October 11, 1955

THE SHERWIN-WILLIAMS CO.

101 Prospect Ave., N.W. Founded in 1866 Cleveland, Ohio

Manufacturers of

Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Lead Products, Dyes, Chemicals, Lithopone, Litharge, Linseed Oil, Dry Colors, Cans, Insecticides.

Main Plants

Cleveland - Chicago - Dayton - Detroit - Newark - Pittsburgh
Hubbard, Ohio - Oakland, Cal. - Bound Brook, N. J. - Gibbsboro, N. J.
Deshler, Ohio - Dallas - Los Angeles - Coffeyville, Kan. - San Leandro, Cal.

Directors

A. H. BURT	D. A. KOHR	C. M. WHITE
S. B. COOLIDGE	C. M. LEMPERLY	H. D. WHITTLESEY
C. S. EATON	G. H. ROBERTSON	THOS. E. WILSON
GEORGE GUND	L. H. SCHROEDER	L. W. WOLCOTT
C. P. JARDEN	A. W. STEUDEL	

Officers

A. W. STEUDEL, *President*
A. H. BURT, *Vice President*
S. B. COOLIDGE, *Vice President*
L. H. SCHROEDER, *Vice President and Treasurer*
B. M. VAN CLEVE, *Vice President*
N. E. VAN STONE, *Vice President*
H. D. WHITTLESEY, *Vice President*
F. J. SQUIRES, *Secretary*

Transfer Agents

CLEVELAND TRUST COMPANY
Cleveland, Ohio

BANKERS TRUST COMPANY
New York, N. Y.

Registrars

CENTRAL NATIONAL BANK
Cleveland, Ohio

GUARANTY TRUST COMPANY
New York, N. Y.