ANNUAL REPORT



1962

THE SHERWIN-WILLIAMS COMPANY

0007-SWP-034894

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THE SHERWIN-WILLIAMS COMPANY
AND CONSOLIDATED SUBSIDIARIES
ANNUAL REPORT
1962

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LETTER TO SHAREHOLDERS

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Surplus Statements of The Sherwin-Williams Company and consolidated subsidiaries for the fiscal year ended August 31, 1962.

The consolidated earnings amounted to $14,459,546 as compared with $14,613,376 for 1961. After deducting $454,644 for Preferred Dividends, the earnings for 1962 are equivalent to $5.46 per share on the present outstanding 2,567,332 shares of Common Stock, as compared with $5.51 last year.

Total foreign income (from operations, dividends, royalties, etc.) was 26¢ per share compared to 37¢ per share last year, or a reduction of 11¢ per share.

While operating results of our foreign companies were reasonably satisfactory, the drop in foreign income was due principally to the unavailability of dollar exchange in Brazil for remittance of dividends.

Consolidated net sales amounted to $287,423,317. This is the highest sales total in Company history, and is 4.12% over the previous year. The largest contribution to the improved sales results was the sales progress made in the chemical, painter-bulk market and industrial divisions of the Company. Although this business is highly desirable, it does not yield as high a percent of gross profit as other segments of our business. Consequently there was a slight decline in the overall percent of gross profit.

In spite of the upward pressure of the increase in wage rates on the cost of producing and selling, plus necessary increases in appropriations for advertising and research and development, so as to insure future progress, expenses as a percentage of sales were the same as last year.

Seventy-eight sales branches were added in the past year. Most of the objectives of our large branch expansion program have been achieved. Therefore, while we will further expand our network of service points, we will do so only at a rate geared closely to population and market trends. Additional sales territories now being established around existing branches will enable us to more quickly reach the sales potential of each market.

Channels of distribution are changing and we will continue to adapt our distribution arrangements accordingly so as to insure our products being readily available where customers want to buy.

As they have for many years, Super Kem-Tone latex wall paint and Kem-Glo enamel maintained their high popularity. Early in the fiscal year, sales of Super Kem-Tone passed the 100,000,000 gallon mark, a record unrivaled by any paint product on the market.

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In the industrial finishes field, the trend toward coating materials before fabrication into finished products has gained further momentum. We are now firmly established in the metals segment of this development, and in the past year scored fine gains in sales of our Kem-Clad and Super-Clad finishes. In the wood pre-finishing field, we are now supplying materials to a number of lumber, plywood and hardboard producers who prime, and in some cases, finish coat their products at the mill. As the use of such factory-coated wood increases, we expect to be in a particularly advantageous position to capitalize on both the factory priming and field finishing of these building materials.

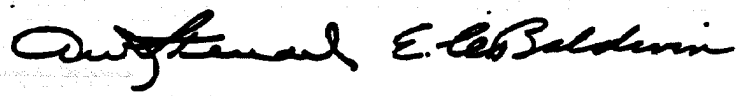
Our forest products laboratory at Oakland, California, established a little over a year ago, has made outstanding contributions to the development of wood pre-finishing. This laboratory is part of the substantially increased technical effort we are devoting to products for all segments of the industrial market. We are now working on a number of long range developments designed to keep us ahead of demand.

Advertising and merchandising, especially of trade sales products, will be stepped-up in the year ahead to keep pace with the tightening competitive situation. This will be coupled with advanced training for members of the sales organization. At the same time, we will continue to emphasize development of new and better types of paint to further strengthen our sales position.

Enlargement of our phthalic anhydride facilities at Chicago was completed during the year. This expansion has made us self-sufficient in the production of this basic raw material. Relocation and expansion of the organic research laboratories in the Chicago plant have given us the tools to broaden the scope of research in pigment dyestuffs, dye intermediates, rubber chemicals and other products we supply industry. Realignment of the paint production unit at Chicago has begun and is proceeding on schedule. This project is designed to increase the efficiency of paint production there.

Gross plant expenditures during the year were $5,829,336. No major plant expansion is contemplated this year but continuing additions and improvements to existing facilities are planned.

Once again the Board of Directors expresses its thanks to the staff in plants, offices and branches for their cooperation and loyalty which made the results of this year possible.



Chairman of the Board *President*

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THE SHERWIN-WILLIAMS COMPANY AN

Consolidated Balance Sheets, Augu

Assets	*1962*	*1961*
Current Assets		
Cash	$ 21,781,469	$ 30,633,260
U. S. Treasury bills—at cost	10,917,364	—0—
Trade accounts receivable, less allowances for doubtful accounts—$609,760 in 1962, $631,885 in 1961	32,244,626	31,060,892
Inventories—raw materials and supplies, in process and finished merchandise—at lower of cost or market	67,478,494	67,444,662
TOTAL CURRENT ASSETS	$132,421,953	$129,138,814
Investments and Other Assets		
Securities of unconsolidated subsidiaries —principally at cost—Note A	$ 5,059,616	$ 5,059,616
Receivables, advances, and miscellaneous items	744,108	549,290
	$ 5,803,724	$ 5,608,906
Property, Plant, and Equipment		
Land, buildings, machinery, and equipment—on the basis of cost	$ 95,237,108	$ 90,890,329
Less allowances for depreciation	44,348,096	41,526,157
	$ 50,889,012	$ 49,364,172
Deferred Charges		
Advertising stock and supplies	$ 1,601,778	$ 1,716,872
Prepaid insurance and other items	1,525,014	1,402,489
	$ 3,126,792	$ 3,119,361
	$192,241,481	$187,231,253

Note A —Includes investments in party-owned Canadian subsidiary ($4,163,000) a ($128,000). The Company's equity in accumulated undistributed net income of these sul $5,977,000; Brazil—$2,116,000; Argentina—$249,000.

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PANY AND CONSOLIDATED SUBSIDIARIES

ce Sheets, August 31, 1962, and 1961

Liabilities, Capital Stock, and Surplus	*1962*	*1961*
Current Liabilities		
Trade accounts payable, compensation, and miscellaneous items	$ 13,081,937	$ 14,796,038
Dividend payable on Preferred Stock	110,571	117,420
Deposits—employees and officers	1,075,747	1,154,041
Accrued taxes, other than federal taxes on income	1,320,345	1,228,139
Federal taxes on income—estimated	7,820,000	8,900,000
TOTAL CURRENT LIABILITIES	$ 25,408,600	$ 26,195,658
Reserves		
For contingencies and other	$ 1,840,677	$ 1,988,090
For pensions	2,652,024	2,366,126
	$ 4,492,701	$ 4,354,216
Capital Stock and Surplus		
Capital stock:		
Preferred—authorized 395,500 shares (par value $100.00 per share—redeemable at $105.00 per share):		
Outstanding—Cumulative Preferred, 4% series—110,571 shares in 1962, 117,300 shares in 1961	$ 11,057,100	$ 11,730,000
Common — authorized 5,000,000 shares (par value $12.50 per share):		
Outstanding 2,567,332 shares—stated capital	33,172,651	33,172,651
Earned surplus	118,110,429	111,778,728
	$162,340,180	$156,681,379
	$192,241,481	$187,231,253

...ian subsidiary ($4,183,088) and wholly-owned subsidiaries in Brazil ($737,000) and Argentina ...rated net income of these subsidiaries at August 31, 1962, consisted of the following: Canada—

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THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED INCOME AND EARNED SURPLUS

Years Ended August 31, 1962, and 1961

Income	*1962*	*1961*
Net sales	$287,423,317	$276,050,790
Dividends received (net) from unconsolidated foreign subsidiaries—Note A	134,524	331,750
Miscellaneous	902,084	684,083
	$288,459,925	$277,066,623
Deductions from income:		
Cost of products sold and selling, general, and administrative expenses	$252,719,404	$241,763,124
Provision for pensions	2,750,000	1,930,000
Provision for depreciation	3,771,318	3,589,043
Provision for foreign taxes on income	421,017	465,825
Miscellaneous	288,640	590,716
	$259,950,379	$248,338,708
INCOME BEFORE FEDERAL TAXES ON INCOME	$ 28,509,546	$ 28,727,915
Federal taxes on income:		
Provision for the year	$ 14,050,000	$ 14,400,000
Less adjustment for prior years	— 0 —	285,461
	$ 14,050,000	$ 14,114,539
NET INCOME	$ 14,459,546	$ 14,613,376
Earned Surplus		
Balance at beginning of year	$111,778,728	$105,305,362
Net income for the year	14,459,546	14,613,376
Discount on Preferred Stock redeemed	28,795	15,172
Accumulated earnings of unconsolidated subsidiary merged with parent	— 0 —	20,790
	$126,267,069	$119,954,700
Cash dividends declared:		
Preferred—$4.00 a share	$ 454,644	$ 473,976
Common—$3.00 a share	7,701,996	7,701,996
	$ 8,156,640	$ 8,175,972
Balance at end of year	$118,110,429	$111,778,728

Note A—The Company's portion of net loss of the unconsolidated subsidiaries for the year ended August 31, 1962, amounted to $428,000 (after provision of $1,300,000 for losses on foreign exchange).

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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, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1962, 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.

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Cleveland, Ohio
October 17, 1962

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THE SHERWIN-WILLIAMS COMPANY

Founded in 1866

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

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

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

Research Center Chicago, Illinois

Directors

E. C. Baldwin	F. J. Squires
S. B. Coolidge	A. W. Steudel
E. A. Daniels	W. M. Stuart
C. S. Eaton	B. M. Van Cleve
George Gund	N. E. Van Stone
R. F. Hemmis	C. M. White
J. S. Prescott	J. D. Wright

Officers

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

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

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

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