

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-34187

Matson, Inc.

(Exact name of registrant as specified in its charter)

Hawaii

(State or other jurisdiction of
incorporation or organization)

99-0032630

(I.R.S. Employer
Identification No.)

**1411 Sand Island Parkway
Honolulu, HI**

(Address of principal executive offices)

96819

(Zip Code)

(808) 848-1211

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address, and former
fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of September 30, 2013: 42,838,736

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MATSON, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income

(In millions, except per-share amounts) (Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating Revenue: | | | | |
| Ocean transportation | \$ 310.1 | \$ 307.1 | \$ 920.0 | \$ 886.1 |
| Logistics | 104.9 | 94.3 | 306.3 | 275.6 |
| Total operating revenue | 415.0 | 401.4 | 1,226.3 | 1,161.7 |
| Costs and Expenses: | | | | |
| Operating costs | 353.6 | 337.0 | 1,041.3 | 996.0 |
| Equity in loss (income) of terminal joint venture | 2.4 | (0.7) | 3.0 | (3.1) |
| Selling, general and administrative | 31.8 | 30.6 | 99.6 | 87.4 |
| Separation costs | — | 0.3 | — | 8.6 |
| Operating costs and expenses | 387.8 | 367.2 | 1,143.9 | 1,088.9 |
| Operating Income | 27.2 | 34.2 | 82.4 | 72.8 |
| Interest expense | (3.6) | (4.0) | (10.9) | (7.9) |
| Income from Continuing Operations Before Income Taxes | 23.6 | 30.2 | 71.5 | 64.9 |
| Income tax expense | (6.4) | (11.2) | (25.1) | (28.6) |
| Income From Continuing Operations | 17.2 | 19.0 | 46.4 | 36.3 |
| Income (Loss) From Discontinued Operations (net of income taxes) | — | 0.1 | — | (6.0) |
| Net Income | \$ 17.2 | \$ 19.1 | \$ 46.4 | \$ 30.3 |
| Other Comprehensive Income, Net of Tax: | | | | |
| Net Income | \$ 17.2 | \$ 19.1 | \$ 46.4 | \$ 30.3 |
| Defined benefit pension plans: | | | | |
| Net loss and prior service cost | — | — | (0.8) | (1.1) |
| Less: amortization of prior service credit included in net periodic pension cost | (0.3) | (0.5) | (1.0) | (1.0) |
| Less: amortization of net loss included in net periodic pension cost | 1.2 | 1.3 | 3.5 | 3.5 |
| Foreign currency translation adjustment | 0.1 | — | (0.1) | — |
| Other Comprehensive Income | 1.0 | 0.8 | 1.6 | 1.4 |
| Comprehensive Income | \$ 18.2 | \$ 19.9 | \$ 48.0 | \$ 31.7 |
| Basic Earnings Per Share: | | | | |
| Continuing operations | \$ 0.40 | \$ 0.45 | \$ 1.09 | \$ 0.86 |
| Discontinued operations | — | — | — | (0.14) |
| Net income | \$ 0.40 | \$ 0.45 | \$ 1.09 | \$ 0.72 |
| Diluted Earnings Per Share: | | | | |
| Continuing operations | \$ 0.40 | \$ 0.45 | \$ 1.08 | \$ 0.85 |
| Discontinued operations | — | — | — | (0.14) |
| Net income | \$ 0.40 | \$ 0.45 | \$ 1.08 | \$ 0.71 |
| Weighted Average Number of Shares Outstanding: | | | | |
| Basic | 42.8 | 42.5 | 42.7 | 42.2 |
| Diluted | 43.3 | 42.8 | 43.1 | 42.6 |
| Cash Dividends Per Share | \$ 0.16 | \$ 0.15 | \$ 0.46 | \$ 0.78 |

See Notes to Condensed Consolidated Financial Statements.

MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In millions) (Unaudited)

| | September 30, 2013 | December 31, 2012 |
|--------------------------------------|-----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 81.8 | \$ 19.9 |
| Accounts and notes receivable, net | 171.1 | 174.7 |
| Inventories | 4.3 | 4.3 |
| Deferred income taxes | 6.6 | 6.6 |
| Prepaid expenses and other assets | 48.3 | 28.6 |
| Total current assets | 312.1 | 234.1 |
| Investment in terminal joint venture | 56.6 | 59.6 |
| Property, at cost | 1,783.1 | 1,770.8 |

| | | |
|---|-------------------|-------------------|
| Less accumulated depreciation and amortization | (1,046.9) | (1,008.3) |
| Property — net | 736.2 | 762.5 |
| Other assets | 115.3 | 118.1 |
| Total | <u>\$ 1,220.2</u> | <u>\$ 1,174.3</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Notes payable and current portion of long-term debt | \$ 12.5 | \$ 16.4 |
| Accounts payable | 128.1 | 125.8 |
| Payroll and vacation benefits | 15.0 | 16.0 |
| Uninsured claims | 13.4 | 11.2 |
| Accrued and other liabilities | 20.3 | 24.0 |
| Total current liabilities | <u>189.3</u> | <u>193.4</u> |
| Long-term Liabilities: | | |
| Long-term debt | 277.4 | 302.7 |
| Deferred income taxes | 296.9 | 251.9 |
| Employee benefit plans | 106.0 | 108.0 |
| Uninsured claims and other liabilities | 35.0 | 38.4 |
| Total long-term liabilities | <u>715.3</u> | <u>701.0</u> |
| Commitments and Contingencies (Note 4) | | |
| Shareholders' Equity: | | |
| Capital stock | 32.1 | 31.9 |
| Additional paid in capital | 260.1 | 252.7 |
| Accumulated other comprehensive loss | (43.9) | (45.5) |
| Retained earnings | 67.3 | 40.8 |
| Total shareholders' equity | <u>315.6</u> | <u>279.9</u> |
| Total | <u>\$ 1,220.2</u> | <u>\$ 1,174.3</u> |

See Notes to Condensed Consolidated Financial Statements.

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MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Shareholders' Equity
(In millions) (Unaudited)

| | Common Stock | | Additional Capital | Accumulated Other Comprehensive Income | Retained Earnings | Total |
|--|--------------|-----------------|-----------------------|---|----------------------|-----------------|
| | Shares | Stated Value | | | | |
| Balance December 31, 2012 | 42.6 | \$ 31.9 | \$ 252.7 | \$ (45.5) | \$ 40.8 | \$ 279.9 |
| Net Income | — | — | — | — | 46.4 | 46.4 |
| Other comprehensive income | — | — | — | 1.6 | — | 1.6 |
| Excess tax benefit and share withholding | — | — | 1.7 | — | — | 1.7 |
| Share-based compensation | — | — | 4.3 | — | — | 4.3 |
| Shares issued | 0.2 | 0.2 | 1.4 | — | — | 1.6 |
| Dividends | — | — | — | — | (19.9) | (19.9) |
| Balance September 30, 2013 | <u>42.8</u> | <u>\$ 32.1</u> | <u>\$ 260.1</u> | <u>\$ (43.9)</u> | <u>\$ 67.3</u> | <u>\$ 315.6</u> |

See Notes to Condensed Consolidated Financial Statements.

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MATSON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In millions) (Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|---------|
| | 2013 | 2012 |
| Cash Flows from Operating Activities from Continuing Operations | | |
| Income From Continuing Operations | \$ 46.4 | \$ 36.3 |
| Reconciling adjustments: | | |
| Depreciation and amortization | 52.1 | 56.0 |
| Deferred income taxes | 43.9 | (7.2) |
| Gain on disposal of property | — | (0.2) |
| Post-retirement expense | 1.2 | 2.4 |
| Share-based compensation expense | 4.3 | 2.9 |
| Equity in loss(income) of terminal joint venture | 3.0 | (3.1) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 3.7 | 2.3 |
| Inventory | — | (0.1) |
| Deferred dry-docking payments | (10.6) | (32.2) |

| | | |
|---|---------|---------|
| Deferred dry-docking amortization | 17.1 | 17.3 |
| Prepaid expenses and other assets | (23.8) | (5.3) |
| Accounts payable and accrued liabilities | 4.8 | (9.5) |
| Other liabilities | (4.3) | 8.7 |
| Net cash provided by operating activities from continuing operations | 137.8 | 68.3 |
| Cash Flows from Investing Activities from Continuing Operations: | | |
| Capital expenditures | (19.7) | (30.8) |
| Proceeds from disposal of property and other assets | 4.0 | 0.9 |
| Deposits into Capital Construction Fund | (4.4) | (4.4) |
| Withdrawals from Capital Construction Fund | 4.4 | 4.4 |
| Acquisitions and other | (9.3) | — |
| Contribution from the Former Parent Company | — | 24.9 |
| Net cash used in investing activities from continuing operations | (25.0) | (5.0) |
| Cash Flows from Financing Activities from Continuing Operations: | | |
| Proceeds from issuance of long-term debt net of issuance costs | 21.0 | 185.1 |
| Payments of long-term debt | (41.9) | (49.9) |
| Payments on line-of-credit agreements, net | (11.0) | (6.0) |
| Payment on capital leases | (0.8) | — |
| Contribution upon Separation to A&B | — | (155.0) |
| Proceeds from issuance of capital stock | 1.7 | 24.8 |
| Distribution to the Former Parent Company for proceeds from issuance of capital stock | — | (21.7) |
| Cash assumed by A&B upon Separation | — | (2.5) |
| Dividends paid | (19.9) | (33.1) |
| Net cash used in financing activities from continuing operations | (50.9) | (58.3) |
| Cash Flows from Discontinued Operations: | | |
| Cash flows used in operating activities of discontinued operations | — | (30.1) |
| Cash flows used in investing activities of discontinued operations | — | (18.8) |
| Cash flows provided by financing activities of discontinued operations | — | 33.9 |
| Net cash flows used in discontinued operations | — | (15.0) |
| Net Increase in Cash and Cash Equivalents | 61.9 | (10.0) |
| Cash and cash equivalents, beginning of the period | 19.9 | 21.5 |
| Cash and cash equivalents, end of the period | \$ 81.8 | \$ 11.5 |
| Other Cash Flow Information: | | |
| Interest paid | \$ 8.9 | \$ 6.5 |
| Income taxes paid | \$ 8.9 | \$ 28.2 |
| Other Non-cash Information: | | |
| Capital expenditures included in accounts payable and accrued liabilities | \$ 3.0 | \$ 0.1 |
| Non-cash capital lease obligations | \$ 2.9 | \$ — |

See Notes to Condensed Consolidated Financial Statements.

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

- (1) **Description of Business** “Matson” or the “Company” means Matson, Inc., a holding company incorporated in January 2012 in the State of Hawaii, together with its primary operating company, Matson Navigation Company, Inc. (“MatNav”), and all of its subsidiaries. MatNav is a wholly-owned subsidiary of Matson, Inc.

Founded in 1882, Matson is a leading U.S. ocean freight carrier in the Pacific. Matson provides a vital lifeline to the island economies of Hawaii, Guam and Micronesia, and operates a premium, expedited service from China to Southern California. Also, effective January 2013, the Company began providing service to various islands in the South Pacific. The Company owns a fleet of 18 vessels including containerships, combination container and roll-on/roll-off ships and custom-designed barges. Matson Logistics, Inc. (“Matson Logistics” or “Logistics”), a wholly-owned subsidiary of MatNav, was established in 1987 and extends the geographic reach of Matson’s transportation network throughout the continental U.S. and China. Matson Logistics’ integrated, asset-light logistics services include rail intermodal, highway brokerage and warehousing.

Ocean Transportation: The ocean transportation segment of Matson’s business, which is conducted through MatNav, is an asset-based business that generates revenue primarily through the carriage of containerized freight between various U.S. Pacific Coast, Hawaii, Guam, Micronesia, China and other Pacific island ports.

In January 2013, Matson purchased the primary assets of the former Reef Shipping Limited, a South Pacific ocean carrier based in Auckland, New Zealand. Matson South Pacific transports freight between New Zealand and other South Pacific Islands, such as Fiji, Samoa, American Samoa, Tonga and Cook Islands.

The Company also has a 35 percent ownership interest in SSA Terminals, LLC (“SSAT”) through a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc. (“SSA”), a subsidiary of Carrix, Inc. SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the U.S. Pacific Coast and to MatNav at several of those facilities. Matson records its share of income in the joint venture in operating expenses within the ocean transportation segment, due to the operations of the joint venture being an integral part of the Company’s business.

Logistics: The logistics segment of Matson’s business, which is conducted through Matson Logistics, is an asset-light business that provides domestic and international rail intermodal service (“Intermodal”), long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload services, expedited freight services, and warehousing and distribution services (collectively “Highway”). Warehousing, packaging and distribution services are provided by Matson Logistics Warehousing, Inc. (“Matson Logistics Warehousing”), a wholly-owned subsidiary of Matson Logistics.

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Separation Transaction: On December 1, 2011, Alexander & Baldwin, Inc., the former parent company of MatNav (the “Former Parent Company”), announced that its Board of Directors unanimously approved a plan to pursue the separation (the “Separation”) of the Former Parent Company to create two independent, publicly traded companies:

- Matson, a Hawaii-based ocean transportation company serving the U.S. Pacific Coast, Hawaii, Guam, Micronesia and China, and a logistics company; and
- Alexander & Baldwin, Inc. (“A&B”), a Hawaii-based land company with interests in real estate development, commercial real estate and agriculture.

On February 13, 2012, the Former Parent Company entered into an Agreement and Plan of Merger to reorganize itself by forming a holding company incorporated in Hawaii, Alexander & Baldwin Holdings, Inc. (“Holdings”). The holding company structure helped facilitate the Separation through the organization and segregation of the assets of the two businesses. In addition, the holding company reorganization was intended to help preserve the Company’s status as a U.S. citizen under certain U.S. maritime and vessel documentation laws (popularly referred to as the Jones Act) by, amongst other things, limiting the percentage of outstanding shares of common stock in the holding company that may be owned or controlled in the aggregate by non-U.S. citizens to a maximum permitted percentage of 22%.

The Separation was completed on June 29, 2012. In the Separation, the shareholders of Holdings received one share of common stock of A&B for every share of Holdings held of record as of June 18, 2012. Immediately following the Separation, Alexander & Baldwin Holdings, Inc. changed its name to Matson, Inc. For accounting purposes, Matson is the successor company to the Former Parent Company.

Prior to the completion of the Separation, the Company and A&B entered into a Separation and Distribution Agreement, Tax Sharing Agreement and an Employee Matters Agreement, each dated June 8, 2012, that govern the post-Separation relationship. In addition, the Company and A&B entered into a Transition Services Agreement, dated June 8, 2012, under which each company agreed to provide the other with various services on an interim, transitional basis, for up to 24 months.

Also in relation to the Separation, intercompany receivables, payables, loans and other accounts between A&B and Matson, in existence immediately prior to the Separation, were satisfied and/or settled; and intercompany agreements and all other arrangements in effect immediately prior to the distribution were terminated or canceled, subject to certain exceptions.

During the year ended December 31, 2012, Matson incurred total cash outflows of \$166.2 million in relation to the Separation. The total cash outflows were made up of three components: capital contribution, capitalized debt financing costs and Separation related expenses referred to as Separation costs in the Condensed Consolidated Statements of Income and Comprehensive Income. The Separation related expenses of \$8.6 million, incurred during the nine months ended September 30, 2012 and capitalized debt financing costs of \$1.9 million are reported under the cash flows provided by operating activities from continuing operations and cash flows used in financing activities from continuing operations, respectively, since these costs do not qualify as discontinued operations.

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The breakdown of Separation cash outflows for the year ended December 31, 2012 were as follows (in millions):

| | <u>Separation Cash Outflows</u> | |
|--|---------------------------------|--------------|
| Capital contribution to A&B(1) | \$ | 155.7 |
| Separation costs(2) | | 8.6 |
| Capitalized debt financing costs | | 1.9 |
| Total cash outflow related to the Separation | <u>\$</u> | <u>166.2</u> |

(1) Includes a net distribution of \$4.3 million, of which \$3.6 million was paid out during the third quarter of 2012 related to the settlement of certain liabilities of the Former Parent Company. The remaining \$0.7 was paid in the fourth quarter of 2012.

(2) Of the \$8.6 million in Separation costs, \$2.5 million were recorded during the three months ended March 31, 2012, \$5.8 million were recorded during the three months ended June 30, 2012, and \$0.3 million were recorded during the three months ended September 30, 2012.

Capital Construction Fund: The Company has an agreement with the U.S. Department of Transportation Maritime Administration (“MarAd”) pursuant to which the Company has established a Capital Construction Fund (“CCF”) to which the Company makes contributions to provide funding for certain U.S.-built assets and for the repayment of certain vessel acquisition debt. The Company receives a federal income tax deduction for deposits made to the CCF, subject to certain restrictions. Withdrawals from the CCF for investment in vessels or related assets do not give rise to a tax liability, but reduce the depreciable bases of the assets for income tax purposes.

During the third quarter 2013, the Company made a deposit of \$111.8 million to its CCF by assigning a \$111.8 million undivided interest in its trade accounts receivable to its CCF. Due to the nature of the transaction, the deposit is classified as part of Accounts and notes receivable, net on the Condensed Consolidated Balance Sheet.

Other: Subsequent to the issuance of the September 30, 2012 Interim Condensed Consolidated Financial Statements, the Company identified misclassifications related to the presentation of the cash flows from operations related to stock based compensation and has restated them in the Condensed Consolidated Statements of Cash Flows. For the nine months ended September 30, 2012, the Company restated \$1.8 million related to stock based compensation from “Cash Flows from Investing Activities from Continuing Operations” to “Cash Flows Provided by Operating Activities from Continuing Operations.” The effects of these restatements increased “Cash Flows Provided by Operating Activities from Continuing Operations” by \$1.8 million and decreased “Cash Flows Used In Investing Activities from Continuing Operations” by \$1.8 million for the nine months ended September 30, 2012.

Subsequent to the issuance of the September 30, 2012 interim condensed consolidated financial statements, the Company identified mathematical and typographical errors in the supporting documentation utilized to prepare the Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2012. The Company has corrected previously reported Other Comprehensive Loss of \$1.4 million to Other Comprehensive Income of \$1.4 million for the nine months ended September 30, 2013 and

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

corrected the mathematical total of such Comprehensive Income from \$28.9 million previously reported to \$31.7 million for the nine months ended September 30, 2012. The Company also corrected the previously reported amortization of prior service cost included in net periodic pension cost and amortization of net loss included in net periodic pension cost of \$0.7 million, \$(2.7) million and \$1.0 million, \$(3.5) million to \$(0.5) million, \$1.3 million and \$(1.0) million, \$3.5 million for the three months and nine months ended September 30, 2012, respectively. The company also corrected previously reported Net loss and prior service cost of \$1.1 million to \$(1.1) million for the nine months ended September 30, 2012. Additionally, the Company has corrected the previously reported Other Comprehensive Loss of \$2.0 million to Other Comprehensive Income of \$0.8 million for the three months ended September 30, 2012 and corrected the mathematical total of such Comprehensive Income from \$17.1 million to \$19.9 million for the three months ended September 30, 2012.

The Company has determined that the foregoing restatements are not material to the previously issued interim Condensed Consolidated Financial Statements.

- (2) The Condensed Consolidated Financial Statements are unaudited. Due to the nature of the Company’s operations, the results for interim periods are not necessarily indicative of results to be expected for the year. These Condensed Consolidated Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim periods; they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2012.

The period end for Matson, Inc. is September 30. The period end for MatNav occurred on the last Friday in September, except for Matson Logistics Warehousing whose period closed on September 30.

Amounts in the condensed consolidated financial statements and notes are presented in millions, but percentages were determined based on amounts before rounding. Accordingly, a recalculation of some percentages, if based on the reported data, may be slightly different.

- (3) Accounting for and Classification of Discontinued Operations: As required by the Financial Accounting Standards Board (“FASB”) ASC Subtopic 205-20, *Discontinued Operations*, the termination of certain income-producing assets are classified as discontinued operations if (i) the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations of the Company as a result of the disposal transaction, and (ii) the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction. Discontinued operations include the results for the business lines that were terminated through September 30, 2013. Operating results included in the Condensed Consolidated Statements of Income and Comprehensive Income, Statement of Cash Flows and the segment results (Note 12) for the three and nine months ended September 30, 2012, have been restated to reflect the termination of segments that were classified as discontinued operations.

The Separation was completed on June 29, 2012. In the Separation, the shareholders of Holdings received one share of common stock of A&B for every share of Holdings held of record as of June 18, 2012. Immediately following the Separation, Alexander & Baldwin Holdings, Inc. changed its name to Matson, Inc. Refer to Note 1 for further description of the Separation Transaction.

In the third quarter of 2011, the Company terminated its second China Long Beach Express Service, due to the longer-term outlook for sustained high fuel prices and increasingly volatile Transpacific rates. As of the termination date, the Company had established and approved plans to (i) return to the lessors or sub-charter the five vessels used in the service (ii) off-hire or dispose of certain excess container equipment and (iii) terminate office contracts and employees. These plans were substantially completed as of September 30, 2011; however, the off-hiring of excess leased containers continued through 2012 and into 2013, and two of the five ships were offered for sub-charter until they were returned to the lessors in July 2012. The remaining three ships were returned to the lessors as of September 30, 2011 pursuant to the terms of the one-year charter contracts. As of September 30, 2013, the Company has no future liability for CLX2.

There was no income (losses) from discontinued operations for the three and nine months ended September 30, 2013. Income (losses) from discontinued operations for the three and nine months ended September 30, 2012 consisted of the following (in millions):

| | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2012 |
|---|--|---|
| Discontinued operations, net of tax: | | |
| Income from A&B | \$ — | \$ 116.4 |
| Expenses from A&B | — | (119.8) |
| Tax benefit from A&B | — | 0.1 |
| Loss from A&B | — | (3.3) |
| Income (Expenses) from CLX2 | 0.1 | (4.3) |
| Tax benefit from CLX2 | — | 1.6 |
| Loss from discontinued operations, net of tax | <u>\$ 0.1</u> | <u>\$ (6.0)</u> |

(4) Commitments, Guarantees and Contingencies: Commitments and financial arrangements at September 30, 2013, included the following (in millions):

| | |
|---|----------|
| Standby letters of credit (a) | \$ 5.8 |
| Performance and customs bonds (b) | \$ 20.4 |
| Benefit plan withdrawal obligations (c) | \$ 102.1 |

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

These amounts are not recorded on the Company's Condensed Consolidated Balance Sheet and it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments.

- (a) Includes approximately \$4.6 million in letters of credit which are required for the Company's self-insured workers' compensation programs and its other insurance programs, and approximately \$1.2 million in letters of credit used to support various credit enhancement needs.
- (b) Consists of approximately \$19.2 million in U.S. Customs bonds, and approximately \$1.2 million related to transportation and other matters.
- (c) Represents the withdrawal liabilities as of the most recent valuation dates for multiemployer pension plans, in which Matson is a participant. Management has no present intention of withdrawing from, and does not anticipate the termination of, any of the aforementioned plans.

Environmental Matters: Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in early September, 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the release. On September 20, 2013, the Hawaii Department of Health ("DOH") and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena for documents relating to the release of molasses into Honolulu Harbor. In addition, the Company has received written requests for information regarding the release from the following governmental agencies (i) the DOH, (ii) the State of Hawaii Office of Hawaiian Affairs, and (iii) the United States Environmental Protection Agency (Region IX).

Government agencies have not yet initiated any legal proceedings or presented the Company with an accounting of claims for costs, penalties or damages in connection with the release of molasses, and the Company has only received a limited number of third party claims. To date, the Company has incurred \$1.3 million in response costs, legal expenses, and third party claims related to the release of molasses. At this early stage in the proceedings, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

Other Legal Matters: On June 10, 2013, Matson was served with a complaint filed in the United States District Court for the Central District of California by an individual plaintiff as realtor on behalf of the United States asserting claims against Matson and certain other ocean carriers and freight forwarders for violations of the False Claims Act. The case is entitled United States of

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

America, ex rel. Mario Rizzo v. Horizon Lines, LLC et al. The qui tam complaint alleges that Matson and the other defendants submitted or created records supporting false claims for payment of fuel surcharges assessed on the shipment of military household goods to the Department of Defense. The federal government has declined to intervene in this qui tam suit. The individual plaintiff in the suit seeks damages and penalties on behalf of the federal government, and may be entitled to a portion of any recovery or settlement resulting from the suit. The plaintiff filed a Second Amended Complaint on August 23, 2013. Matson filed a motion to dismiss the complaint on September 16, 2013. On October 31, 2013, the court denied Matson's motion and the answer to the complaint is due by November 12, 2013. Matson believes that the suit is without merit and at this time is unable to estimate any possible loss.

Matson and its subsidiaries are parties to, or may be contingently liable in connection with, other legal actions arising in the normal conduct of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material effect on Matson's consolidated financial statements.

- (5) Earnings Per Share ("EPS"): The number of shares used to compute basic and diluted earnings per share is as follows (in millions, except per share data):

| | Three Months Ended September 30, 2013 | | | Three Months Ended September 30, 2012 | | |
|--|---------------------------------------|--------------------------------|-------------------------|---------------------------------------|--------------------------------|-------------------------|
| | Net Income | Weighted Average Common Shares | Per Common Share Amount | Net Income | Weighted Average Common Shares | Per Common Share Amount |
| Basic: | | | | | | |
| Income from continuing operations | \$ 17.2 | 42.8 | \$ 0.40 | \$ 19.0 | 42.5 | \$ 0.45 |
| Loss from discontinued operations | — | 42.8 | — | 0.1 | 42.5 | — |
| | <u>17.2</u> | | <u>\$ 0.40</u> | <u>19.1</u> | | <u>\$ 0.45</u> |
| Effect of Dilutive Securities | | 0.5 | | | 0.3 | |
| Diluted: | | | | | | |
| Income from continuing operations | 17.2 | 43.3 | 0.40 | 19.0 | 42.8 | 0.45 |
| Loss from discontinued operations | — | 43.3 | — | 0.1 | 42.8 | — |
| | <u>\$ 17.2</u> | | <u>\$ 0.40</u> | <u>\$ 19.1</u> | | <u>\$ 0.45</u> |
| | | | | | | |
| | Nine Months Ended September 30, 2013 | | | Nine Months Ended September 30, 2012 | | |
| | Net Income | Weighted Average Common Shares | Per Common Share Amount | Net Income | Weighted Average Common Shares | Per Common Share Amount |
| Basic: | | | | | | |
| Income from continuing operations | \$ 46.4 | 42.7 | \$ 1.09 | \$ 36.3 | 42.2 | \$ 0.86 |
| (Loss) income from discontinued operations | — | 42.7 | — | (6.0) | 42.2 | (0.14) |
| | <u>46.4</u> | | <u>\$ 1.09</u> | <u>30.3</u> | | <u>\$ 0.72</u> |
| Effect of Dilutive Securities | | 0.4 | | | 0.4 | |
| Diluted: | | | | | | |
| Income from continuing operations | 46.4 | 43.1 | 1.08 | 36.3 | 42.6 | 0.85 |
| (Loss) income from discontinued operations | — | 43.1 | — | (6.0) | 42.6 | (0.14) |
| | <u>\$ 46.4</u> | | <u>\$ 1.08</u> | <u>\$ 30.3</u> | | <u>\$ 0.71</u> |

Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average-number of common shares outstanding adjusted by the number of additional shares, if any, that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive shares of common stock include non-qualified stock options and restricted stock units.

The computation of weighted average dilutive shares outstanding excluded non-qualified stock options to purchase 0.5 million shares of common stock during the three months ended September 30, 2012, respectively, and 0.1 million and 0.5 million shares of common stock during the nine months ended September 30, 2013 and 2012, respectively. These options were excluded because the options' exercise prices were greater than the average market price of the Company's common stock for the periods presented and, therefore, the effect would be anti-dilutive. All shares outstanding during the three months ended September 30, 2013 were dilutive.

- (6) Share-Based Compensation: During the nine months ended September 30, 2013, the Company granted no non-qualified stock options to purchase shares of the Company's common stock.

Activity in the Company's stock option plans for the nine months ended September 30, 2013, was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

| | <u>2007 Plan</u> | <u>1998 Plan</u> | <u>1998 Director Plan</u> | <u>Total Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Contractual Life</u> | <u>Aggregate Intrinsic Value</u> |
|---------------------------------|----------------------|----------------------|-----------------------------------|-------------------------|--|--|--|
| Outstanding, January 1, 2013 | 954 | 253 | 146 | 1,353 | \$ 21.15 | | |
| Granted | — | — | — | — | \$ — | | |
| Exercised | (106) | (43) | (6) | (155) | \$ 20.48 | | |
| Forfeited and expired | (4) | (2) | — | (6) | \$ 21.05 | | |
| Outstanding, September 30, 2013 | <u>844</u> | <u>208</u> | <u>140</u> | <u>1,192</u> | \$ 21.24 | 4.9 | \$ 6,005 |
| Exercisable, September 30, 2013 | <u>662</u> | <u>208</u> | <u>140</u> | <u>1,010</u> | \$ 21.08 | 4.5 | \$ 5,250 |

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes non-vested restricted stock unit activity through September 30, 2013, (in thousands, except weighted average grant-date fair value amounts):

| | <u>2007 Plan Restricted Stock Units</u> | <u>Weighted Average Grant-Date Fair Value</u> |
|---------------------------------|---|---|
| Outstanding, January 1, 2013 | 356 | \$ 17.97 |
| Granted | 370 | \$ 26.66 |
| Vested | (166) | \$ 21.10 |
| Canceled | (4) | \$ 27.24 |
| Outstanding, September 30, 2013 | <u>556</u> | <u>\$ 25.61</u> |

Restricted stock unit awards vest over three years. A portion of the awards vest based on a service period, and are expensed over the three-year vesting period. Prior to 2013, the Company also granted performance-based awards that vest over a three-year period, provided that the Company met certain performance targets in the first year of the grant. During the first quarter of 2013 the Company granted new performance-based awards tied to the Company's average annual return on invested capital (which the Company refers to as "average ROIC"), as measured over the three-year period beginning January 1, 2013 and ending December 31, 2015. Performance Share awards for the senior leadership team will also be modified based on total shareholder return performance (which the Company refers to as the "TSR modifier") measured over the same three-year period. The relative TSR is based on the Company's total shareholder return over the three-year measurement period relative to the shareholder return over the same period for the companies comprising the S&P Transportation Select Industry Index and S&P MidCap 400 Index (with each index weighted 50%). The service-vesting provisions of each performance based award require the award recipient to remain in continuous service with the Company until the end of the three-year measurement period, subject to certain exceptions due to retirement, disability, or death, in order to vest in any shares that become issuable on the basis of the performance-vesting criteria.

A summary of compensation cost related to share-based payments for the three and nine months ended September 30, 2013 and 2012, exclusive of A&B related compensation prior to the Separation, is as follows (in millions):

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|---------------|--|---------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Share-based expense (net of estimated forfeitures): | | | | |
| Stock options | \$ 0.1 | \$ 0.2 | \$ 0.3 | \$ 0.6 |
| Non-vested stock/Restricted stock units | 1.4 | 0.9 | 4.0 | 2.3 |
| Total share-based expense | 1.5 | 1.1 | 4.3 | 2.9 |
| Total recognized tax benefit | (0.6) | (0.4) | (1.7) | (1.2) |
| Share-based expense (net of tax) | <u>\$ 0.9</u> | <u>\$ 0.7</u> | <u>\$ 2.6</u> | <u>\$ 1.7</u> |

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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- (7) Pension and Post-retirement Plans: The Company has defined benefit and defined contribution pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans. The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates for 2013 are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The components of net periodic benefit cost recorded for the first nine months of 2013 and 2012 were as follows (in millions):

| | Pension Benefits | | Post-retirement Benefits | |
|------------------------------------|------------------|---------------|--------------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 2.1 | \$ 2.0 | \$ 0.8 | \$ 0.7 |
| Interest cost | 6.5 | 6.8 | 1.6 | 1.7 |
| Expected return on plan assets | (8.9) | (8.0) | — | — |
| Amortization of net loss | 5.1 | 6.0 | 0.2 | 1.0 |
| Amortization of prior service cost | (1.7) | (1.3) | — | — |
| Net periodic benefit cost | <u>\$ 3.1</u> | <u>\$ 5.5</u> | <u>\$ 2.6</u> | <u>\$ 3.4</u> |

In 2013, cash contributions to the Company's defined pension plans totaled approximately \$3.5 million, all of which was contributed in the third quarter of 2013.

- (8) Fair Value Measurements: The Company values its financial instruments based on the fair value hierarchy of valuation techniques described in the FASB's accounting standard for fair value measurements. Level 1 inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability. The Company uses Level 1 inputs for the fair values of its cash equivalents. The Company uses Level 2 inputs for its long term debt. These inputs include interest rates for similar financial instruments. The fair values of cash and cash equivalents, receivables and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The fair value of the Company's debt is calculated based upon interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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The carrying value and fair value of the Company's financial instruments as of September 30, 2013 and December 31, 2012 are as follows (in millions):

| (in millions) | Carrying Value at September 30, 2013 | | Fair Value Measurements at September 30, 2013 | | |
|-------------------------------|---|---------|--|---|---|
| | Total | Total | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash & cash equivalents | \$ 81.8 | \$ 81.8 | \$ 81.8 | \$ — | \$ — |
| Accounts and notes receivable | 171.1 | 171.1 | — | 171.1 | — |
| Variable rate debt | — | — | — | — | — |
| Fixed rate debt | 287.2 | 298.6 | — | 298.6 | — |

| (in millions) | Carrying Value at December 31, 2012 | | Fair Value Measurements at December 31, 2012 | | |
|-------------------------------|--|---------|---|---|---|
| | Total | Total | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash & cash equivalents | \$ 19.9 | \$ 19.9 | \$ 19.9 | \$ — | \$ — |
| Accounts and notes receivable | 174.7 | 174.7 | — | 174.7 | — |
| Variable rate debt | 24.0 | 24.0 | — | 24.0 | — |
| Fixed rate debt | 295.1 | 316.8 | — | 316.8 | — |

- (9) Related Party Transactions: Effective upon the completion of the Separation, Matson ceased to be a related party of the Former Parent Company. Prior to the Separation, transactions with Former Parent Company were considered related party transactions, as discussed below.

Historically, the Company provided vessel management services to A&B for its bulk sugar vessel, the MV *Moku Pahu*, the income of which is included in ocean transportation. Additionally, the Company expensed operating costs related to a lease for industrial warehouse space in Savannah, Georgia, that is leased from A&B. The Company also recognized the cost for equipment and repair services to the vessel and other various services provided by A&B in operating costs.

There were no related party transactions entered into after the Separation, on June 29, 2012. Prior to the Separation the related party transactions are as follows (in millions):

| | Six Months Ended June 30, 2012 | |
|---|--------------------------------------|-------|
| Vessel management services income | \$ | 2.0 |
| Lease expense to affiliate | | (2.1) |
| Equipment and repair services expense and other | | (1.4) |
| Related party expense, net | \$ | (1.5) |

Contributions to A&B totaled \$155.0 million for the nine months ended September 30, 2012 which related to the Separation. In connection with the Separation, a final net contribution of approximately \$0.7 million occurred in the fourth quarter of 2012 related to the settlement of certain liabilities of the Former Parent Company. Contributions to the Former Parent Company for the proceeds from the issuance of capital stock of \$21.7 million for the nine months ended September 30, 2012 have been included in the Condensed Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. No contributions were made during the nine months ended September 30, 2013.

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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Contributions from the Former Parent Company of \$24.9 million, for the nine months ended September 30, 2012, represent dividends paid by the Former Parent Company to its shareholders prior to the Separation offset by distributions to the Former Parent Company for stock based compensation and are reflected in the Condensed Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. No distributions were made during the nine months ended September 30, 2013.

- (10) Income Taxes: In connection with the Separation, the Company incurred certain financial advisory, legal, tax and other professional fees, a portion of which was not deductible under the tax regulations. Accordingly, the Company's income taxes for the nine months ended September 30, 2012 were impacted by approximately \$1.7 million, related to the non-deductibility of certain Separation costs.

In connection with the Separation, the Company entered into a Tax Sharing Agreement with A&B that governs the respective rights, responsibilities and obligations of the companies after the Separation with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. Federal, state, local and foreign income taxes, other tax matters and related tax returns. A&B has liability to Matson with respect to Matson's consolidated or combined federal, state, local and foreign income tax liability for the taxes that are attributed to A&B's businesses and relative contribution to state and other taxable income of the Matson consolidated or combined group relating to the taxable periods in which A&B was a part of that group. The Tax Sharing Agreement specifies the portion, if any, of this tax liability for which Matson and A&B will bear responsibility, and Matson and A&B agreed to indemnify each other against any amounts for which they are not responsible. Matson completed the 2012 federal income tax return this quarter, which included A&B companies for the short period in 2012 before separation. Matson has recorded a receivable from A&B and corresponding adjustment to current taxes payable to reflect Matson's allocated portion of the 2012 federal income tax liability.

The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments are applied in the calculation of tax credits, tax benefits and deductions, and in the calculation of certain deferred tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Deferred tax assets and deferred tax liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. Adjustments to deferred tax assets and deferred tax liabilities may be required due to changes in tax laws and audit adjustments by tax authorities. To the extent adjustments are required in any given period, the adjustments would be included within the tax provision in the Condensed Consolidated Statements of Income and Comprehensive Income or Condensed Consolidated Balance Sheets.

- (11) Debt: The Company entered into a \$375.0 million, five-year unsecured revolving credit facility with a syndicate of banks during the second quarter of 2012 in order to provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. As of September 30, 2013, the used portion of the Company's revolving credit facility was \$5.8 million, all of which was from letters of credit.

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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During the second quarter of 2012, Matson issued \$170.0 million in unsecured, fixed rate, amortizing long-term debt. The debt was funded in three tranches; \$77.5 million at an interest rate of 3.66% maturing in 2023, \$55.0 million at an interest rate of 4.16% maturing in 2027, and \$37.5 million at an interest rate of 4.31% maturing in 2032. The weighted average coupon and duration of the three tranches of debt are 3.97% and 9.3 years, respectively. The cash received from issuance was partially utilized to fund a contribution of cash from Matson to A&B under the terms of the Separation. Additionally, the Company negotiated the release of the MV *Manulani* as security for existing long-term debt of \$56.0 million as part of the Company's debt restructuring completed during the second quarter of 2012 to facilitate the Separation. This obligation was also moved from MatNav to Matson. Following the above mentioned debt financing transactions, all of Matson's outstanding debt was unsecured, except for \$68.2 million as of September 30, 2013. However, the debt is guaranteed by Matson's significant subsidiaries.

Capital Leases: As of September 30, 2013, Matson had obligations under its capital leases of \$2.7 million consisting of specialized and standard containers used in the Company's South Pacific service. Capital leases have been classified as current and long-term within the notes payable and

current portion of long-term debt and long-term debt accounts, respectively, within the Company's Condensed Consolidated Balance Sheet.

Total debt was \$289.9 million, as of September 30, 2013, compared with \$319.1 million at the end of 2012.

Principal negative covenants as defined in Matson's five-year revolving credit facility (the "Credit Agreement") and long-term fixed rate debt include, but are not limited to:

- a) The ratio of debt to consolidated EBITDA cannot exceed 3.25 to 1.00 for each fiscal four quarter period;
- b) The ratio of consolidated EBITDA to interest expense as of the end of any fiscal four quarter period cannot be less than 3.50 to 1.00; and
- c) The principal amount of priority debt at any time cannot exceed 20% of consolidated tangible assets; and the principal amount of priority debt that is not Title XI priority debt at any time cannot exceed 10% of consolidated tangible assets. Priority debt, as further defined in the Credit Agreement, is all debt secured by a lien on the Company's assets or subsidiary debt.

The Company was in compliance with these covenants as of September 30, 2013.

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Matson, Inc.
Notes to Condensed Consolidated Financial Statements
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- (12) Segment results for the three and nine months ended September 30, 2013 and 2012 were as follows (in millions):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue: | | | | |
| Ocean transportation | \$ 310.1 | \$ 307.1 | \$ 920.0 | \$ 886.1 |
| Logistics | 104.9 | 94.3 | 306.3 | 275.6 |
| Total revenue | \$ 415.0 | \$ 401.4 | \$ 1,226.3 | \$ 1,161.7 |
| Operating Income, Net Income: | | | | |
| Ocean transportation | 25.5 | \$ 32.9 | \$ 78.3 | \$ 69.9 |
| Logistics | 1.7 | 1.3 | 4.1 | 2.9 |
| Total operating income | 27.2 | 34.2 | 82.4 | 72.8 |
| Interest Expense | (3.6) | (4.0) | (10.9) | (7.9) |
| Income From Continuing Operations Before Income Taxes | 23.6 | 30.2 | 71.5 | 64.9 |
| Income Tax Expense | (6.4) | (11.2) | (25.1) | (28.6) |
| Income From Continuing Operations | 17.2 | 19.0 | 46.4 | 36.3 |
| Loss From Discontinued Operations (net of income taxes) | — | 0.1 | — | (6.0) |
| Net Income | \$ 17.2 | \$ 19.1 | \$ 46.4 | \$ 30.3 |

- (13) Subsequent Events: On November 5, 2013, Matson entered into a private placement agreement (the "Note Agreement") pursuant to which Matson will issue \$100 million of 30-year senior unsecured notes (the "Notes"). The Notes will have a weighted average life of approximately 14.5 years and will bear interest at a rate of 4.35%, payable semi-annually.

The Notes are expected to be issued in January 2014, subject to satisfaction of customary closing conditions. The proceeds are expected to be used for general corporate purposes. The Notes will begin to amortize in 2021, with annual principal payments of \$5 million in 2021, \$7.5 million in 2022 and 2023, \$10 million from 2024 to 2027, and \$8 million in 2028. Starting in 2029 and in each year thereafter until 2044, annual principal payments will be \$2 million.

On November 6, 2013, MatNav and Aker Philadelphia Shipyard, Inc. ("APSI") entered into a definitive agreement pursuant to which APSI will construct two new 3,600-TEU Aloha-class dual-fuel capable containerships, with expected delivery dates during the third and fourth quarters of 2018 (the "Ship Building Agreement"). The dual fuels are conventional fuel oils and liquefied natural gas ("LNG"). While the Ship Building Agreement specifies that upon delivery the ships will be only conventional fuel oil ready, MatNav has negotiated a change order with APSI, which provides for the installation of LNG fuel tanks and related fuel delivery system. The change order option may be executed at MatNav's sole discretion up to January 2015, which will make the ships LNG ready at delivery. MatNav will pay an aggregate amount of \$418.0 million for the two containerships, which is expected to be funded from available cash on hand, cash flows from operations, borrowing available under the Company's unsecured revolving credit facility and potential future financings. Payments will be made over the next five years, with 2% due upon the execution of the Ship Building Agreement, a total of 22% in 2015 and 2016, and a total of 76% in 2017 and 2018. MatNav has an option to contract with APSI, for the construction of up to three additional Aloha-class vessels for which a price and delivery date will be negotiated at the time the option is exercised.

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The following analysis of the consolidated financial condition and results of operations of Matson should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included in Item 1 of this Form 10-Q.

FORWARD-LOOKING STATEMENTS

This report, and other statements that the Company may make, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act, with respect to the Company's future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions.

The Company cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time, including, but not limited to, regional, national and international economic conditions; new or increased competition; fuel prices and our ability to collect fuel surcharges; our relationship with vendors, customers and partners and changes in related agreements; the actions of our competitors, including the timing of the entry of a competitor in the Guam trade lane; consummating and integrating acquisitions; conditions in the financial markets; changes in our credit profile and our future financial performance; the impact of future and pending legislation, including environmental legislation; government regulations and investigations; the potential adverse effect of the molasses release on Matson's business and stock price, the potential for changes in the Company's operations or regulatory compliance obligations and potential third party or governmental agency claims, disputes, legal or other proceedings, fines, penalties, natural resource damages, inquiries or investigations or other regulatory actions, including debarment, relating to the molasses release; repeal, substantial amendment or waiver of the Jones Act or its application, or our failure to maintain our status as a United States citizen under the Jones Act; relations with our unions; and the occurrence of marine accidents, poor weather or natural disasters, and also the factors that are described in Part I, Item 1A under the caption of "Risk Factors" of Matson's Annual Report on Form 10-K filed with the Securities Exchange Commission on March 1, 2013. Forward-looking statements speak only as of the date they are made, and the Company assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

OVERVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a discussion of the Company's financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company's financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company's financial statements. MD&A is provided as a supplement to the Condensed Consolidated Financial Statements and notes herein, and should be read in conjunction with the Company's 2012 Annual Report on Form 10-K and the Company's reports on Forms 10-Q and 8-K, and other publicly available information.

MD&A is presented in the following sections:

- Business Overview
- Consolidated Results of Operations
- Analysis of Operating Revenue and Income by Segment
- Liquidity and Capital Resources
- Business Outlook
- Other Matters

BUSINESS OVERVIEW

Description of Business: Matson, Inc., is a holding company incorporated in January 2012 in the State of Hawaii, which wholly owns Matson Navigation Company, Inc., its primary operating company, and all of its subsidiaries.

Founded in 1882, Matson is a leading U.S. ocean freight carrier in the Pacific. Matson provides a vital lifeline to the island economies of Hawaii, Guam and Micronesia, and operates a premium, expedited service from China to Southern California. Also, effective January 2013, the Company began providing service to various islands in the South Pacific. The Company owns a fleet of 18 vessels, including containerhips, combination container and roll-on/roll-off ships and custom-designed barges. Matson Logistics, Inc., a wholly-owned subsidiary of MatNav, was established in 1987 and extends the geographic reach of Matson's transportation network throughout the continental U.S. and China. Matson Logistics' integrated, asset-light logistics services include rail intermodal, highway brokerage and warehousing.

Ocean Transportation: The ocean transportation segment of Matson's business, which is conducted through MatNav, is an asset-based business that generates revenue primarily through the carriage of containerized freight between various U.S. Pacific Coast, Hawaii, Guam, Micronesia, China and other Pacific island ports.

In January 2013, Matson purchased the primary assets of the former Reef Shipping Limited, a South Pacific ocean carrier based in Auckland, New Zealand. Matson South Pacific transports freight between New Zealand and other South Pacific Islands, such as Fiji, Samoa, American Samoa, Tonga and Cook Islands.

The Company also has a 35 percent ownership interest in SSA Terminals, LLC through a joint venture between Matson Ventures, Inc., a wholly-owned subsidiary of MatNav, and SSA Ventures, Inc., a subsidiary of Carrix, Inc. SSAT provides terminal and stevedoring services to various carriers at six terminal facilities on the U.S. Pacific Coast and to MatNav at several of those facilities. Matson records its share of income in the joint venture in operating expenses within the ocean transportation segment, due to the operations of the joint venture being an integral part of the Company's business.

Logistics: The logistics segment of Matson's business, which is conducted through Matson Logistics, is an asset-light business that provides domestic and international rail intermodal service, long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload services, expedited freight services, warehousing, packaging and distribution services.

Separation Transaction: The Separation was completed on June 29, 2012. In the Separation, the shareholders of Holdings received one share of common stock of A&B for every share of Holdings held of record as of June 18, 2012. Immediately following the Separation, Alexander & Baldwin Holdings, Inc. changed its name to Matson, Inc. For accounting purposes, Matson is the successor company to the Former Parent Company.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated — Three months ended September 30, 2013 compared with 2012

| (dollars in millions, except per share amounts) | Three Months Ended September 30, | | |
|---|----------------------------------|----------|---------|
| | 2013 | 2012 | Change |
| Operating revenue | \$ 415.0 | \$ 401.4 | 3.4% |
| Operating costs and expenses | (387.8) | (367.2) | 5.6% |
| Operating income | 27.2 | 34.2 | (20.5)% |
| Interest expense | (3.6) | (4.0) | (10.0)% |
| Income from continuing operations before income taxes | 23.6 | 30.2 | (21.9)% |
| Income tax expense | (6.4) | (11.2) | (42.9)% |
| Income from continuing operations | 17.2 | 19.0 | (9.5)% |
| Loss from discontinued operations (net of income taxes) | — | 0.1 | |
| Net income | \$ 17.2 | \$ 19.1 | (9.9)% |
| Basic earnings per share | \$ 0.40 | \$ 0.45 | (11.1)% |
| Diluted earnings per share | \$ 0.40 | \$ 0.45 | (11.1)% |

Consolidated operating revenue for the three months ended September 30, 2013 increased \$13.6 million, or 3.4 percent, compared to the three months ended September 30, 2012. This increase was due to \$3.0 million in higher revenue for ocean transportation and \$10.6 million in higher revenue from logistics services.

Operating costs and expenses for the three months ended September 30, 2013 increased \$20.6 million, or 5.6 percent, compared to the three months ended September 30, 2012. The increase was due to a \$10.4 million increase in operating costs for the ocean transportation segment, and an increase in operating costs for the logistics segment of \$10.2 million. Changes in operating revenue and expense are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment, as part of the discussion of trends in operating revenues and operating income.

Income tax expense for the three months ended September 30, 2013 was 27.1 percent of income from continuing operations before income taxes and decreased by \$4.8 million compared with the three months ended September 30, 2012 due to the release of liabilities related to a \$2.2 million tax allocation item related to the Separation, and lower income from continuing operations before income taxes.

Consolidated — Nine months ended September 30, 2013 compared with 2012

| (dollars in millions, except per share amounts) | Nine Months Ended September 30, | | |
|---|---------------------------------|------------|---------|
| | 2013 | 2012 | Change |
| Operating revenue | \$ 1,226.3 | \$ 1,161.7 | 5.6% |
| Operating costs and expenses | (1,143.9) | (1,088.9) | 5.1% |
| Operating income | 82.4 | 72.8 | 13.2% |
| Interest expense | (10.9) | (7.9) | 38.0% |
| Income from continuing operations before income taxes | 71.5 | 64.9 | 10.2% |
| Income tax expense | (25.1) | (28.6) | (12.2)% |
| Income from continuing operations | 46.4 | 36.3 | 27.8% |
| Loss from discontinued operations (net of income taxes) | — | (6.0) | |
| Net income | \$ 46.4 | \$ 30.3 | 53.1% |
| Basic earnings per share | \$ 1.09 | \$ 0.72 | 51.4% |
| Diluted earnings per share | \$ 1.08 | \$ 0.71 | 52.1% |

Consolidated operating revenue for the nine months ended September 30, 2013 increased \$64.6 million, or 5.6 percent, compared to the nine months ended September 30, 2012. This increase was due to \$33.9 million in higher revenue for ocean transportation and \$30.7 million in higher revenue from logistics services.

Operating costs and expenses for the nine months ended September 30, 2013 increased \$55.0 million, or 5.1 percent, compared to the nine months ended September 30, 2012. The increase was due to a \$25.5 million increase in operating costs for the ocean transportation segment, and an increase in operating costs for the logistics segment of \$29.5 million. Changes in operating revenue and expense are described below, by business segment, in the Analysis of Operating Revenue and Income by Segment, as part of the discussion of trends in operating revenues and operating income.

Income tax expense for the nine months ended September 30, 2013 was 35.1 percent of income from continuing operations before income taxes and decreased by \$3.5 million compared with the nine months ended September 30, 2012 due to a \$2.2 million tax allocation item related to the Separation and certain non-recurring and non-deductible Separation related transaction costs that were present in the prior year, but not in the current year.

Due to the Separation, Matson has restated the operations from A&B as discontinued operations for the nine months ended September 30, 2012. Loss from discontinued operations, net of income taxes, decreased \$6.0 million due to losses from A&B no longer being included in Matson's consolidated financials, as well as Matson no longer incurring losses from the shutdown of CLX2.

ANALYSIS OF OPERATING REVENUE AND INCOME BY SEGMENT

Ocean Transportation — Three months ended September 30, 2013 compared with 2012

| (dollars in millions) | Three Months Ended September 30, | | |
|--|----------------------------------|----------|---------|
| | 2013 | 2012 | Change |
| Revenue | \$ 310.1 | \$ 307.1 | 1.0% |
| Operating income | \$ 25.5 | \$ 32.9 | (22.5)% |
| Operating income margin | 8.2% | 10.7% | |
| Volume (Units)(1) | | | |
| Hawaii containers | 34,600 | 35,700 | (3.1)% |
| Hawaii automobiles | 16,800 | 22,200 | (24.3)% |
| China containers | 16,200 | 17,100 | (5.3)% |
| Guam containers(2) | 6,000 | 6,200 | (3.2)% |
| Micronesia/South Pacific Containers(2) | 3,200 | 1,500 | 113.3% |

- (1) Approximate container volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages that straddle the beginning or end of each reporting period.
- (2) In January 2013 the Company purchased the assets of Reef Shipping Limited. Accordingly, given new route configurations in the South Pacific trade, the Company reclassified 2012 volume from Yap and Palau from the Guam containers total to the Micronesia/South Pacific containers total.

Ocean Transportation revenue increased \$3.0 million, or 1.0 percent, during the three months ended September 30, 2013 compared with the three months ended September 30, 2012. The increase was due to new volume associated with the Company's Micronesia/South Pacific trade and the combined impact of improved freight rates and favorable cargo mix changes in Hawaii and Guam, mostly offset by lower volume in all other trade lanes and a decrease in China trade freight rates compared to the prior year's level.

On a year over year basis, Hawaii and Guam container volume decreased 3.1 percent and 3.2 percent, respectively, due to a modestly slower freight environment; China volume declined 5.3 percent, the result of an additional sailing in the prior year; and Micronesia/South Pacific volume increased due to the acquisition of the assets of Reef Shipping Limited earlier in the year. Hawaii automobile volume decreased 24.3 percent reflecting the timing of rental fleet replacement.

Ocean Transportation operating income decreased \$7.4 million, or 22.5 percent, versus the comparable prior year period. The decrease in operating income resulted from lower volume in the Hawaii and Guam trades, lower China freight rates, and certain unfavorable items including an adverse arbitration decision of \$3.8 million related to Guam previously co-owned terminal assets, a \$2.2 million tax allocation item related to the Separation, and \$1.3 million in response costs, legal expenses and third party claims related to the molasses released into Honolulu Harbor in September. These operating income unfavorable items were partially offset by freight rate and cargo mix improvements in select trades, and lower vessel operating expenses attributable to the operation of a nine-ship fleet for the quarter. The Company operated a 10-ship fleet for a significant portion of the third quarter of 2012 due to vessel dry-docking.

Losses attributable to the Company's SSAT joint venture were \$2.4 million during the third quarter, compared to a \$0.7 million contribution in the comparable period of the prior year. The loss was primarily due to higher than expected transition costs related to the expansion of SSAT's terminal operations in Oakland.

Ocean Transportation — Nine months ended September 30, 2013 compared with 2012

| (dollars in millions) | Nine Months Ended September 30, | | |
|--|---------------------------------|----------|--------|
| | 2013 | 2012 | Change |
| Revenue | \$ 920.0 | \$ 886.1 | 3.8% |
| Operating income | \$ 78.3 | \$ 69.9 | 12.0% |
| Operating income margin | 8.5% | 7.9% | |
| Volume (Units)(1) | | | |
| Hawaii containers | 104,600 | 102,100 | 2.4% |
| Hawaii automobiles | 63,000 | 60,000 | 5.0% |
| China containers | 45,800 | 46,000 | (0.4)% |
| Guam containers(2) | 17,900 | 18,100 | (1.1)% |
| Micronesia/South Pacific Containers(2) | 8,000 | 4,300 | 86.0% |

- (1) Approximate container volumes included for the period are based on the voyage departure date, but revenue and operating income are adjusted to reflect the percentage of revenue and operating income earned during the reporting period for voyages that straddle the beginning or end of each reporting period.

(2) In January 2013 the Company purchased the assets of Reef Shipping Limited. Accordingly, given new route configurations in the South Pacific trade, the Company reclassified 2012 volume from Yap and Palau from the Guam containers total to the Micronesia/South Pacific containers total.

Ocean Transportation revenue increased \$33.9 million, or 3.8 percent, during the nine months ended September 30, 2013 compared to the prior year. The increase was primarily due to new volume associated with the Company's Micronesia/South Pacific trade and higher volume in the Hawaii trade, partially offset by lower fuel surcharges resulting from lower fuel prices.

During the nine months ended September 30, 2013, Hawaii container and automobile volume increased 2.4 percent and 5.0 percent, respectively, due to modest market growth and gains in westbound and eastbound carriage; China volume was effectively flat reflecting continued high utilization and demand for Matson's premium expedited service; and Micronesia/South Pacific volume increased due to the acquisition of the assets of Reef Shipping Limited earlier in the year. Guam volume was slightly lower in the first nine months of the year due to the timing of select shipments.

Ocean Transportation operating income increased \$8.4 million, or 12.0 percent. The increase in operating income was principally due to lower vessel operating expenses, higher volume in the Hawaii trade, and to the absence of Separation costs, partially offset by higher terminal handling expense associated with higher volume, higher general and administrative expenses, and previously described unfavorable items in the third quarter. During the nine months ended September 30, 2013, the Company operated a nine-ship fleet. During the comparable period of 2012, the Company operated a 10-ship fleet for significant periods of time due to vessel dry-docking.

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Losses attributable to the Company's SSAT joint venture were \$3.0 million during the nine months ended September 30, 2013, compared to a \$3.1 million contribution in the comparable period of the prior year. The loss was due to past customer losses that result in lower lift volume and higher than expected transition costs related to the expansion of its terminal operations in Oakland.

Logistics — Three months ended September 30, 2013 compared with 2012

| (dollars in millions) | Three Months Ended September 30, | | |
|-------------------------|----------------------------------|---------|--------|
| | 2013 | 2012 | Change |
| Intermodal revenue | \$ 63.0 | \$ 58.7 | 7.3% |
| Highway revenue | 41.9 | 35.6 | 17.7% |
| Total Revenue | \$ 104.9 | \$ 94.3 | 11.2% |
| Operating income | \$ 1.7 | \$ 1.3 | 30.8% |
| Operating income margin | 1.6% | 1.4% | |

Logistics revenue increased \$10.6 million, or 11.2 percent, during the third quarter of the year versus the prior year. This increase was primarily due to higher intermodal and highway volume.

Logistics operating income increased \$0.4 million, or 30.8 percent, primarily due to lower general and administrative expenses.

Logistics — Nine months ended September 30, 2013 compared with 2012

| (dollars in millions) | Nine Months Ended September 30, | | |
|-------------------------|---------------------------------|----------|--------|
| | 2013 | 2012 | Change |
| Intermodal revenue | \$ 185.2 | \$ 170.5 | 8.6% |
| Highway revenue | 121.1 | 105.1 | 15.2% |
| Total Revenue | \$ 306.3 | \$ 275.6 | 11.1% |
| Operating income | \$ 4.1 | \$ 2.9 | 41.4% |
| Operating income margin | 1.3% | 1.1% | |

Logistics revenue increased \$30.7 million, or 11.1 percent, during the first nine months of the year versus the prior year. This increase was the result of higher intermodal and highway volume.

Logistics operating income increased by \$1.2 million, or 41.4 percent, due to lower general and administrative expenses and higher intermodal volume.

LIQUIDITY AND CAPITAL RESOURCES

Overview: Cash flows provided by operating activities are generally the Company's primary source of liquidity. Additional sources of liquidity were provided by available cash and cash equivalent balances as well as borrowings on available credit facilities.

Cash Flows: Cash flows provided by operating activities totaled \$137.8 million for the nine months ended September 30, 2013, compared with \$68.3 million for the nine months ended September 30, 2012, a year-over-year increase of \$69.5 million. The increase in cash flows from continuing operations is primarily due to an increase in deferred income taxes due primarily to the Company's \$111.8 million deposit to its CCF, an increase in accounts payable and accrued liabilities, and a decrease in deferred dry-docking payments. These were partially offset by an increase in prepaid expenses and others assets and a decrease in other liabilities.

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Cash flows used in investing activities totaled \$25.0 million for the nine months ended September 30, 2013, compared with cash flows used in investing activities of \$5.0 million for the nine months ended September 30, 2012. The change in cash flows from investing activities was due principally to the reduction in contribution from the Former Parent Company and the acquisition of Reef Shipping Limited, partially offset by the reduction of capital expenditures. Contribution from the Former Parent Company of \$24.9 million, for the nine months ended September 30, 2012, represent dividends paid by the Former Parent Company to its shareholders prior to the Separation, offset by distributions to the Former Parent Company for the issuance of stock based

compensation, which are reflected in the Condensed Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. Capital expenditures for the nine months ended September 30, 2013 totaled \$19.7 million compared with \$30.8 million for the nine months ended September 30, 2012. The 2013 expenditures included \$18.4 million for the purchase of ocean transportation-related assets and \$1.3 million related to the purchase of logistics-related assets. Capital expenditures for the nine months ended September 30, 2012, totaled \$30.8 million and included \$30.2 million for the purchase of ocean transportation-related assets and \$0.6 million related to the purchase of logistics-related assets.

Cash flows used in financing activities totaled \$50.9 million for the nine months ended September 30, 2013, compared with \$58.3 million in the nine months ended September 30, 2012. Cash flows used in financing activities were higher in 2013, primarily due to a decrease in proceeds from issuance of long-term debt. During the nine months ended September 30, 2012 the Company had secured new financing to facilitate the Separation, however since the Separation the Company has focused on the repayment of debt, and reduced its debt from \$372.8 million at the time of Separation to \$289.9 million at September 30, 2013. Dividends decreased from 78 cents per share in 2012 to 46 cents per share in 2013, the Company paid \$19.9 million during the first nine months of 2013 and \$33.1 million during the first nine months of 2012, which was paid to the Former Parent Company's shareholders and has been included in the Condensed Consolidated Financial Statements due to Matson being the successor company of the Former Parent Company for accounting purposes. Also during the first nine months of 2013, the Company saw decreased stock option exercises.

The Company believes that funds generated from operations, available cash and cash equivalents, and available borrowings under credit facilities will be sufficient to finance the Company's business requirements for the next twelve months, including working capital, capital expenditures, dividends, and potential acquisitions.

Sources of Liquidity: Additional sources of liquidity for the Company, consisting of cash and cash equivalents, and receivables, totaled \$252.9 million at September 30, 2013, an increase of \$58.3 million from December 31, 2012. The increase was primarily due to an increase in cash and cash equivalents of \$61.9 million.

The Company entered into a \$375.0 million, five-year unsecured revolving credit facility with a syndicate of banks during the second quarter of 2012 in order to provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. As of September 30, 2013, the used portion of the Company's revolving credit facility was \$5.8 million, all of which was from letters of credit.

During the second quarter of 2012, Matson issued \$170.0 million in unsecured, fixed rate, amortizing long-term debt. The debt was funded in three tranches; \$77.5 million at an interest rate of 3.66% maturing in 2023, \$55.0 million at an interest rate of 4.16% maturing in 2027, and \$37.5 million at an interest rate of 4.31% maturing in 2032. The weighted average coupon and duration of the three tranches of debt are 3.97% and 9.3 years, respectively. The cash received from issuance was partially utilized to fund a contribution of cash from Matson to A&B under the terms of the Separation. Additionally, the Company negotiated the release of the MV *Manulani* as security for existing long-term debt of \$56.0 million as part of the Company's debt restructuring completed during the second quarter of 2012 to facilitate the Separation. This obligation was also moved from MatNav to Matson. Following the above mentioned debt financing transactions, all of Matson's outstanding debt was unsecured, except for \$68.2 million as of September 30, 2013. However, the debt is guaranteed by Matson's significant subsidiaries.

Total debt was \$289.9 million as of September 30, 2013, compared with \$319.1 million at the end of 2012.

Principal negative covenants as defined in Matson's five-year revolving credit facility ("Credit Agreement") and long-term fixed rate debt include, but are not limited to:

- a) The ratio of debt to consolidated EBITDA cannot exceed 3.25 to 1.00 for each fiscal four quarter period;
- b) The ratio of consolidated EBITDA to interest expense as of the end of any fiscal four quarter period cannot be less than 3.50 to 1.00; and
- c) The principal amount of priority debt at any time cannot exceed 20% of consolidated tangible assets; and the principal amount of priority debt that is not Title XI priority debt at any time cannot exceed 10% of consolidated tangible assets. Priority debt, as further defined in the Credit Agreement, is all debt secured by a lien on the Company's assets or subsidiary debt.

The Company was in compliance with these covenants as of September 30, 2013, with a debt to consolidated EBITDA ratio of 1.59, consolidated EBITDA to interest expense ratio of 12.43, and priority debt to consolidated tangible assets ratio of 6.0%.

On November 5, 2013, Matson entered into a private placement agreement (the "Note Agreement") pursuant to which Matson will issue \$100 million of 30-year senior unsecured notes (the "Notes"). The Notes will have a weighted average life of approximately 14.5 years and will bear interest at a rate of 4.35%, payable semi-annually.

The Notes are expected to be issued in January 2014, subject to satisfaction of customary closing conditions. The proceeds are expected to be used for general corporate purposes. The Notes will begin to amortize in 2021, with annual principal payments of \$5 million in 2021, \$7.5 million in 2022 and 2023, \$10 million from 2024 to 2027, and \$8 million in 2028. Starting in 2029 and in each year thereafter until 2044, annual principal payments will be \$2 million.

Capital Leases: As of September 30, 2013, Matson had obligations under its capital leases of \$2.7 million consisting of specialized and standard containers used in the Company's South Pacific service. Capital leases have been classified as current and long-term within the notes payable and current portion of long-term debt and long-term debt accounts, respectively, within the Company's Condensed Consolidated Balance Sheet.

Balance Sheet: The Company had working capital of \$122.8 million at September 30, 2013, compared to a working capital of \$40.7 million at the end of 2012. The change in working capital is primarily due to an increase in cash and cash equivalents of \$61.9 million and an increase in prepaid expenses and other assets of \$19.7 million, primarily due to a current tax receivable generated from the Company's 2012 tax return. In long-term liabilities the Company's deferred income taxes increased \$45.0 million due primarily to the Company's \$111.8 million deposit to its CCF.

Commitments, Contingencies and Off-balance Sheet Arrangements: A description of other commitments, contingencies, and off-balance sheet arrangements at September 30, 2013, and herein incorporated by reference, is included in Note 4 to the Condensed Consolidated Financial Statements of Item 1 in this Form 10-Q.

BUSINESS OUTLOOK

Ocean Transportation: After significant volume growth in the Hawaii trade lane in the first half of the year, volume decreased modestly during the third quarter of 2013 on a year over year comparative basis. The Company expects its fourth quarter Hawaii volume to be modestly lower than levels achieved in the fourth quarter of 2012. In the China trade, the Company continues to realize a premium in its rates for its expedited service. However, modest rate erosion is expected on a year over year basis for the balance of 2013 due to continued carrier over-capacity in that trade. Guam trade volume decreased slightly in the quarter due to the timing of select shipments. Little, if any, fourth quarter growth in Guam is expected.

The Company's terminal operations joint venture, SSAT, incurred higher than expected transition costs during the third quarter associated with its expansion of terminal operations in its new Oakland terminal. Some additional transition costs are expected during the fourth quarter, which will likely lead to a modest overall loss during the quarter.

The Company continues to benefit from operating a nine-ship fleet, and expects to realize operational efficiencies for the balance of the year as well as lower outside transportation costs, both of which result from a lighter dry-dock schedule as compared to 2012.

With respect to the molasses incident in Honolulu Harbor, no legal claims have been initiated at this time, and government agencies have not yet presented the Company with an accounting of claims for reimbursement. At this early stage in the proceedings, the Company is not able to estimate the future costs, penalties, damages or expenses that it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material.

Given the trends and items noted above, operating income for the balance of the year is expected to be near or slightly below levels achieved in the fourth quarter of 2012.

Logistics: Volume in Logistics' intermodal and highway businesses grew at a healthy pace in the third quarter; and, combined with continued cost cutting measures, results improved and operating income margin reached 1.6 percent of revenues. Driven by continued volume growth, expense control and improvements in warehouse operations, operating income margin is expected to be 1-2 percent of revenues for the fourth quarter of the year.

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Other: In the third quarter of 2013, operating income results in Ocean Transportation were adversely impacted by a \$2.2 million tax allocation item related to the Company's Separation in the prior year. However, an offsetting equal benefit was derived in the Company's consolidated tax expense associated with the same allocation. There was no net income impact associated with the allocation, however, and as a result the Company had a lower effective tax during the quarter, 27.1 percent, versus 37.1 percent in the third quarter 2012. The Company expects its fourth quarter 2013 effective tax rate to be approximately 38.5 percent.

The Company expects capital expenditures for 2013 to be approximately \$25 million, excluding any vessel replacement capital expenditures it may make. During the third quarter, the Company made a deposit of \$111.8 million to its Capital Construction Fund associated with its vessel replacement plan. The deposit consisted of the assignment of an undivided interest of its trade accounts receivable to the Capital Construction Fund. The deposit has the effect of deferring a portion of the Company's current cash tax liabilities, but does not affect its tax rate.

OTHER MATTERS

Dividends: The Company's fourth quarter dividend of \$0.16 per share to shareholders was declared on October 24, 2013, to shareholders of record on November 7, 2013, and will be paid on December 5, 2013.

Significant Accounting Policies: The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of the Company's 2012 Form 10-K.

Critical Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those critical accounting estimates. These differences could be material. The most significant accounting estimates inherent in the preparation of Matson's financial statements were described in Item 7 of the Company's 2012 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Matson is exposed to changes in interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. In order to manage its exposure to changes in interest rates, Matson utilizes a balanced mix of both fixed-rate and variable-rate debt. The nature and amount of Matson's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions and other factors.

The Company's fixed rate debt consists of \$287.2 million in principal term notes. The Company did not have any borrowings on its variable rate debt. Other than in default, the Company does not have an obligation to prepay its fixed-rate debt prior to maturity and, as a result, interest rate fluctuations and the resulting changes in fair value would not have an impact on the Company's financial condition or results of operations unless the Company was required to refinance such debt. For the Company's variable rate debt, a one percent increase in interest rates would not have a material impact on the Company's results of operations.

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The following table summarizes Matson's debt obligations at September 30, 2013, presenting principal cash flows and related interest rates by the expected fiscal year of repayment.

| | Expected Fiscal Year of Repayment as of September 30, 2013 (dollars in millions) | | | | | | | Fair Value at September 30, 2013 |
|------------------------|--|---------|---------|---------|---------|------------|----------|-------------------------------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter | Total | |
| Fixed rate | \$ 3.5 | \$ 11.4 | \$ 20.5 | \$ 20.5 | \$ 28.2 | \$ 203.1 | \$ 287.2 | \$ 298.6 |
| Average interest rate | 4.6% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.6% | |
| Variable rate | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Average interest rate* | — | — | — | — | — | — | — | — |

*Estimated interest rates on variable debt are determined based on the rate in effect on September 30, 2013. Actual interest rates may be greater or less than the amounts indicated when variable rate debt is rolled over.

ITEM 4. CONTROLS AND PROCEDURES

- (a) **Disclosure Controls and Procedures.** The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.
- (b) **Internal Control Over Financial Reporting.** There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Molasses was released into Honolulu Harbor from a pipeline system operated by a subsidiary of the Company in early September, 2013. The Company is cooperating with federal and state agencies involved in responding to and investigating the release. On September 20, 2013, the Hawaii Department of Health ("DOH") and other responding governmental agencies announced that they had officially transitioned their role from a response phase to a recovery and restoration phase. The DOH also reported on September 20, 2013 that dissolved oxygen and pH levels in the harbor and nearby Keehi Lagoon had returned to normal target levels and that there was no longer discoloration of the water in those same areas attributable to the molasses release. Keehi Lagoon was reopened to the public on September 21, 2013.

On October 10, 2013, the Company was served with a federal grand jury subpoena for documents relating to the release of molasses into Honolulu Harbor. In addition, the Company has received written requests for information regarding the release from the following governmental agencies (i) the DOH, (ii) the State of Hawaii Office of Hawaiian Affairs, and (iii) the United States Environmental Protection Agency (Region IX).

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Government agencies have not yet initiated any legal proceedings or presented the Company with an accounting of claims for costs, penalties or damages in connection with the release of molasses, and the Company has only received a limited number of third party claims. To date, the Company has incurred \$1.3 million in response costs, legal expenses, and third party claims related to the release of molasses. At this early stage in the proceedings, the Company is not able to estimate the future costs, penalties, damages or expenses it may incur related to the incident. As a result, at this time no assurance can be given that the impact of the incident on the Company's financial position, results of operations, or cash flows will not be material.

In addition to the molasses release discussed above, the Company's shipping business has certain other risks that could result in expenditures for environmental remediation. The Company believes that based on all information available to it, the Company is currently in compliance, in all material respects, with applicable environmental laws and regulations.

On June 10, 2013, Matson was served with a complaint filed in the United States District Court for the Central District of California by an individual plaintiff as realtor on behalf of the United States asserting claims against Matson and certain other ocean carriers and freight forwarders for violations of the False Claims Act. The case is entitled United States of America, ex rel. Mario Rizzo v. Horizon Lines, LLC et al. The qui tam complaint alleges that Matson and the other defendants submitted or created records supporting false claims for payment of fuel surcharges assessed on the shipment of military household goods to the Department of Defense. The federal government has declined to intervene in this qui tam suit. The individual plaintiff in the suit seeks damages and penalties on behalf of the federal government, and may be entitled to a portion of any recovery or settlement resulting from the suit. The plaintiff filed a Second Amended Complaint on August 23, 2013. Matson filed a motion to dismiss the complaint on September 16, 2013. On October 31, 2013, the court denied Matson's motion and the answer to the complaint is due by November 12, 2013. Matson believes that the suit is without merit and at this time is unable to estimate any possible loss.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly | Maximum Number of Shares that May Yet Be Purchased |
|--------|-------------------------------------|---------------------------------|--|--|
|--------|-------------------------------------|---------------------------------|--|--|

| | Announced Plans or Programs | | Under the Plans or Programs | |
|-------------------|--------------------------------|---|--------------------------------|---|
| July 1 — 31, 2013 | — | — | — | — |
| Aug 1 — 31, 2013 | — | — | — | — |
| Sept 1 — 30, 2013 | — | — | — | — |

ITEM 5. OTHER INFORMATION

On November 5, 2013, Matson entered into a private placement agreement (the “Note Agreement”) pursuant to which Matson will issue \$100 million of 30-year senior unsecured notes (the “Notes”). The Notes will have a weighted average life of approximately 14.5 years and will bear interest at a rate of 4.35%, payable semi-annually.

The Notes are expected to be issued in January 2014, subject to satisfaction of customary closing conditions. The proceeds are expected to be used for general corporate purposes. The Notes will begin to amortize in 2021, with annual principal payments of \$5 million in 2021, \$7.5 million in 2022 and 2023, \$10 million from 2024 to 2027, and \$8 million in 2028. Starting in 2029 and in each year thereafter until 2044, annual principal payments will be \$2 million.

Principal negative covenants contained in the Note Agreement include, but are not limited to, the requirements that the Company:

- (a) Not permit the ratio of debt to EBITDA to exceed 3.25x for each fiscal four quarter period, except for temporary one-time four quarter step-ups under certain pre-defined circumstances;
- (b) Not permit the ratio of EBITDA to interest expense as of the end of any fiscal four quarter period to be less than 3.50 to 1.00; and
- (c) Not permit the aggregate principal amount of Priority Debt, as defined in the Note Agreement, at any time to exceed 20% (subject to reduction to 17.5% upon the earlier of December 31, 2017 and upon the occurrence of certain events) of Consolidated Tangible Assets, as defined in the Note Agreement; and not permit the aggregate principal amount of Priority Debt that is not Title XI Priority Debt at any time to exceed 10% of Consolidated Tangible Assets, as defined in the Note Agreement.

Subject to the requirements noted above, the Note Agreement generally restricts the incurrence of liens except for permitted liens, including, without limitation, liens securing Title XI Debt (as defined in the Note Agreement) up to certain thresholds. Additionally, prepayment of amounts borrowed under the Note Agreement may be made in whole or in part at par plus a yield maintenance premium, as defined

On November 6, 2013 MatNav and Aker Philadelphia Shipyard, Inc. (“APSI”) entered into a definitive agreement pursuant to which APSI will construct two new 3,600-TEU Aloha-class dual-fuel capable containerships, with expected delivery dates during the third and fourth quarters of 2018 (the “Ship Building Agreement”). The dual fuels are conventional fuel oils and liquefied natural gas (“LNG”). While the Ship Building Agreement specifies that upon delivery the ships will be only conventional fuel oil ready, MatNav has negotiated a change order with APSI, which provides for the installation of LNG fuel tanks and related fuel delivery system. The change order option may be executed at MatNav’s sole discretion up to January 2015, which will make the ships LNG ready at delivery. MatNav will pay an aggregate amount of \$418.0 million for the two containerships, which is expected to be funded from available cash on hand, cash flows from operations, borrowing available under the Company’s unsecured revolving credit facility and potential future financings. Payments will be made over the next five years with 2% due upon the execution of the Ship Building Agreement, a total of 22% in 2015 and 2016, and a total of 76% in 2017 and 2018. MatNav has an option to contract with APSI, for the construction of up to three additional Aloha-class vessels for which a price and delivery date will be negotiated at the time the option is exercised.

The foregoing descriptions are qualified in their entirety by the terms and conditions set forth in the Note Agreement and the Ship Building Agreement, respectively, which will be filed as exhibits to the Company’s Annual Report on Form 10-K for the fiscal year ending December 31, 2013.

On November 6, 2013, the Board of Directors of Matson approved an amendment to Article III, Section 3.2.2 of the Company’s Amended and Restated Bylaws (the “Bylaws”). The amendment revises the Bylaws, effective as of November 6, 2013, to increase the retirement age of directors of Matson from 72 to 75.

A copy of the amended and restated Bylaws is filed as Exhibit 3.1 to this quarterly report on Form 10-Q and is incorporated herein by reference. The discussion in this Item of the Bylaws is qualified in its entirety by reference to such Exhibit.

ITEM 6. EXHIBITS

3.1 Amended and Restated Bylaws of Matson, Inc. (as amended as of November 6, 2013)

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
101.LAB* XBRL Taxonomy Extension Label Linkbase Document
101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

*XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not part of a registration statement or Prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

The Company has outstanding certain other long-term indebtedness. Such long-term indebtedness does not exceed 10 percent of the total assets of the Company; therefore, copies of instruments defining the rights of holders of such indebtedness are not included as exhibits. The Company agrees to furnish copies of such instruments to the SEC upon request.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATSON, INC.

(Registrant)

Date: November 7, 2013

/s/ Joel M. Wine

Joel M. Wine
Senior Vice President and
Chief Financial Officer

Date: November 7, 2013

/s/ Dale B. Hendler

Dale B. Hendler
Vice President and Controller,
(principal accounting officer)

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**AMENDED AND RESTATED BYLAWS
OF
MATSON, INC.
(as amended as of November 6, 2013)**

ARTICLE I

PRINCIPAL OFFICE; AGENT; SEAL

Section 1.1 Principal and Other Offices. The principal office of the Corporation shall be in Honolulu, Hawaii and other offices of the Corporation may be located in such places within Hawaii or elsewhere as the Board of Directors may designate or as the business of the Corporation may require.

Section 1.2 Registered Agent. The Corporation shall continuously maintain in the State of Hawaii a registered agent as required by law.

Section 1.3 Seal. The Corporation shall have a corporate seal (and one or more duplicates thereof) of such form and device as the Board of Directors shall determine.

ARTICLE II

SHAREHOLDERS

Section 2.1 Annual Meeting of Shareholders. The Corporation shall hold an annual meeting of shareholders for the purpose of electing directors and transacting such other business as may come before the meeting at a time as shall be fixed by the Board of Directors or the President. The failure to hold an annual meeting at the time fixed in accordance with these bylaws shall not affect the validity of any corporate action.

Section 2.2 Special Meeting of Shareholders.

2.2.1 A special meeting of shareholders shall be held upon the call of the Chairman of the Board, if appointed, the President or a majority of the directors then in office.

2.2.2 Subject to the provisions of this Section 2.2.2 and all other applicable sections of these bylaws, a special meeting of the shareholders shall be called by the Secretary upon written request (a "Special Meeting Request") of one or more record holders of shares of stock of the Corporation representing not less than 10% of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting (the "Requisite Percentage"). The Board of Directors shall determine in good faith whether all requirements set forth in this Section 2.2.2 have been satisfied and such determination shall be binding on the Corporation and its shareholders.

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(a) A Special Meeting Request must be delivered by hand or by registered U.S. mail, postage prepaid, return receipt requested, or courier service, postage prepaid, to the attention of the Secretary at the principal executive offices of the Corporation. A Special Meeting Request shall be valid only if it is signed and dated by each shareholder of record submitting the Special Meeting Request and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made, or such shareholder's or beneficial owner's duly authorized agent (each, a "Requesting Shareholder"), and includes (i) in the case of any director nominations proposed to be presented at the special meeting, the information required by Section 3.3.4; (ii) in the case of any matter (other than a director nomination) proposed to be conducted at the special meeting, the information required by Section 2.14.4; (iii) an agreement by the Requesting Shareholders to notify the Corporation promptly in the event of any disposition prior to the record date for the special meeting of shares of the Corporation owned of record and an acknowledgement that any such disposition shall be deemed to be a revocation of such Special Meeting Request with respect to such disposed shares; and (iv) documentary evidence that the Requesting Shareholders own the Requisite Percentage as of the date on which the Special Meeting Request is delivered to the Secretary; provided, however, that if the Requesting Shareholders are not the beneficial owners of the shares representing the Requisite Percentage, then to be valid, the Special Meeting Request must also include documentary evidence (or, if not simultaneously provided with the Special Meeting Request, such documentary evidence must be delivered to the Secretary within ten (10) days after the date on which the Special Meeting Request is delivered to the Secretary) that the beneficial owners on whose behalf the Special Meeting Request is made beneficially own the Requisite Percentage as of the date on which such Special Meeting Request is delivered to the Secretary. In addition, the Requesting Shareholders and the beneficial owners, if any, on whose behalf the Special Meeting Request is being made shall (x) further update and supplement the information provided in the Special Meeting Request, if necessary, so that the information provided or required to be provided therein shall be true and correct as of the record date for the special meeting, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting and (y) promptly provide any other information reasonably requested by the Corporation.

(b) A Special Meeting Request shall not be valid, and a special meeting requested by shareholders shall not be held, if (i) the Special Meeting Request does not comply with this Section 2.2.2; (ii) the Special Meeting Request relates to an item of business that is not a proper subject for shareholder action under applicable law; (iii) the Special Meeting Request is delivered during the period commencing one hundred twenty (120) days prior to the first anniversary of the date of the immediately preceding annual meeting of

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shareholders and ending on the earlier of (x) the date of the next annual meeting and (y) thirty (30) days after the first anniversary of the date of the previous annual meeting; (iv) an identical or substantially similar item (as determined in good faith by the Board of Directors, a "Similar Item"),

other than the election of directors, was presented at an annual or special meeting of shareholders held not more than twelve (12) months before the Special Meeting Request is delivered; (v) a Similar Item was presented at an annual or special meeting of shareholders held not more than one hundred twenty (120) days before the Special Meeting Request is delivered (and, for purposes of this clause (v), the election of directors shall be deemed to be a "Similar Item" with respect to all items of business involving the election or removal of directors, changing the size of the Board of Directors and the filling of vacancies and/or newly created directorships resulting from any increase in the authorized number of directors); (vi) a Similar Item is included in the Corporation's notice of meeting as an item of business to be brought before an annual or special meeting of shareholders that has been called but not yet held or that is called for a date within one hundred twenty (120) days of the receipt by the Secretary of a Special Meeting Request; or (vii) the Special Meeting Request was made in a manner that involved a violation of Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or other applicable law.

(c) Special meetings of shareholders called pursuant to this Section 2.2.2 shall be held on such date, and at such time as the Board of Directors shall fix; provided, however, that the special meeting shall not be held more than 120 days after receipt by the Secretary of a valid Special Meeting Request.

(d) The Requesting Shareholders may revoke a Special Meeting Request by written revocation delivered to the Secretary at the principal executive offices of the Corporation at any time prior to the special meeting. If, following such revocation (or deemed revocation pursuant to Section 2.2.2(a)(iii), there are unrevoked requests from Requesting Shareholders holding in the aggregate less than the Requisite Percentage, the Board of Directors, in its discretion, may cancel the special meeting.

(e) If none of the Requesting Shareholders appear or send a duly authorized agent to present the business to be presented for consideration specified in the Special Meeting Request, the Corporation need not present such business for a vote at the special meeting, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

(f) Business transacted at any special meeting called pursuant to this Section 2.2.2 shall be limited to (i) the purpose(s) stated in the valid Special Meeting Request received from the Requisite Percentage of record holders and (ii) any additional matters that the Board of Directors determines to include in the Corporation's notice of the special meeting.

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Section 2.3 Place of Meeting of Shareholders. An annual or special shareholders' meeting may be held at such place, in or out of the State of Hawaii, as may be fixed by the Board of Directors. If no place is fixed, the meeting shall be held at the principal office of the Corporation.

Section 2.4 Meeting of Shareholders Held by Remote Communication. Notwithstanding Section 2.3 of these bylaws, the Board of Directors, in its sole discretion, is authorized to determine that any annual or special meeting of shareholders shall not be held at any place, but may instead be held solely by means of remote communication; provided that the Corporation shall: (a) implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a shareholder or proxy of a shareholder; (b) implement reasonable measures to provide shareholders and proxies of shareholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting concurrently with the proceedings; and (c) maintain a record of voting or action by any shareholder or proxy of a shareholder that votes or takes other action at the meeting by means of remote communication. Subject to guidelines and procedures adopted by the Board of Directors, shareholders and proxies of shareholders not physically present at a meeting of shareholders by means of remote communication may participate in the meeting, and be deemed present in person and vote at the meeting whether the meeting is held at a designated place or solely by means of remote communication.

Section 2.5 Notice of Shareholders' Meeting. The Corporation shall notify shareholders of the date, time, and place, if any, of each annual and special shareholders' meeting no fewer than ten (10) nor more than sixty (60) days before the meeting date. Notice of an annual or special meeting shall include a description of the purpose or purposes for which the meeting is called. If a meeting is held solely by means of remote communication, the notice shall also inform shareholders of the means of remote communication by which shareholders may be deemed to be present in person and allowed to vote.

Section 2.6 Quorum and Voting. Except as otherwise provided by the articles of incorporation, these bylaws or law, a quorum at all meetings of shareholders shall consist of the holders of record of a majority of the shares outstanding and entitled to vote thereat, present in person or by proxy. If a quorum exists, action on a matter (other than election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Hawaii Business Corporation Act require a greater number of affirmative votes.

Section 2.7 Record Date. The Board of Directors may fix the record date to determine the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action. The record date may be a future date, but may not be more than seventy (70) days before the meeting or action requiring a determination of shareholders. A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

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Section 2.8 Shareholders' List for Meeting. After fixing a record date for a meeting, the Corporation shall prepare an alphabetical list of the names of all its shareholders who are entitled to notice of the shareholders' meeting showing the address of and number of shares held by each shareholder. The list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting for which the list was prepared is given and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, the shareholder's agent, or the shareholder's attorney, shall be entitled on written demand to inspect and to copy the list, during regular business hours and at the shareholder's expense, during the period it is available for inspection. The Corporation shall make the shareholders' list available at the meeting, and any shareholder, shareholder's agent, or shareholder's attorney, is entitled to inspect the list at any time during the meeting or any adjournment. Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 2.9 Voting of Shares. Each outstanding share is entitled to one vote on each matter voted on at a shareholders' meeting. Only shares are entitled to vote.

Section 2.10 Proxies. A shareholder may vote the shareholder's shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form. The appointment form shall be signed by either the shareholder personally or by the shareholder's attorney-in-fact. An appointment is valid for eleven (11) months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest. Appointments coupled with an interest include, but are not limited to, the appointment of (a) a pledgee, (b) a person who purchased or agreed to purchase the shares, and (c) a creditor of the Corporation who extended its credit under terms requiring the appointment. An appointment made irrevocable is revoked when the interest with which it is coupled is extinguished.

Section 2.11 Acceptance of Votes. If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the Corporation, acting in good faith, is entitled to accept the vote, consent, waiver, or proxy appointment and to give it effect as the act of the shareholder. Subject to any express limitation on a proxy's authority appearing on the face of the appointment form, the Corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment. The Corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis to doubt the validity of the signature on the vote, consent, waiver, or proxy appointment or the signatory's authority to sign for the shareholder. The Corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this Section 2.11 are not liable in damages to the shareholder for the consequences of the acceptance or rejection. Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this Section 2.11 is valid unless a court of competent jurisdiction determines otherwise.

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Section 2.12 Election of Directors. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. There shall be no cumulative voting in the election of directors.

Section 2.13 Conduct of Meetings. The Board of Directors may adopt by resolution such rules and regulations for the conduct of any meeting of shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (c) rules and procedures for maintaining order at the meeting and the safety of those present; (d) limitations on attendance at or participation in the meeting to shareholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (e) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (f) limitations on the time allotted to questions or comments by participants.

Section 2.14 Nature of Business at Meetings of Shareholders.

2.14.1 Only such business (other than nominations for election to the Board of Directors, which must comply with the provisions of Section 3.3) may be transacted at an annual meeting of shareholders as is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 2.14 and on the record date for the determination of shareholders entitled to notice of and to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.14.

2.14.2 In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

2.14.3 To be timely, a shareholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

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2.14.4 To be in proper written form, a shareholder's notice to the Secretary must set forth the following information: (a) as to each matter such shareholder proposes to bring before the annual meeting, a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (b) as to the shareholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such

person, with respect to stock of the Corporation, (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person, (iv) a representation that the shareholder giving notice intends to appear in person or by proxy at the annual meeting to bring such business before the meeting, and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the annual meeting pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

2.14.5 A shareholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.14 shall be true and correct as of the record date for determining the shareholders entitled to receive notice of the annual meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the shareholders entitled to receive notice of the annual meeting.

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2.14.6 No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.14; provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.14 shall be deemed to preclude discussion by any shareholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

2.14.7 Nothing contained in this Section 2.14 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

Section 2.15 Action Without Meeting. Action required or permitted to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed before or after the intended effective date of the action by all the shareholders entitled to vote on the action, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records, and such consent shall have the effect of a meeting vote and may be described as such in any document. Any copy, facsimile, or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used; provided that the copy, facsimile, or other reproduction shall be a complete reproduction of the entire original writing.

Section 2.16 Adjournment. Any meeting of shareholders, whether annual or special, and whether a quorum be present or not, may be adjourned from time to time by the chairman thereof, with the consent of the holders of a majority of all of the shares of stock present or represented at such meeting, and entitled to vote thereat. If an annual or special shareholders' meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment. In addition, if the annual or special shareholders' meeting was held solely by means of remote communication, and the adjourned meeting will be held by a means of remote communication by which shareholders may be deemed to be present in person and vote, notice need not be given of the new means of remote communication if the new means of remote communication is announced at the meeting before adjournment. If a new record date for an adjourned meeting is or must be fixed under Section 2.7, notice of the adjourned meeting shall be given to shareholders who are entitled to notice of the new record date.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 Duties of the Board of Directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, its Board of Directors, subject to any limitation set forth in an agreement approved or signed by all shareholders and otherwise authorized under the Hawaii Business Corporation Act.

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Section 3.2 Number, Election, Terms and Qualifications of Directors.

3.2.1 The Board of Directors shall consist of not less than five (5) nor more than twelve (12) individuals, the exact number to be determined from time to time by the Board of Directors. Directors shall hold office until the next annual shareholders' meeting following their election and until their respective successors are elected and qualified.

3.2.2 No person shall be elected as a director at any annual meeting or special meeting who has achieved the age of seventy-five (75) years prior to such annual or special meeting.

3.2.3 Not more than a minority of the directors comprising the minimum number of members of the Board of Directors necessary to constitute a quorum of the Board of Directors (or such other portion thereof as the Board of Directors may determine to be necessary under U.S. Maritime Law (as defined in the articles of incorporation) in order for the Corporation to continue as a U.S. Maritime Corporation (as defined in the articles of incorporation)) shall be Non-U.S. Citizens (as defined in the articles of incorporation), such minority being equal to the greatest whole number that is less than half of the minimum number of directors necessary to constitute a quorum of the Board of Directors.

Section 3.3 Nomination of Directors.

3.3.1 Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders, or at any special meeting

of shareholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the Corporation (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 3.3 and on the record date for the determination of shareholders entitled to notice of and to vote at such annual meeting or special meeting and (ii) who complies with the notice procedures set forth in this Section 3.3.

3.3.2 In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

3.3.3 To be timely, a shareholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which

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notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an annual meeting or a special meeting called for the purpose of electing directors, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

3.3.4 To be in proper written form, a shareholder's notice to the Secretary must set forth the following information: (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of the shareholder giving the notice and the name and principal place of business of such beneficial owner; (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and

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any proposed nominee or any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the shareholder giving notice intends to appear in person or by proxy at the annual meeting or special meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

3.3.5 A shareholder providing notice of any nomination proposed to be made at an annual meeting or special meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 3.3 shall be true and correct as of the record date for determining the shareholders entitled to receive notice of the annual meeting or special meeting, and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the shareholders entitled to receive notice of such annual meeting or special meeting.

3.3.6 No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.3. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3.4 Resignation of Directors. A director may resign at any time by delivering notice given in writing or by electronic transmission to the Chairman of the Board, if appointed, or the President. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

Section 3.5 Removal of Directors. The shareholders may remove one or more directors with or without cause. A director may be removed by shareholders only at a meeting called for the purpose of removing the director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

Section 3.6 Vacancy on Board. If a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, the vacancy may be filled by: (a) the shareholders; (b) the Board of Directors; or (c) the affirmative vote of a majority of all the directors remaining in office if the directors remaining in office constitute fewer than a quorum of the Board of Directors. A vacancy that will occur at a specific later date may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

Section 3.7 Meetings of the Board of Directors. A regular meeting of the Board of Directors shall be held without notice other than this bylaw for the purpose of appointing officers and transacting such other business as may come before the meeting

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immediately after, and at the same place as, the annual meeting of the shareholders. The Board of Directors may hold other regular meetings or special meetings in or out of the State of Hawaii. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 3.8 Notice of Meeting. Regular meetings of the Board of Directors may be held without notice of the date, time, place, or purpose of the meeting. Special meetings of the Board of Directors must be preceded by at least twenty-four hours' notice of the date, time, and place of the meeting. The notice need not describe the purpose of the special meeting. A director may waive any required notice before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice or by electronic transmission by the director entitled to notice, and filed with the minutes or corporate records; except that a director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.9 Action Without Meeting. Action required or permitted to be taken at a Board of Directors' meeting may be taken without a meeting if the action is taken by all members of the Board of Directors. The action shall be evidenced by one or more consents describing the action taken, given either in writing and signed before or after the intended effective date of the action by each director, or by electronic transmission, and included in the minutes or filed with the corporate records reflecting the action taken. In the case of a consent by electronic transmission, the electronic transmission shall set forth or be submitted with information from which it may be determined that the electronic transmission was authorized by the director who sent the electronic transmission. A consent signed or given by electronic transmission under this Section 3.9 has the effect of a meeting vote and may be described as such in any document.

Section 3.10 Quorum and Voting. A quorum of the Board of Directors consists of a majority of the number of directors prescribed, or, if no number is prescribed, the number in office immediately before the meeting begins. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (a) the director objects at the beginning of the meeting (or promptly upon the director's arrival) to holding it or transacting business at the meeting, (b) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 3.11 Expenses and Fees. By resolution of the Board of Directors, such compensation, fees and expenses as the Board of Directors may from time to time determine shall be allowed and paid to directors for services on the board of any committee created by the Board of Directors, provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

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Section 3.12 Committees.

3.12.1 The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee must have two or more members, who serve at the pleasure of the Board of Directors. The creation of a committee and appointment of members to it must be approved by the greater of: (a) a majority of all the directors in office when the action is taken, or (b) the number of directors required to take action under Section 3.10 of these bylaws. Section 3.7 to Section 3.10 of these bylaws which govern meetings, action without meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors, apply to committees and their members as well. Notwithstanding the foregoing, not more than a minority of the directors comprising the minimum number of members of any committee of the Board of Directors necessary to constitute a quorum of any such committee (or such other portion thereof as the Board of Directors may determine to be necessary under U.S. Maritime Law (as defined in the articles of incorporation) in order for the Corporation to continue as a U.S. Maritime Corporation (as defined in the articles of incorporation)) shall be Non-U.S. Citizens (as defined in the articles of incorporation), such minority being equal to the greatest whole number that is less than half of the minimum number of directors necessary to constitute a quorum of such committee.

3.12.2 To the extent specified by the Board of Directors, each committee may exercise the authority of the Board of Directors, subject to the limitation set forth in Section 414-216(e) of the Hawaii Business Corporation Act.

Section 3.13 Directors' Conflicting Interest Transactions. A director's conflicting interest transaction may not be enjoined, set aside, or give rise to an award of damages or other sanctions, in a proceeding by a shareholder or by or in the right of the Corporation, because the director, or any person with whom or which the director has a personal, economic, or other association, has an interest in the transaction, if: (a) directors' action respecting the

transaction was at any time taken in compliance with law; (b) shareholders' action respecting the transaction was at any time taken in compliance with law; or (c) the transaction, judged according to the circumstances at the time of commitment, is established to have been fair to the Corporation.

ARTICLE IV

OFFICERS

Section 4.1 Required Officers. The Corporation shall have the officers and assistant officers as shall be appointed from time to time by the Board of Directors or by a duly appointed officer authorized by the Board of Directors to appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the Corporation. One of the officers shall have responsibility for preparation and custody of minutes of the directors' and shareholders' meetings and for authenticating records of the Corporation. Each officer shall have the authority and shall perform the duties prescribed by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of other officers. The officers may include one or more of the following:

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4.1.1 Chairman of the Board. The Chairman of the Board, if appointed, shall preside at all meetings of the shareholders and the Board of Directors unless otherwise prescribed by the Board of Directors. The Chairman of the Board, if appointed, shall also exercise such powers and perform such other duties as may be assigned by these bylaws or by resolution of the Board of Directors.

4.1.2 President. The President (in the absence of the Chairman of the Board, if appointed) shall preside at all meetings of the shareholders and the Board of Directors. Unless the Board of Directors shall decide otherwise, the President shall be the chief executive officer of the Corporation and shall have general charge and supervision of the business of the Corporation. The President shall perform other duties as are incident to the President's office or are required of the President by the Board of Directors.

4.1.3 Vice Presidents. In the absence of the Chairman of the Board, if appointed, and the President, the vice president or vice presidents shall, in order designated by the President or the Board of Directors, perform all of the duties of the President. When so acting a vice president shall have all the powers of and be subject to all the restrictions upon the President. The vice president or vice presidents shall have powers and perform other duties as may be prescribed by the President, the Board of Directors or these bylaws.

4.1.4 Secretary. The Secretary shall keep the minutes of all meetings of shareholders, the Board of Directors and committees of the Board of Directors (if any). The Secretary shall give notice in conformity with these bylaws of all meetings of the shareholders and the Board of Directors. In the absence of the President and any vice president, the Secretary shall have the power to call meetings of the shareholders, the Board of Directors and committees of the Board of Directors. The Secretary shall also perform all other duties assigned to the Secretary by the President or the Board of Directors. The assistant secretary or assistant secretaries shall, in the order prescribed by the Board of Directors or the President, perform all the duties and exercise all the powers of the Secretary during the Secretary's absence or disability or whenever the office is vacant. An assistant secretary shall perform all the duties assigned to the assistant secretary or assistant secretaries by the President or the Board of Directors.

4.1.5 Treasurer. The Treasurer shall be the chief financial and accounting officer of the Corporation. The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds and the keeping of corporate financial records. The Treasurer shall perform all other duties assigned to the Treasurer by the President or the Board of Directors. The assistant treasurer or assistant treasurers, shall, in the order prescribed by the Board of Directors or the President, perform all the duties and exercise all the powers of the Treasurer during the Treasurer's absence or disability or whenever the office is vacant. An assistant treasurer shall perform all the duties assigned to the assistant treasurer or assistant treasurers by the President or the Board of Directors.

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Section 4.2 Assistant Secretary and Assistant Treasurer. The Assistant Secretary or assistant secretaries and the Assistant Treasurer or assistant treasurers, if appointed, shall, in such order as the Board of Directors may determine, perform all of the duties and exercise all of the powers of the Secretary and Treasurer, respectively, during the absence or disability of, and in the event of a vacancy in the office of, the Secretary or Treasurer, respectively, and shall perform all of the duties assigned to him or them by the President, the Secretary in the case of assistant secretaries, the Treasurer in the case of the assistant treasurers, or the Board of Directors.

Section 4.3 Controller. The Controller shall have custody of and supervise and control the keeping of the accounts and books of the Corporation, and shall develop records and procedures for control of costs; maintain proper tax records and supervise the preparation of tax returns, develop procedures for internal auditing and maintain proper relationships with the external auditors designated by the shareholders; administer programs relating to capital expenditure and operating budgets, prepare the financial statements of the Company, and perform such other duties as the President may from time to time determine.

Section 4.4 Resignation of Officers. An officer may resign at any time by delivering notice to the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

Section 4.5 Removal of Officers. Any officer may be removed by the Board of Directors whenever, in its judgment, the best interests of the Corporation will be served thereby, but the removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4.6 Citizenship Requirements. The Chairman of the Board, if appointed, and the Chief Executive Officer of the Corporation, by whatever title, shall each be a U.S. Citizen (as defined in the articles of incorporation).

ARTICLE V

VOTING OF STOCK BY THE CORPORATION

Section 5.1 In all cases where the Corporation owns, holds, or represents under power of attorney or by proxy or in any other representative capacity shares of capital stock of any corporation or shares or interests in business trusts, co-partnerships, or other associations, such shares or interest shall be represented or voted in person or by proxy by the Chairman of the Board (if also Chief Executive Officer) or in the absence of the Chairman of the Board (or if such person is not also Chief Executive Officer) by the President, or in his absence by the Vice President, or if there be more than one vice president present, then by such vice president as the Board of Directors shall have designated as Executive Vice President, or failing any such designation, by any vice president, or in the absence of any vice president, by the Treasurer, or in his absence, by the Secretary; provided, however, that any person specifically appointed by the Board of Directors for the purpose shall have the right and authority to represent and vote such shares or interests with precedence over all of the above-named.

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ARTICLE VI

CAPITAL STOCK

Section 6.1 Form and Content of Certificates.

6.1.1 The certificates of any class of stock of the Corporation shall be in such form and of such device as the Board of Directors may, from time to time, determine, including uncertificated shares. The rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificated shares of the same class and series shall be identical. Every share certificate shall be signed by the Chairman of the Board, if appointed, or the President or a vice president and by the Treasurer or the Secretary or an assistant treasurer or assistant secretary and shall bear the corporate seal, provided, however, that the Board of Directors in its discretion may provide that any certificate which shall be signed by a transfer agent or by a registrar may be sealed with only the facsimile seal of the Corporation and may be signed with only the facsimile signatures of the officers above designated. In case any officer who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer before such certificate is issued, such certificate may, nevertheless, be issued with the same effect as if such officer had not ceased to be such at the date of its issue. Certificates shall not be issued for nor shall there be registered any transfer of any fraction of a share. In the event that fractional parts of or interests in any share shall result in any manner from any action by the stockholders or directors of the Corporation, the Treasurer may sell the aggregate of such fractional interests under such reasonable terms and conditions as the Treasurer shall determine subject, however, to the control of the Board of Directors, and distribute the proceeds thereof to the person or persons entitled thereto.

6.1.2 At a minimum any share certificate shall include the legend set forth in Section 7.3 of the articles of incorporation and shall state on its face: (a) the name of the Corporation and that it is organized under the law of the State of Hawaii; (b) the name of the person to whom issued; and (c) the number and class of shares the certificate represents. The Corporation shall send a notice, which shall include the legend set forth in Section 7.3 of the articles of incorporation, to each holder of uncertificated shares.

Section 6.2 Holder of Record. The Corporation shall be entitled to treat the person whose name appears on the stock books of the Corporation as the owner of any share, as the absolute owner thereof for all purposes, and shall not be under any obligation to recognize any trust or equity or equitable claim to or interest in such share, whether or not the Corporation shall have actual or other notice thereof.

Section 6.3 Transfer of Stock. Transfer of stock may be made in any manner permitted by law, but no transfer shall be valid (except between the parties thereto) until the transfer shall have been duly recorded in the stock books of the Corporation and a new certificate or evidence of uncertificated shares are issued. No transfer shall be entered in the stock books of the Corporation, nor shall any new certificate be issued until the old certificate, properly endorsed, shall be surrendered and canceled or proper transfer instructions are received from the holder of uncertificated shares.

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Section 6.4 Closing of Transfer Books. The Board of Directors shall have power for any corporate purpose from time to time to close the stock transfer books of the Corporation for a period not exceeding thirty (30) consecutive business days, provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix a record date for the payment of any dividend or for the allotment of rights or for the effective date of any change, conversion or exchange of capital stock or in connection with obtaining the consent of stockholders in any matter requiring their consent or for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders, and in any such case, only such stockholders as shall be stockholders of record on the record date so fixed shall be entitled to the rights, benefits and privileges incident to ownership of the shares of stock for which such record date has been fixed, notwithstanding any transfer of stock on the books of the corporation after such record date.

Section 6.5 Lost Certificates. The Board of Directors may adopt rules and regulations respecting replacement of lost, destroyed or mutilated certificates. Subject to those rules or otherwise if no rules are adopted, the Board of Directors may order a new share certificate to be issued in the place of any share certificate alleged to have been lost, destroyed, or mutilated. In every such case, the owner of the lost, destroyed, or mutilated certificate shall be required to file with the Board of Directors sworn evidence showing the facts connected with the loss or destruction. Unless the Board of Directors shall otherwise direct, the owner of the lost or destroyed certificate shall be required to give to the Corporation a bond or undertaking in such sum, in such form, and with such surety or sureties as the Board of Directors may approve, to indemnify the Corporation against any loss, damage or liability that the Corporation may incur by reason of the issuance of a new certificate. Any new certificate issued in the place of any lost, destroyed, or mutilated certificate shall bear the notation "Issued for Lost Certificate No. _____." Nothing in this Section contained shall impair the right of the Board of Directors, in its discretion, to refuse to replace any allegedly lost or destroyed certificate, save upon the order of the court having jurisdiction in the matter.

Section 6.6 Stock Rights and Options. The Corporation may create and issue, whether or not in connection with the issuance and sale of any of its shares or other securities, rights or options entitling the holders thereof to purchase from the Corporation shares of any class or classes. Such rights or options shall be evidenced in such manner as the Board shall approve and, subject to the provisions of the articles of incorporation, shall set forth the terms upon which, the time or times within which, and the price or prices at which, such shares may be purchased from the Corporation upon the exercise of any right or option. The documents evidencing such rights or options may include conditions on the exercise of such rights or options, including conditions that preclude the holder or holders, including any subsequent transferees, of at least a specified percentage of the common stock of the Corporation from

exercising such rights or options. No approval by the shareholders of the Corporation shall be required for the issuance of such rights or options to directors, officers or employees of the Corporation or any subsidiary, or to the stockholders.

Section 6.7 Dividend Record Date. In order that the Corporation may determine the shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the shareholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of

Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining shareholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.1 Proper Officers. Except as hereinafter provided, or as required by law, all checks, notes, bonds, acceptances or other financial instruments, deeds, leases, contracts, licenses, endorsements, stock powers, powers of attorney, proxies, waivers, consents, returns, reports, applications, notices, mortgages and other instruments or writings of any nature which require execution on behalf of the Corporation may be signed by any one officer. However, the Board of Directors may authorize any documents, instruments or writings to be signed by any agents or employees of the Corporation or any one of them in such manner as the Board of Directors may determine from time to time.

Section 7.2 Facsimile Signatures. The Board of Directors may by resolution provide for the execution of checks, warrants, drafts and other orders for the payment of money by a mechanical device or machine or by the use of facsimile signatures under such terms and conditions as shall be set forth in the resolution.

Section 7.3 Notice by Electronic Transmission.

7.3.1 Without limiting the manner by which notice otherwise may be given to shareholders, notice to shareholders given by the Corporation shall be effective if provided by electronic transmission consented to by the shareholder to whom the notice is given. Any consent shall be revocable by the shareholder by written notice to the Corporation. Any consent shall be deemed revoked if: (a) the Corporation is unable to deliver by electronic transmission two (2) consecutive notices given by the Corporation in accordance with such consent; and (b) the inability to deliver becomes known to the Secretary or an assistant secretary of the Corporation, to the transfer agent, or other person responsible for giving notice; provided that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

7.3.2 Notice given pursuant to Section 7.3.1 of these bylaws shall be deemed given: (a) if by facsimile telecommunication, when directed to a number at which the shareholder has consented to receive notice; (b) if by electronic mail, when directed to an electronic mail address at which the shareholder has consented to receive notice; (c) if by a posting on an electronic network together with separate notice to the shareholder of such specific posting, upon the later of the posting and the giving of such separate notice; and (d) if by any other form of electronic transmission, when directed to the shareholder.

Section 7.4 Shareholder Registration Book. The Corporation shall keep a book for registering the names of all shareholders, showing the number of shares of stock held by them, and the time when they became the owners of the shares. The book shall be open at all reasonable times for the inspection of the shareholders. The Secretary of the Corporation or the person having the charge of the book shall give a certified transcript of anything therein contained to any shareholder applying therefore; provided that the shareholder pays a reasonable charge for the preparation of the certified transcript.

ARTICLE VIII

AMENDMENTS OF BYLAWS

Section 8.1 These bylaws may be amended or repealed in accordance with Article VIII of the articles of incorporation.

Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.

I, Matthew J. Cox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Matson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Matthew J. Cox
Matthew J. Cox, President and
Chief Executive Officer

Date: November 7, 2013

Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.

I, Joel M. Wine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Matson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ Joel M. Wine
Joel M. Wine, Senior Vice President and
Chief Financial Officer

Date: November 7, 2013

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

In connection with the Quarterly Report on Form 10-Q of Matson, Inc. (the "Company") for the quarterly period ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Matthew J. Cox, as President and Chief Executive Officer of the Company, and Joel M. Wine, as Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that to their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Matthew J. Cox

Name: Matthew J. Cox
Title: President and Chief Executive Officer
Date: November 7, 2013

/s/ Joel M. Wine

Name: Joel M. Wine
Title: Senior Vice President and Chief Financial Officer
Date: November 7, 2013
