UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003
Commission file number 0-565

ALEXANDER & BALDWIN, INC.
(Exact name of registrant as specified in its charter)

Hawaii	99-0032630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

822 Bishop Street
Post Office Box 3440, Honolulu, Hawaii 96801
(Address of principal executive offices and zip code)

808-525-6611
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, without par value
(Title of Class)

Number of shares of Common Stock outstanding at February 9, 2004:
42,307,828

Aggregate market value of Common Stock held by non-affiliates at June 30, 2003:
$1,019,843,484

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 |X| No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes |X| No _____

Documents Incorporated By Reference
Portions of Registrant's Proxy Statement dated March 8, 2004 (Part III of Form 10-K)

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ALEXANDER & BALDWIN, INC.

FORM 10-K

Annual Report for the Fiscal Year Ended December 31, 2003

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Alexander & Baldwin, Inc. ("A&B") is a diversified corporation with most of its operations centered in Hawaii. It was founded in 1870 and incorporated in 1900. Ocean transportation operations, related shoreside operations in Hawaii, and intermodal, truck brokerage and logistics services are conducted by a wholly-owned subsidiary, Matson Navigation Company, Inc. ("Matson") and several Matson subsidiaries. Property development and food products operations are conducted by A&B and certain other subsidiaries of A&B.

The business industries of A&B are as follows:

A. Transportation - carrying freight, primarily between various ports on the U.S. Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; arranging intermodal and motor carrier services and providing logistics services in North America; and providing terminal, stevedoring and container equipment maintenance services in Hawaii.

B. Property Development and Management - purchasing, developing, selling, managing, leasing and investing in commercial (including retail, office and industrial) and residential properties, in Hawaii and on the U.S. mainland.

C. Food Products - growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; marketing and distributing roasted coffee and green coffee; providing sugar and molasses hauling in Hawaii; and generating and selling electricity.

For information about the revenue, operating profits and identifiable assets of A&B's industry segments for the three years ended December 31, 2003, see Note 14 ("Industry Segments") to A&B's financial statements in Item 8 of Part II below.

DESCRIPTION OF BUSINESS AND PROPERTIES

A. Transportation

(1) Freight Services

Matson's Hawaii Service offers containership freight services between the ports of Long Beach, Oakland, Seattle, and the major ports in Hawaii on the islands of Oahu, Kauai, Maui and Hawaii. Roll-on/roll-off service is provided between California and the major ports in Hawaii.

Matson is the principal carrier of ocean cargo between the U.S. Pacific Coast and Hawaii. In 2003, Matson carried approximately 162,400 containers (compared with 152,500 in 2002) and 145,200 automobiles (compared with 120,500 in 2002) between those destinations. Principal westbound cargoes carried by Matson to Hawaii include dry containers of mixed commodities, refrigerated commodities, building materials, automobiles and packaged foods. Principal eastbound cargoes carried by Matson from Hawaii include automobiles, household goods, refrigerated containers of fresh pineapple, canned pineapple and dry containers of mixed commodities. The preponderance of Matson's Hawaii Service revenue is derived from the westbound carriage of containerized freight and automobiles.

Matson's Guam Service provides containership freight services between the U.S. Pacific Coast and Guam and Micronesia. Matson's Guam Service is a component of the Pacific Alliance Service, a strategic alliance established by Matson and American President Lines, Ltd. ("APL") to provide freight services between the U.S. Pacific Coast and Hawaii, Guam and several Far East ports. In 2003, Matson carried approximately 17,800 containers (compared with 16,300 in 2002) and 4,660 automobiles (compared with 3,760 in 2002) in the Guam Service. The alliance currently utilizes three Matson vessels and two APL vessels.

Matson's Mid-Pacific Service offers container and conventional freight services between the U.S. Pacific Coast and the ports of Kwajalein, Ebeye and Majuro in the Republic of the Marshall Islands and Johnston Island, all via Honolulu.

See "Rate Regulation" below for a discussion of Matson's freight rates.

(2) Vessels

Matson's fleet consists of ten containerships, three combination container/trailerships, including a combination ship time-chartered from a third party, one roll-on/roll-off barge, two container barges equipped with cranes that service the neighbor islands of Hawaii, and one container barge equipped

with cranes in the Mid-Pacific service. The 16 Matson-owned vessels in its fleet represent an investment of approximately $745 million expended over the past 33 years. The majority of vessels in the Matson fleet have been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act, 1936, as amended.

Matson is actively pursuing a vessel renewal program because its fleet is aging, with five vessels that will be more than 30 years old in 2004. In 2002, Matson contracted with Kvaerner Philadelphia Shipyard Inc. for two new containerships for the Hawaii Service, each at a total project cost of approximately $107 million. The first ship was delivered in the third quarter of 2003, and the second is scheduled for delivery in the third or fourth quarter of 2004.

Ships owned by Matson are described on the following page.

As a complement to its fleet, Matson owns approximately 19,600 containers, 10,700 container chassis, 500 auto-frames and miscellaneous other equipment. Capital expenditures incurred by Matson in 2003 for vessels, equipment and systems totaled approximately $132 million.

(3) Terminals

Matson Terminals, Inc. ("Matson Terminals"), a wholly-owned subsidiary of Matson, provides container stevedoring, container equipment maintenance and other terminal services for Matson and other ocean carriers at its 105-acre marine terminal in Honolulu. Matson Terminals owns and operates seven cranes at the terminal, which handled approximately 419,600 containers in 2003 (compared with 378,600 in 2002) and can accommodate three vessels at one time. Matson Terminals' lease with the State of Hawaii runs through September 2016. Matson Terminals has completed a $32 million terminal improvement project at the Honolulu terminal that included the conversion from a straddle carrier-based container handling system to a wheeled chassis- and toppick-based system. The conversion has resulted in improved productivity at the terminal, with marginal improvements in stevedoring operations, increased storage density, and reduced costs. In October 2003, Matson Terminals began operating a dedicated roll-on/roll-off terminal facility in Honolulu that provides premium service to automobile shippers and consignees.

SSA Terminals, LLC ("SSAT"), a joint venture of Matson and Stevedoring Services of America ("SSA"), provides terminal and stevedoring services at U.S. Pacific Coast terminal facilities in Long Beach, Oakland and Seattle.

MATSON NAVIGATION COMPANY, INC.
FLEET--2/1/04

Vessel Name	Official Number	Year Built	Year Reconstructed	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Usable Cargo Capacity: Containers 20'	24'	40'	45'	Reefer Slots	TEUs (1)	Vehicles: Autos	Trailers
Diesel-Powered Ships														
R.J. PFEIFFER.......	979814	1992	--	713'6"	23.0	27,100	48	171	988	--	300	2,229	--	--
MOKIHANA (2)........	655397	1983	--	860'2"	23.0	30,167	182	--	1,340	--	408	2,824	--	--
MAHIMAHI (2)........	653424	1982	--	860'2"	23.0	30,167	182	--	1,340	--	408	2,824	--	--
MANOA (2)...........	651627	1982	--	860'2"	23.0	30,187	182	--	1,340	--	408	2,824	--	--
MANUKAI.............	1141163	2003	--	711'9"	23.0	36,036	4	--	1,294	--	300	2,592	--	--
Steam-Powered Ships														
KAUAI...............	621042	1980	1994	720'5 1/2"	22.5	26,308	--	458	538	--	300	1,626	44	--
MAUI................	591709	1978	1993	720'5 1/2"	22.5	26,623	--	458	538	--	300	1,626	--	--
MATSONIA............	553090	1973	1987	760'0"	21.5	22,501	16	128	771	--	201	1,712	450	56
LURLINE.............	549900	1973	2003	826'6"	21.5	22,213	6	--	865	38	246	1,821	910	55
EWA (3).............	530140	1972	1978	787'8"	21.0	38,747	286	276	681	--	228	1,979	--	--
CHIEF GADAO (3).....	530138	1971	1978	787'8"	21.0	37,346	230	464	597	--	274	1,981	--	--
LIHUE (3)...........	530137	1971	1978	787'8"	21.0	38,656	286	276	681	--	188	1,979	--	--
Barges														
WAIALEALE (4).......	978516	1991	--	345'0"	--	5,621	--	--	--		35	--	230	45
ISLANDER (5)........	933804	1988	--	372'0"	--	6,837	--	276	24		70	380	--	--
MAUNA LOA (5).......	676973	1984	--	350'0"	--	4,658	--	144	72		84	316	--	--
HALEAKALA (5).......	676972	1984	--	350'0"	--	4,658	--	144	72		84	316	--	--

Vessel Name	Molasses Short Tons
Diesel-Powered Ships	
R.J. PFEIFFER.......	--
MOKIHANA (2)........	--
MAHIMAHI (2)........	--
MANOA (2)...........	--
MANUKAI.............	--
Steam-Powered Ships	
KAUAI...............	2,600
MAUI................	2,600
MATSONIA............	4,300
LURLINE.............	2,100
EWA (3).............	--
CHIEF GADAO (3).....	--
LIHUE (3)...........	--
Barges	
WAIALEALE (4).......	--
ISLANDER (5)........	--
MAUNA LOA (5).......	2,100
HALEAKALA (5).......	2,100

- --------
(1) "Twenty-foot Equivalent Units" (including trailers). TEU is a standard measure of cargo volume correlated to the volume of a standard 20-foot dry cargo container.
(2) Time-chartered to APL until February 2006.
(3) Reserve Status.
(4) Roll-on/Roll-off Barge.
(5) Container Barge.

Capital expenditures incurred by Matson Terminals in 2003 for terminals and equipment totaled approximately $1 million.

(4) Logistics and Other Services

Matson Integrated Logistics, Inc. ("Matson Integrated Logistics"), a wholly-owned subsidiary of Matson, arranges rail, highway, air, ocean and other surface transportation and provides other third-party logistics services for North American shippers. Through volume purchases of rail, motor carrier, air and ocean transportation services, augmented by such services as shipment tracing and single-vendor invoicing, Matson Integrated Logistics is able to reduce transportation costs for its customers. Matson Integrated Logistics operates eight regional operating centers and has 23 sales offices across the U.S. mainland.

Matson Logistics Solutions, Inc. ("Matson Logistics"), a wholly-owned subsidiary of Matson, provides third-party logistics services primarily for the automotive industry in Hawaii, Alaska, Puerto Rico and Guam-Micronesia.

(5) Competition

Matson's Hawaii Service and Guam Service have one major containership competitor that serves Long Beach, Oakland, Tacoma, Honolulu and Guam. Other competitors in the Hawaii Service include two common carrier barge services, unregulated proprietary and contract carriers of bulk cargoes, and air cargo service providers. Although air freight competition is intense for time-sensitive and perishable cargoes, inroads by such competition in terms of cargo volume are limited by the amount of cargo space available in passenger aircraft and by generally higher air freight rates.

Matson vessels are operated on schedules which make available to shippers and consignees regular day-of-the-week sailings from the U.S. Pacific Coast and day-of-the-week arrivals in Hawaii. Under its current schedule, Matson operates 208 Hawaii round-trip voyages per year, double the westbound voyages of its nearest competitor, and arranges additional voyages when cargo volumes require additional capacity. This service is attractive to customers because more frequent arrivals permit customers to reduce inventory costs. Matson also competes by offering a more comprehensive service to customers, supported by the scope of its equipment, its efficiency and experience in handling containerized cargo, and competitive pricing.

The carriage of cargo between the U.S. Pacific Coast and Hawaii on foreign-built or foreign-documented vessels is prohibited by Section 27 of the Merchant Marine Act, 1920, commonly referred to as the Jones Act. However, foreign-flag vessels carrying cargo to Hawaii from non-U.S. locations provide indirect competition for Matson's Hawaii Service. Far East countries, Australia, New Zealand and South Pacific islands have direct foreign-flag services to Hawaii.

In response to coordinated efforts by various interests to convince Congress to repeal the Jones Act, in 1995 Matson joined other businesses and organizations to form the Maritime Cabotage Task Force, which supports the retention of the Jones Act and other cabotage laws. Repeal of the Jones Act would allow all foreign-flag vessel operators, which do not have to abide by U.S. laws and regulations, to sail between U.S. ports in direct competition with Matson and other U.S. operators which must comply with such laws and regulations. The Task Force seeks to inform elected officials and the public about the economic, national security, commercial, safety and environmental benefits of the Jones Act and similar cabotage laws.

Matson Integrated Logistics competes for freight with a number of large and small companies that provide surface transportation and third-party logistics services.

(6) Labor Relations

The absence of strikes and the availability of labor through hiring halls are important to the maintenance of profitable operations by Matson. Until 2002, when International Longshore and Warehouse Union ("ILWU") workers were locked out for ten days on the U.S. Pacific Coast, Matson's operations had not been disrupted significantly by labor disputes in over 30 years. See "Employees and Labor Relations" below for a description of labor agreements to which Matson and Matson Terminals are parties and information about certain unfunded liabilities for multi-employer pension plans to which Matson and Matson Terminals contribute.

(7) Rate Regulation

Matson is subject to the jurisdiction of the Surface Transportation Board with respect to its domestic rates. A rate in the noncontiguous domestic trade is presumed reasonable and will not be subject to investigation if the aggregate of increases and decreases is not more than 7.5 percent above, or more than 10 percent below, the rate in effect one year before the effective date of the proposed rate, subject to increase or decrease by the percentage change in the U.S. Producer Price Index. Effective January 12, 2003, Matson imposed a terminal handling charge of $200 per container for westbound freight, $100 per container for eastbound freight and $30 per automobile in its Hawaii Service. On June 15, 2003, Matson instituted a $100 per container U.S. mainland terminal handling charge for cargo moving to and from Guam. Matson increased its rates in the Hawaii Service by $125 per westbound container and $60 per eastbound container and increased its terminal handling charge by $25 per westbound container and $15 per eastbound container, effective January 11, 2004. Matson also increased its rates for moving automobiles by $25, both westbound and

eastbound, and its terminal handling charge for automobiles by $5. Matson's last general rate increase was in April 2002. No general rate increase was implemented in 2003. Due to dramatic increases in fuel prices attributed to the increasing likelihood of war in Iraq, Matson increased its fuel surcharge from 6 percent to 7.5 percent effective March 3, 2003. Matson reduced the fuel surcharge from 7.5 percent to 6.5 percent effective May 4, 2003, and increased it from 6.5 percent to 7.5 percent effective September 15, 2003.

B. Property Development and Management

(1) General

A&B and its subsidiaries, including A & B Properties, Inc., own approximately 90,240 acres, consisting of approximately 90,000 acres in Hawaii and approximately 240 acres elsewhere, as follows:

Location	No. of Acres
Oahu	46
Maui	68,906
Kauai	21,045
California	91
Texas	47
Washington	13
Arizona	35
Nevada	21
Colorado	17
Utah	15
TOTAL	90,236

As described more fully in the table below, the bulk of this acreage currently is used for agricultural and related activities, and includes pasture land, watershed land and conservation reserves. The balance is used or planned for development or other urban uses. An additional 3,306 acres on Maui and Kauai are leased from third parties and, in March 2003, title to 846 acres on Kauai was transferred to a joint venture, consisting of A&B and DMB Associates, Inc., an Arizona-based developer, for the development of a master planned resort residential community.

Current Use	No. of Acres
Hawaii	
Fully entitled Urban (defined below)	656
Agricultural, pasture and miscellaneous	60,051
Watershed land/conservation	29,290
U.S. Mainland	
Fully entitled Urban	239
TOTAL	90,236

A&B and its subsidiaries are actively involved in the entire spectrum of real estate development and ownership, including planning, zoning, financing, constructing, purchasing, managing and leasing, selling and exchanging, and investing in real property.

On February 6 and 7, 2004, union workers at Honolulu's two largest concrete manufacturers, which supply most of the concrete on Oahu, went on strike, shutting down both manufacturing operations. This shutdown had the immediate impact of delaying the pouring of the foundation for the Hokua project, but is not expected to have a near-term impact on construction at the Lanikea project. Both of these projects are described below. Any prolonged strike will delay the completion of both projects, as well as have wide-spread impact on construction generally on Oahu. Although labor negotiations between union and management are ongoing, it is difficult at this time to predict the likely duration of the strike.

(2) Planning and Zoning

The entitlement process for development of property in Hawaii is both time-consuming and costly, involving numerous State and County regulatory approvals. For example, conversion of an agriculturally-zoned parcel to residential zoning usually requires the following three approvals:

- amendment of the County general plan to reflect the desired residential use;
- approval by the State Land Use Commission to reclassify the parcel from the Agricultural district to the Urban district; and
- County approval to rezone the property to the precise residential use desired.

The entitlement process is complicated by the conditions, restrictions and exactions that are placed on these approvals, including, among others, the construction of infrastructure improvements, payment of impact fees, restrictions on the permitted uses of the land, provision of affordable housing and/or mandatory fee sale of portions of the project.

A&B actively works with regulatory agencies, commissions and legislative bodies at various levels of government to obtain zoning

reclassification of land to its highest and best use. A&B designates a parcel as "fully entitled" or "fully zoned" when the three land use approvals described above have been obtained.

(3) Residential Projects

A&B is pursuing a number of residential projects in Hawaii, including:

(a) Wailea. In October 2003, A&B and an affiliate of GolfBC Group, a Vancouver, Canada-based company, completed the acquisition of the Hawaii assets of the Shinwa Golf Group. These assets include 270 acres of fully-zoned, undeveloped residential and commercial land, and three golf courses at the world-renowned Wailea Resort on Maui, and two golf courses and an undeveloped hotel site at the Kauai Lagoons Resort. The total purchase price for the assets was $131.5 million, with GolfBC acquiring the three golf courses and tennis center at Wailea, and the two golf courses, hotel site and developable lands at the Kauai Lagoons Resort for $64.4 million. A&B retained the 270 acres of fully-zoned, undeveloped lands, planned for up to 1,600 homes, for $67.1 million. A&B was the original developer of the Wailea Resort, beginning in the 1970s and continuing until A&B sold the Resort to the Shinwa Golf Group in 1989.

In October 2003, A&B received State approval to commence marketing 29 single-family homesites at Wailea's Golf Vistas subdivision. Closings commenced in January 2004. As of January 31, 2004, 13 lots have been sold and six lots are in escrow, at prices ranging from $495,000 to $1.6 million, for an average price of $835,000. Negotiations are progressing on the sale of various development parcels to third parties, and A&B is proceeding with the evaluation of its own development of certain parcels.

(b) The Summit at Kaanapali. In January 2000, A&B acquired 17 acres in the Kaanapali Golf Estates project. This land was developed into 17 single-family homes and 36 homesites. As of December 31, 2003, all 17 homes and 34 homesites were sold (two homes and 20 homesites were sold in 2003). The two remaining homesites closed in January 2004. The average price of the 17 homes and 36 homesites was $1.1 million and $347,000, respectively.

(c) Haliimaile Subdivision. A&B's application to rezone 63 acres for the development of a 150- to 200-lot subdivision in Haliimaile (Upcountry, Maui) continues to be held by the Maui County Council's Land Use Committee. Council action is expected in 2004.

(d) Kukui'Ula. Kukui'Ula is a 1,000-acre master planned resort residential community located in Poipu, Kauai. In April 2002, an agreement was signed with an affiliate of DMB Associates, Inc., an Arizona-based developer of master planned communities, for the joint development of Kukui'Ula. The joint venture's initial conceptual land use plan anticipates a reduction in overall project density from 3,400 planned units to between 1,200 to 1,500 high-end residential units. During 2003, A&B contributed to the venture title to 846 acres, a waste water treatment plant, and other improvements. The balance of the land will be transferred to the venture upon securing further entitlements for the property. In July 2003, the State Land Use Commission granted Urban designation for the project's remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. Applications were filed in July 2003 to amend the Kauai County's zoning and visitor designation areas for the project, and hearings were held in October and November 2003 and January 2004. The Kauai County Planning Commission recommended approval of the applications on January 27, 2004, and action is anticipated by the County Council by the third quarter of 2004. The venture had no sales activity during 2003.

(e) Kai Lani. In September 2001, A&B entered into a joint venture with Armstrong Kai Lani Corporation for the development of 116 townhouse units on an 11-acre parcel in the Ko 'Olina Resort on Oahu. Construction on the first building began in July 2002. A total of 105 units were sold in 2003. As of January 31, 2004, of the remaining 11 units, three units have been sold and eight units are in escrow and are scheduled to close by March 2004. The average price of the 116 units is $496,000.

(f) Lanikea at Waikiki. In November 2001, A&B acquired a 1.63-acre, vacant, fee simple development site in Waikiki, Oahu, for approximately $3.6 million. The property, located at the entrance to Waikiki, is zoned for high-rise residential use and limited commercial uses. The project has been designed and permitted for 100 apartments, averaging 1,000 square feet in size, except for the four penthouse units, which average 1,600 square feet. The building will be 30 stories tall, with the first five floors devoted to parking. Sales commenced in April 2003. As of January 31, 2004, 92 binding contracts have been entered into, and an additional six units are in escrow. The average sales price of the 98 contracts is $574,000. Construction commenced in December 2003 and is scheduled for completion in the second quarter of 2005.

(g) Hokua. In July 2003, A&B entered into a joint venture with the MacNaughton/Kobayashi Group for the development of a 247-unit high-rise luxury condominium project across from the Ala Moana Beach Park in Honolulu. The project contains four floors of parking and 37 floors of residential units. The first 32 residential floors include seven units each, with an average unit size of 1,760 square feet. The next four floors have five units each, with an average unit size of 2,500 square feet. The Penthouse floor contains three units, averaging 4,330 square feet each. Sales commenced in December 2002. As of January 31, 2004, 233 of the project's 247 units were under binding contracts, at an average price of $1 million per unit. In November 2003, the joint venture acquired title to the 3.7-acre property. Demolition of improvements commenced in October 2003, and construction is expected to be completed in the fourth quarter of 2005.

(h) HoloHolo Ku. In October 2001, A&B entered into a joint venture with Kamuela Associates, LLC for the development of 44 detached single-family homes under a Condominium Property Regime, on an 8.5-acre parcel in Kamuela on the

island of Hawaii. Construction began in December 2001, and was completed in October 2003. As of January 31, 2004, 41 homes have been sold at an average price of $387,000 (36 of the homes were sold in 2003), one is in escrow and two are available for sale.

(4) Commercial Properties

An important source of property revenue is the lease rental income A&B receives from its leased portfolio, currently consisting of approximately 5.4 million leaseable square feet of commercial building space, ground leases on 266 acres for commercial use, and leases on 10,719 acres for agricultural/pasture use.

(a) Hawaii Commercial Properties

A&B's Hawaii commercial properties portfolio consists primarily of seven retail centers, eight office buildings and three industrial properties, comprising approximately 1.7 million square feet of leaseable space. Most of the commercial properties are located on Maui and Oahu, with smaller holdings in the area of Port Allen, on the island of Kauai. The average occupancy for the Hawaii portfolio was 90 percent in 2003 (compared with 89 percent in 2002). The increase was due primarily to higher occupancies in the office properties.

In March 2003, A&B sold the 83,800-square-foot Dairy Road Center industrial property, located in Kahului, Maui. Other 2003 sales included four leased fee properties in Kahului.

In August 2003, A&B acquired the Napili Plaza, a 45,200-square-foot shopping center, located between the Kaanapali and Kapalua resorts on Maui, and a 117,000-square-foot industrial warehouse, adjacent to HC&S's Puunene mill on Maui. Proceeds from several tax-deferred exchanges under Section 1031 of the Internal Revenue Code, as amended ("Code"), were used to acquire these properties.

The primary Hawaii commercial properties are as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Maui Mall	Kahului, Maui	Retail	192,600
Mililani Shopping Center	Mililani, Oahu	Retail	180,300
Pacific Guardian Complex	Honolulu, Oahu	Office	138,400
Kaneohe Bay Shopping Center	Kaneohe, Oahu	Retail	124,500
P&L Warehouse	Kahului, Maui	Industrial	104,100
Kahului Shopping Center	Kahului, Maui	Retail	99,600
Ocean View Center	Honolulu, Oahu	Office	99,200
Hawaii Business Park	Pearl City, Oahu	Industrial	85,200
Haseko Center	Honolulu, Oahu	Office	84,200
One Main Plaza	Wailuku, Maui	Office	82,800
Wakea Business Center	Kahului, Maui	Industrial/Retail	61,500
Kahului Office Building	Kahului, Maui	Office	56,800
Napili Plaza	Napili, Maui	Retail	45,200
Fairway Shops at Kaanapali	Kaanapali, Maui	Retail	35,100
Kahului Office Center	Kahului, Maui	Office	31,300
Stangenwald Building	Honolulu, Oahu	Office	27,100
Port Allen Marina Center	Port Allen, Kauai	Retail	23,600
Judd Building	Honolulu, Oahu	Office	20,200

A number of other commercial projects are being developed on Maui and Oahu, including:

(i) Triangle Square. Previous construction at the 12-acre Triangle Square commercial project in Kahului, Maui includes two retail buildings with a combined leasable area of 42,600 square feet, a BMW car dealership and three other improved commercial properties under long-term ground leases. In February 2003, a 0.9-acre ground lease was signed with the operator of the first Hawaii Krispy Kreme store, and the 4,500-square-foot store opened for business in January 2004. A lease was signed in August with an automobile dealer for a 6,500-square-foot build-to-suit Acura dealership on 1.1 acres. Approximately 1.6 acres remain available for lease.

(ii) Maui Business Park. Located in Kahului, Maui, the initial phase of Maui Business Park, developed between 1995 and 2000, consists of approximately 69.4 saleable acres, subdivided into 41 lots, having an average size of 23,700 square feet, and three bulk parcels. The property is zoned for light industrial/commercial uses.

From 1995 through 1998, a total of 20.3 acres was sold for the development of a 349,300-square-foot retail center, whose anchor tenants are Borders Books & Music, Lowe's, OfficeMax and Old Navy. In August 2000, a 12.8-acre parcel was sold to Home Depot, which completed a 135,000-square-foot store in May 2001. In February 2001, a 14-acre parcel was sold to Wal-Mart, which completed a 142,000-square-foot store in October 2001.

During 2003, five half-acre lots were sold at an average price of $26 per square foot. As of December 31, 2003, 62.8 acres have been sold (90 percent of the project) at an average price of $24 per square foot. Of the remaining eleven lots in the project (6.6 acres), as of January 31, 2004, two lots have been sold, four lots are in escrow, two lots have signed letters of intent and two lots are in negotiation, leaving one lot available for sale.

In May 2002, the Maui County Council approved the inclusion of approximately 179 acres in the Wailuku-Kahului Community Plan for the future expansion of Maui Business Park. In May 2003, A&B filed a petition with the State Land Use Commission ("SLUC") to redesignate 138 acres from Agricultural to Urban. (Seven acres are currently designated Urban, and an additional 34 acres have already received tentative approval for designation as Urban.) SLUC hearings were held in the fourth quarter of 2003 and, on February 5, 2004, the SLUC approved the reclassification of 138 acres to Urban. A&B has commenced the preparation of a zoning-change application to be filed with the County.

(iii) Kahului Airport Hotel. In March 2002, the Maui County Council approved A&B's zoning and Community Plan amendment applications for a proposed 134-room hotel, to be developed on 3.4 acres near the Kahului Airport. Construction plans were submitted to Maui County for review in December 2002. However, due to higher-than-expected construction bids, obtained in April 2003, construction of the hotel has been deferred.

(iv) Mill Town Center. Located in Waipahu, Oahu (approximately 12 miles from Honolulu), the Mill Town Center is a light-industrial subdivision consisting of 27.5 saleable acres, developed between 1999 and 2002. The property has been subdivided into 61 lots, having an average size of 29,100 square feet. During 2003, seven lots were sold, at an average price of $27 per square foot. As of December 31, 2003, a total of 32 lots (14 acres) have been sold, at an average price of $24 per square foot. Of the remaining 29 lots (13.5 acres), as of January 31, 2004, five lots have been sold, 18 lots are in escrow, letters of intent have been executed for two lots and negotiations are ongoing for two lots, leaving two lots (1 acre) remaining available for sale.

(v) Kunia Shopping Center. In November 2002, A&B acquired a 4.6-acre, fee simple vacant parcel for $2.65 million. The parcel, which is zoned for retail use, is located in Kunia, Central Oahu (near the Royal Kunia and Village Park residential communities) and is planned to be developed as a 50,000-square-foot neighborhood retail center, plus three pad sites. Leasing activities commenced in June 2003. Construction drawings were completed in October 2003 and bids were received in December. Construction is projected to commence in the second quarter of 2004 and be completed 12 months later.

(vi) Alakea Corporate Tower. In March 2003, A&B acquired a Class A 31-story office building in downtown Honolulu (since re-named Alakea Corporate Tower), for $20 million. The building contains approximately 158,300 square feet of office space, and was acquired with the intent of converting the building into, and selling, fee simple office condominium units. The majority of planned improvements to the building have been completed, including the renovation of the lobby, conference room and four floors, the installation of landscaping and a courtyard water feature and other common area repair and renovation work. The building was submitted to a Condominium Property Regime and fifty-three condominium units were created, some consisting of whole floors within the building, and others consisting of two or three units per floor. List prices for whole floors, which include eight assigned parking stalls per floor, range from $1 million to $1.2 million. The Final Condominium Public Report was issued for the project in October and sales commenced in the same month. In 2003, eight whole floors were sold, at an average price of $1.1 million per floor. As of January 31, 2004, one floor has been sold, another three and one-half floors are in escrow and letters of intent have been signed for another four and one-half floors.

(b) U.S. Mainland Commercial Properties

On the U.S. mainland, A&B owns a portfolio of commercial properties, acquired primarily by way of tax-deferred exchanges under Code Section 1031, comprising approximately 3.7 million square feet of leasable area. The portfolio consists of eight retail centers, four office buildings and eight industrial properties, as follows:

Property	Location	Type	Leasable Area (sq. ft.)
Ontario Distribution Center............	Ontario, CA	Industrial	895,500
Sparks Business Center..................	Sparks, NV	Industrial	396,100
Ontario-Pacific Business Centre.........	Ontario, CA	Industrial	246,100
Centennial Plaza........................	Salt Lake City, UT	Industrial	244,000
Valley Freeway Corporate Park...........	Kent, WA	Industrial	229,100
Boardwalk Shopping Center...............	Round Rock, TX	Retail	184,600
San Pedro Plaza.........................	San Antonio, TX	Office	163,700
2868 Prospect Park......................	Sacramento, CA	Office	161,700
Arbor Park Shopping Center..............	San Antonio, TX	Retail	139,500
Mesa South Shopping Center..............	Phoenix, AZ	Retail	133,600
San Jose Avenue Warehouse...............	City of Industry, CA	Industrial	126,000
Southbank II............................	Phoenix, AZ	Office	120,800
Village at Indian Wells.................	Indian Wells, CA	Retail	104,600
2450 Venture Oaks.......................	Sacramento, CA	Office	99,000
Broadlands Marketplace..................	Broomfield, CO	Retail	97,900
Northwest Business Center...............	San Antonio, TX	Industrial/Office	87,000
Carefree Marketplace....................	Carefree, AZ	Retail	85,000
Marina Shores Shopping Center...........	Long Beach, CA	Retail	67,700
Vista Controls Building.................	Valencia, CA	Industrial/Office	51,100
Wilshire Center.........................	Greeley, CO	Retail	46,500

In June 2003, A&B sold the Airport Square property, a 170,800-square-foot shopping center located in Reno, Nevada.

In 2003, A&B acquired the 244,000-square-foot Centennial Plaza industrial property in Salt Lake City, Utah (September), the 184,600-square-foot Boardwalk Shopping Center in Round Rock, Texas (March), the 97,900-square-foot Broadlands Marketplace in Broomfield, Colorado (October), and the 51,100-square-foot Vista Controls Building in Valencia, California (March). All of these properties were acquired in Code Section 1031 exchanges.

A&B's Mainland commercial properties achieved an average occupancy rate of 93 percent in 2003 (compared with 92 percent in 2002). The increase was due primarily to additions of fully-leased properties to the portfolio.

In January 2003, A&B signed a joint venture agreement with Westridge Executive Building, LLC, for the development of a 63,000-square-foot office building in Valencia, California. Construction commenced in January and the building shell was completed in November. The building is approximately 74 percent leased under binding leases, with an additional 15 percent of the building under lease negotiations or executed letters of intent. Major tenants include Wells Fargo, Pardee Homes and Realty Executives. Full lease-up is anticipated in 2004.

C. Food Products

(1) Production

A&B has been engaged in activities relating to the production of cane sugar and molasses in Hawaii since 1870, and production of coffee in Hawaii since 1987. A&B's current food products operations consist of a sugar plantation on the island of Maui, operated by its Hawaiian Commercial & Sugar Company ("HC&S") division, and a coffee farm on the island of Kauai, operated by its Kauai Coffee Company, Inc. ("Kauai Coffee") subsidiary.

HC&S is Hawaii's largest producer of raw sugar, having produced approximately 205,700 tons of raw sugar in 2003, or about 79 percent of the raw sugar produced in Hawaii (compared with 215,900 tons or about 79 percent in 2002). The decrease in production was due primarily to an extended drought on Maui, rainy weather late in the year, and arson to nearly 900 acres of cane. Total Hawaii sugar production, in turn, amounted to approximately 5 percent of total U.S. sugar production. HC&S harvested 15,660 acres of sugar cane in 2003 (compared with 16,557 in 2002). The decrease in acres harvested was due primarily to weather-related slowdowns. Yields averaged 13.1 tons of sugar per acre in 2003 (compared with 13 in 2002). The average cost per ton of sugar produced at HC&S was $371 in 2003 (compared with $332 in 2002). The increase in cost per ton was attributable to lower sugar production and higher operating costs. As a by-product of sugar production, HC&S also produced approximately 72,500 tons of molasses in 2003 (compared with 74,300 in 2002).

In 2003, approximately 12,900 tons of sugar produced by HC&S were specialty food-grade raw sugars and sold under HC&S's Maui Brand(R) trademark. An expansion of the production facilities for these sugars was made in 2001 and 2002.

During 2003, Kauai Coffee had approximately 3,200 acres of coffee trees under cultivation. The harvest of the 2003 coffee crop yielded approximately 3.3 million pounds of green coffee (compared with 2.8 million in 2002). The increased production was due primarily to the inherent nature of coffee trees, which typically produce higher yields bi-annually.

HC&S and McBryde Sugar Company, Limited ("McBryde"), a subsidiary of A&B and the parent company of Kauai Coffee, produce electricity for internal use and for sale to the local electric utility companies. HC&S's power is produced by burning bagasse, by hydroelectric power generation and, when necessary, by burning fossil fuels, whereas McBryde produces power solely by hydroelectric generation. The price for the power sold by HC&S and McBryde is equal to the utility companies' "avoided cost" of not producing such power themselves. In addition, HC&S receives a capacity payment to provide a guaranteed power generation capacity to the local utility. See "Energy" below for power production and sales data.

Kahului Trucking & Storage, Inc., a subsidiary of A&B, provides sugar and molasses hauling and storage, petroleum hauling, mobile equipment maintenance and repair services and self-service storage facilities on Maui. Kauai Commercial Company, Incorporated, another subsidiary of A&B, provides similar services on Kauai, as well as general trucking services.

(2) Marketing of Sugar and Coffee

Substantially all of the bulk raw sugar produced in Hawaii is purchased, refined and marketed by C&H Sugar Company, Inc. ("C&H"), of which A&B owns approximately 36 percent of its common voting stock, 40 percent of its junior preferred stock and 100 percent of its senior preferred stock. The results of A&B's equity investment in C&H are reported in A&B's financial statements as an investment in an affiliate. C&H processes the raw cane sugar at its refinery at Crockett, California, and markets the refined products primarily in the western and central United States. HC&S markets its specialty food-grade raw sugars to food and beverage producers and to retail stores under its Maui Brand(R) label, and to distributors that repackage the sugars under their own labels. HC&S's largest food-grade raw sugar customers are Cumberland Packing Corp. and Sugar Foods Corporation, which repackage HC&S's turbinado sugar for their "Sugar in the Raw" products.

Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative consisting of two sugar cane growers in Hawaii (including HC&S), has a supply contract with C&H, ending in December 2008. Pursuant to the supply contract, the growers sell their raw sugar to C&H at a price equal to the New York No. 14 Contract settlement price, less a discount and less costs of sugar vessel discharge and stevedoring. This price, after deducting the marketing, operating, distribution, transportation and interest costs of HS&TC, reflects the gross

revenue to the Hawaii sugar growers, including HC&S. Notwithstanding the supply contract, HC&S arranged directly with C&H for the forward pricing of a portion of its 2003 harvest, as described in Item 7A ("Quantitative and Qualitative Disclosures About Market Risk") of Part II below.

At Kauai Coffee, coffee marketing efforts are directed toward developing a market for premium-priced, estate-grown Kauai green coffee. Most of the coffee crop is being marketed on the U.S. mainland and in Asia as green (unroasted) coffee. In addition to the sale of green coffee, Kauai Coffee produces and sells roasted, packaged coffee in Hawaii under the Kauai Coffee(R) trademark.

(3) Competition and Sugar Legislation

Hawaii sugar growers produce more sugar per acre than most other major producing areas of the world, but that advantage is offset by Hawaii's high labor costs and the distance to the U.S. mainland market. Hawaiian refined sugar is marketed primarily west of Chicago. This is also the largest beet sugar growing and processing area and, as a result, the only market area in the United States that produces more sugar than it consumes. Sugar from sugar beets is the greatest source of competition in the refined sugar market for the Hawaiian sugar industry.

The overall U.S. caloric sweetener market continues to grow. The use of non-caloric (artificial) sweeteners accounts for a relatively small percentage of the domestic sweetener market. The anticipated increased use of high fructose corn syrup and artificial sweeteners is not expected to affect sugar markets significantly in the near future.

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. The current protective legislation is the Farm Security and Rural Investment Act of 2002 ("2002 Farm Bill"). The two main elements of U.S. sugar policy are the tariff-rate quota ("TRQ") import system and the price support loan program. The TRQ system limits imports by allowing only a quota amount to enter the U.S. after payment of a relatively low tariff. A higher, over-quota tariff is imposed for imported quantities above the quota amount.

The 2002 Farm Bill reauthorized the sugar price support loan program, which supports the U.S. price of sugar by providing for commodity-secured loans to producers. Unlike most other commodity programs, sugar loans are made to processors and not directly to producers. HC&S is both a producer and a processor. To qualify for loans, processors must agree to provide a part of the loan payment to producers. Loans may be repaid either in cash or by forfeiture without penalty. The 2002 Farm Bill eliminated the former loan forfeiture penalty and marketing assessments, which increased the effective support level.

Under the 2002 Farm Bill, the government is required to administer the loan program at no net cost by avoiding sugar loan forfeitures. This is accomplished by reestablishing marketing allotments, which provides each processor or producer a specific limit on sales for the year, above which penalties would apply. It is also accomplished by adjusting fees and quotas for imported sugar to maintain the domestic price at a level that discourages producers from defaulting on loans. A loan rate (support price) of 18 cents per pound for raw cane sugar is in effect for the 2003 through 2007 crops. The supply agreement between HS&TC and C&H allows HS&TC to place sugar under loan pursuant to the loan program, but prohibits forfeiting sugar under loan while providing a "floor" price.

In 2003, U.S. domestic raw sugar prices declined and remain below historical averages. The pricing situation continues to be challenging, even to efficient producers like HC&S. A chronological chart of the average U.S. domestic raw sugar prices, based on the average daily New York No. 14 Contract settlement price for domestic raw sugar, is shown below:

[CHART]

JAN-00	17.70
FEB	17.05
MAR	18.46
APR	19.41
MAY	19.12
JUN	19.26
JUL	17.64
AUG	18.13
SEP	18.97
OCT	21.20
NOV	21.39
DEC	20.53
JAN-01	20.81
FEB	21.18
MAR	21.40
APR	21.51
MAY	21.19
JUN	21.04
JUL	20.64
AUG	21.01
SEP	20.87
OCT	20.85
NOV	21.19
DEC	21.35
JAN-02	21.03
FEB	20.63
MAR	19.92
APR	19.64
MAY	19.52
JUN	19.82

JUL	20.86
AUG	20.92
SEP	21.65
OCT	22.05
NOV	22.22
DEC	21.94
JAN-03	21.62
FEB	21.67
MAR	22.14
APR	21.87
MAY	21.80
JUN	21.55
JUL	21.32
AUG	21.29
SEP	21.34
OCT	20.97
NOV	20.90
DEC	20.38

Liberalized international trade agreements, such as the General Agreement on Tariffs and Trade, or GATT, include provisions relating to agriculture that can affect the U.S. sugar or sweetener industries materially. Recent negotiations under the U.S.-Central America Free Trade Agreement, or CAFTA, as well as other trade discussions, have resulted in lower U.S. sugar prices.

Kauai Coffee competes with coffee growers located worldwide, including in Hawaii. Due to an oversupply of coffee in the marketplace, coffee commodity prices continue to be adversely affected and are near record lows.

(4) Properties and Water

The HC&S sugar plantation, the largest in Hawaii, consists of approximately 43,300 acres of land, including 2,000 acres leased from the State of Hawaii and 1,300 acres under lease from private parties. Over 37,000 acres are under cultivation, and the balance either is used for contributory purposes, such as roads and plant sites, or is not suitable for cultivation.

McBryde owns approximately 9,500 acres of land on Kauai, of which approximately 2,400 acres are used for watershed and other conservation uses, approximately 3,400 acres are used by Kauai Coffee and the remaining acreage is leased to various agricultural enterprises for cultivation of a variety of crops and for pasturage.

It is crucial for HC&S and Kauai Coffee to have access to reliable sources of water supply and efficient irrigation systems. A&B's plantations conserve water by using a "drip" irrigation system that distributes water to the roots through small holes in plastic tubes. All but a small area of the cultivated cane land farmed by HC&S is drip irrigated. All of Kauai Coffee's fields also are drip irrigated.

A&B owns 16,000 acres of watershed lands on Maui that supply a portion of the irrigation water used by HC&S. A&B also held four water licenses to another 38,000 acres owned by the State of Hawaii on Maui, which over the years has supplied approximately one-third of the irrigation water used by HC&S. The last of these water license agreements expired in 1986, and all four agreements have since been extended as revocable permits that are renewable annually. In 2001, a request was made to the State Board of Land and Natural Resources to replace these revocable permits with a long-term water lease. Pending the conclusion of a contested case hearing before the Board on the request for the long-term lease, the Board renewed the existing permits.

D. Employees and Labor Relations

As of December 31, 2003, A&B and its subsidiaries had approximately 2,041 regular full-time employees. About 971 regular full-time employees were engaged in the growing of sugar cane and coffee and the production of raw sugar and green coffee; 897 were engaged in transportation; 46 were engaged in property development and management and the balance was in administration and miscellaneous operations. Approximately 55 percent were covered by collective bargaining agreements with unions.

As of December 31, 2003, Matson and its subsidiaries also had approximately 285 seagoing employees. Approximately 22 percent of Matson's regular full-time employees and all of the seagoing employees were covered by collective bargaining agreements.

Historically, collective bargaining with longshore and seagoing unions has been complex and difficult. However, Matson and Matson Terminals consider their relations with those unions, other unions and their non-union employees generally to be satisfactory.

Matson's seagoing employees are represented by six unions, three representing unlicensed crew members and three representing licensed crew members. Matson negotiates directly with these unions. During 2003, Matson and its licensed deck and engineering officers extended existing agreements for four years through 2009 and entered into separate ten-year agreements covering Matson's two new containerships. Matson and its radio officers extended their existing agreement for four years through 2007 and entered into a separate agreement through 2007 covering the two new ships. No agreements with offshore personnel are scheduled to expire in 2004.

As described in "Transportation - Rate Regulation" above, SSAT, the previously-described joint venture of Matson and SSA, provides stevedoring and terminal services for Matson vessels calling at U.S. Pacific Coast ports. Matson, SSA and SSAT are members of the Pacific Maritime Association ("PMA") which, on behalf of its members, negotiates collective bargaining agreements

with the ILWU on the U.S. Pacific Coast. Matson Terminals provides stevedoring and terminal services to Matson vessels calling at Honolulu. Matson Terminals is a member of the Hawaii Stevedore Industry Committee ("SIC") which, on behalf of its members, negotiates with the ILWU in Hawaii.

During 2003, Matson renewed its collective bargaining agreement with ILWU clerical workers at Honolulu and Oakland for six-year terms through June 2008. In 2004, Matson expects to renew its agreement with ILWU clerical workers at Long Beach without service interruption.

During 2003, Matson contributed to multi-employer pension plans for vessel crews. If Matson were to withdraw from or significantly reduce its obligation to contribute to one of the plans, Matson would review and evaluate data, actuarial assumptions, calculations and other factors used in determining its withdrawal liability, if any. In the event that any third parties materially disagree with Matson's determination, Matson would pursue the various means available to it under federal law for the adjustment or removal of its withdrawal liability. Matson Terminals participates in a multi-employer pension plans for its Hawaii ILWU non-clerical employees. For a discussion of withdrawal liabilities under the Hawaii longshore and seagoing plans, see Note 10 ("Employee Benefit Plans") to A&B's financial statements in Item 8 of Part II below.

Bargaining unit employees of HC&S are covered by two collective bargaining agreements with the ILWU. The agreements with the HC&S production unit employees and clerical bargaining unit employees will expire January 31, 2008. One of the collective bargaining agreements covering the two ILWU bargaining units at Kahului Trucking & Storage, Inc. was extended in 2003 and will expire June 30, 2009, and the other general agreement will expire March 31, 2006. The two collective bargaining agreements with Kauai Commercial Company, Incorporated employees represented by the ILWU were renegotiated in 2001 will expire April 30, 2004. The collective bargaining agreement with the ILWU for the production unit employees of Kauai Coffee expired January 31, 2004 and is expected to be renewed without service interruption.

E. Energy

Matson and Matson Terminals purchase residual fuel oil, lubricants, gasoline and diesel fuel for their operations. Residual fuel oil is by far Matson's largest energy-related expense. In 2003, Matson vessels purchased approximately 1.7 million barrels of residual fuel oil, the same as in 2002.

Residual fuel oil prices paid by Matson started in 2003 at $24.92 per barrel and ended the year at $27.92. The low for the year was $17.59 per barrel in May and the high was $36.54 in July. Sufficient fuel for Matson's requirements is expected to be available in 2004.

As has been the practice with sugar plantations throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of most of the electrical power for sugar milling and irrigation pumping operations. In addition to bagasse, HC&S uses diesel fuel oil, boiler fuel oil and coal to produce power during the factory shutdown period when bagasse is not being produced. In 2003, HC&S produced and sold, respectively, approximately 211,500 MWH and 82,200 MWH of electric power (compared with 220,300 MWH produced and 87,400 MWH sold in 2002). The decrease in power produced and sold was due to an extended drought, which reduced hydroelectric power production and increased irrigation pumping of well water. HC&S's oil use decreased to approximately 17,900 barrels in 2003, from approximately 22,600 barrels used in 2002. However, coal use for power generation increased to approximately 52,500 short tons in 2003, from 46,700 short tons in 2002. The increase in coal use was attributed to the unavailability of bagasse supplies for the boilers caused by a delayed harvest season and the smaller cane crop, and to the lack of hydroelectric power resulting from the extended drought.

In 2003, McBryde produced approximately 30,100 MWH of hydroelectric power (compared with 33,300 MWH in 2002). Power sales in 2003 amounted to approximately 21,200 MWH (compared with 24,400 MWH in 2002). The decrease in power production and sales was due primarily to reduced rainfall in 2003.

F. Available Information

A&B files reports with the Securities and Exchange Commission (the "SEC"). The reports and other information filed include: Forms 10-K, 10-Q, 8-K and other reports and information filed under the Securities Exchange Act of 1934 (the "Exchange Act").

The public may read and copy any materials A&B files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding A&B and other issuers that file electronically with the SEC. The address of that website is www.sec.gov.

A&B makes available, free of charge on or through its Internet website, A&B's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. The address of A&B's Internet website is www.alexanderbaldwin.com.

ITEM 3. LEGAL PROCEEDINGS

See "Business and Properties - Transportation - Rate Regulation" above for a discussion of rate and other regulatory matters in which Matson is

routinely involved.

On September 14, 1998, Matson was served with a complaint filed by the Government of Guam with the Surface Transportation Board, alleging that Sea-Land Services, Inc., APL and Matson have charged unreasonable rates in the Guam trade since January 1991. Matson did not begin its Guam Service until February 1996. In 2002, APL was dismissed as a defendant based on the statute of limitations. On April 23, 2002, the parties filed initial briefs addressing the appropriate rate reasonableness methodology to be applied. There has been no material activity in this proceeding since the parties filed reply briefs on June 17, 2002.

In August 2001, HC&S self-reported to the State of Hawaii Department of Health (the "DOH") possible violations of state and federal air pollution control regulations relating to a boiler at HC&S's Maui sugar mill. The boiler was constructed in 1974 and HC&S thereafter operated the boiler in compliance with the permits issued by the DOH. Because the boiler is fueled with less than 50 percent fossil fuels and is therefore a "biomass boiler" under state air pollution control rules, the DOH initially concluded, and the DOH permits reflected, that the boiler was not subject to the more stringent regulations applicable to "fossil fuel-fired" boilers. In 2001, HC&S identified federal regulatory guidance that provides that a boiler that burns any amount of fossil fuel may be a "fossil fuel-fired boiler." HC&S then voluntarily reported the possible compliance failures to the DOH. In September 2003, the DOH issued to HC&S a Notice and Finding of Violation and proposed penalty of $1.98 million. The amount of the penalty is being contested. In the opinion of management, after consultation with counsel, this matter will not have a material adverse effect on A&B's results of operations or financial position.

In January 2004, a petition was filed by the Native Hawaiian Legal Corporation (the "NHLC"), on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources (the "BLNR") declare that A&B and its subsidiaries (collectively, the "Company") have no current legal authority to continue to divert water from streams in East Maui for use in the Company's sugar growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company has objected to the petition, asked the BLNR to conduct administrative hearings on the matter, and asked that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar operations.

A&B 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 adverse effect on A&B's results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

For the information about executive officers of A&B required to be included in this Part I, see section B ("Executive Officers") in Item 10 of Part III below, which is incorporated herein by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

A&B common stock is listed on The Nasdaq Stock Market and trades under the symbol "ALEX." As of February 9, 2004, there were 3,944 shareholders of record of A&B common stock. In addition, Cede & Co., which appears as a single record holder, represents the holdings of thousands of beneficial owners of A&B common stock.

A summary of daily stock transactions is listed in the Nasdaq National Market Issues section of major newspapers. Trading volume averaged 155,900 shares a day in 2003, compared with 150,600 shares a day in 2002 and 135,600 in 2001.

The quarterly high and low sales prices and closing prices, as reported by The Nasdaq Stock Market, and cash dividends paid per share of common stock, for 2003 and 2002, were as follows:

	Dividends Paid	High	Market Price Low	Close
2003				
First Quarter	$0.225	$26.90	$23.50	$24.86
Second Quarter	0.225	27.70	24.35	26.10
Third Quarter	0.225	30.03	25.76	28.36
Fourth Quarter	0.225	34.60	27.94	33.75
2002				
First Quarter	$0.225	$28.01	$23.98	$27.61

Second Quarter	0.225	29.25	24.74	25.80
Third Quarter	0.225	26.19	21.50	22.25
Fourth Quarter	0.225	26.50	20.50	25.79

Although A&B expects to continue paying quarterly cash dividends on its common stock, the declaration and payment of dividends in the future are subject to the discretion of the Board of Directors and will depend upon A&B's financial condition, results of operations, cash requirements and other factors deemed relevant by the Board of Directors. A&B strives to pay the highest possible dividends commensurate with operating and capital needs. A&B has paid cash dividends each quarter since 1903. The most recent increase in the quarterly dividend rate was effective the first quarter of 1998, from 22 cents per share to 22.5 cents. In 2003, dividend payments to shareholders totaled $37,409,000, which was 46 percent of reported net income for the year. The following dividend schedule for 2004 has been set, subject to final approval by the Board of Directors:

Quarterly Dividend	Declaration Date	Record Date	Payment Date
First	January 22	February 19	March 4
Second	April 22	May 6	June 3
Third	June 24	August 5	September 2
Fourth	October 28	November 11	December 2

A&B common stock is included in the Dow Jones U.S. Transportation Average, the Dow Jones U.S. 65 Stock Composite, the Dow Jones U.S. Industrial Transportation Index, the Dow Jones Marine Transportation Index, the S&P MidCap 400, the Russell 2000 Index and the Russell 3000 Index.

There were no shares of A&B common stock repurchased by the Company during 2003 or 2002. During 2001, A&B repurchased 105,000 shares of its stock for an average price of $21.61 per share. A&B's Board of Directors has authorized A&B to repurchase up to two million shares of its common stock.

A&B has a Shareholder Rights Plan, designed to protect the interests of shareholders in the event an attempt is made to acquire the company. The rights initially will trade with A&B's outstanding common stock and will not be exercisable absent certain acquisitions or attempted acquisitions of specified percentages of such stock. If exercisable, the rights generally entitle shareholders (other than the acquiring party) to purchase additional shares of A&B's stock or shares of an acquiring company's stock at prices below market value.

Securities authorized for issuance under equity compensation plans as of December 31, 2003, included:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,476,000	$24.57	1,598,494
Equity compensation plans not approved by security holders	--	--	271,719*
Total	2,476,000	$24.57	1,870,213

* A&B has two compensation plans under which its stock is authorized for issuance that were adopted without the approval of its security holders. (1) Under A&B's Non-Employee Director Stock Retainer Plan, each outside Director is issued a stock retainer of 300 A&B shares after each year of service on A&B's Board of Directors. Those 300 shares vest immediately and are free and clear of any restrictions. These shares are issued in January of the year following the year of the Director's service to A&B. (2) Under A&B's Restricted Stock Bonus Plan, the Compensation and Stock Option Committee identifies the executive officers and other key employees who participate in one- and three-year performance improvement incentive plans and formulates performance goals to be achieved for the plan cycles. At the end of each plan cycle, results are compared with goals, and awards are made accordingly. Participants may elect to receive awards entirely in cash or up to 50 percent in shares of A&B stock and the remainder in cash. If a participant elects to receive a portion of the award in stock, an additional 50 percent stock bonus may be awarded. In general, shares issued under the Restricted Stock Bonus Plan may not be traded for three years following the award date; special vesting provisions apply for the death, termination or retirement of a participant.

Of the 271,719 shares that were available for future issuance, 7,950 shares were available for future issuance under the Non-Employee Director Stock Retainer Plan and 263,769 shares were available for

issuance under the Restricted Stock Bonus Plan.

ITEM 6. SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with Item 8, "Financial Statements and Supplementary Data," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" (dollars and shares in millions, except per-share amounts):

	2003	2002	2001	2000	1999
ANNUAL OPERATIONS					
Total revenue1	$ 1,233	$ 1,088	$ 1,059	$ 1,052	$ 989
Dividends	--	--	4	3	3
Gain on sale of investment	--	--	126	--	--
Cost of goods sold and operating expenses1	1,039	939	915	844	812
Depreciation and amortization1	73	70	74	70	72
Interest expense	12	12	19	24	18
Income taxes1	40	21	65	42	31
Income from continuing operations before accounting changes	69	46	116	75	59
Discontinued operations - real estate2	12	12	4	4	4
Discontinued operations - agribusiness3	--	--	(9)	--	--
Cumulative effect of change in accounting methods4	--	--	--	12	--
Net income	$ 81	$ 58	$ 111	$ 91	$ 63
Comprehensive income	$ 100	$ 31	$ 49	$ 103	$ 49
Earnings per share: From continuing operations before accounting change:					
Basic	$ 1.67	$ 1.12	$ 2.86	$ 1.82	$ 1.37
Diluted	$ 1.66	$ 1.11	$ 2.85	$ 1.81	$ 1.37
Net Income:					
Basic	$ 1.95	$ 1.42	$ 2.73	$ 2.21	$ 1.45
Diluted	$ 1.94	$ 1.41	$ 2.72	$ 2.21	$ 1.45
Return on beginning equity	11.2%	8.2%	15.9%	13.5%	9.0%
Cash dividends per share	$ 0.90	$ 0.90	$ 0.90	$ 0.90	$ 0.90
Average number of shares outstanding	41.6	41.0	40.5	40.9	43.2
Effective income tax rate	37.0%	33.0%	36.0%	36.5%	34.5%
MARKET PRICE RANGE					
High	$ 34.60	$ 29.25	$ 29.61	$ 28.25	$ 27.13
Low	23.50	20.50	20.61	17.94	18.63
Close	33.75	25.79	26.70	26.25	22.81
AT YEAR END					
Shareholders of record	3,959	4,107	4,252	4,438	4,761
Shares outstanding	42.2	41.3	40.5	40.4	42.5
Shareholders' equity	$ 811	$ 724	$ 711	$ 694	$ 671
Per-share	19.22	17.54	17.54	17.19	15.78
Total assets	1,760	1,553	1,544	1,666	1,562
Working capital	64	83	24	56	60
Current ratio	1.3 to 1	1.5 to 1	1.1 to 1	1.4 to 1	1.4 to 1
Real estate developments - noncurrent	$ 77	$ 42	$ 48	$ 63	$ 61
Investments - noncurrent	68	33	33	183	159
Capital Construction Fund	165	208	159	150	145
Long-term debt - noncurrent	330	248	207	331	278
Debt to debt plus capital	29.8%	26.2%	24.2%	34.2%	30.9%

1 Prior year amounts restated for amounts treated as discontinued operations and to be consistent with the current year presentation.

2 Discontinued Operations - The sales of certain income-producing assets are classified as discontinued operations if the operations and cash flows can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold and if the amount is considered material. This is described further in Note 3 of Item 8 of the Company's Form 10-K.

3 Discontinued Operations - Agribusiness includes the closing of operations and abandonment of the Company's panelboard manufacturing business in 2001. The loss included closure costs of $3 million and an $11 million write-down of machinery and equipment associated with that business.

4 The cumulative change in accounting in 2000 was for the change in method of accounting for vessel drydocking costs from the accrual method to the deferral method.

Amounts in Item 6 are rounded to millions, but per-share calculations and percentages were calculated based on thousands. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different than the more accurate amounts

included herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the consolidated financial statements and related notes thereto. Amounts in this narrative are rounded to millions, but per-share calculations and percentages were calculated based on thousands. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be slightly different than the more accurate amounts included herein.

FORWARD-LOOKING STATEMENTS

The Company, from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company's future performance or statements of management's plans and objectives. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission ("SEC") filings, such as the Forms 10-K, 10-Q and 8-K, press releases made by the Company, the Company's Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those projected in the statements, including, but not limited to, the following factors:

1) economic conditions in Hawaii and elsewhere;
2) market demand;
3) competitive factors and pricing pressures, principally in the Company's transportation businesses;
4) legislative and regulatory environments at the federal, state and local levels, including, among others, government rate regulations, land-use regulations, government administration of the U.S. sugar program, and modifications to or retention of cabotage laws;
5) performance of pension assets;
6) availability of water for irrigation and to support real-estate development;
7) performance of unconsolidated affiliates and ventures;
8) significant fluctuations in raw sugar prices and the ability to sell raw sugar to C&H Sugar Company, Inc. ("C&H");
9) significant fluctuations in fuel prices;
10) resolution of tax issues with the IRS or state tax authorities;
11) labor relations in Hawaii, the U.S. Pacific Coast, Guam and other locations where the Company has operations;
12) renewal or replacement of significant agreements including, but not limited to, lease agreements and Matson's alliance and charter agreement with American President Lines, Ltd. (see "Charter Agreements" on page 33);
13) acts of nature, including but not limited to, drought, greater than normal rainfall, hurricanes and typhoons;
14) acts of war and terrorism;
15) risks associated with current or future litigation; and
16) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

CONSOLIDATED RESULTS OF OPERATIONS

(dollars in millions, except per-share amounts)	2003	2002	2001
Operating Revenue	$ 1,233	$ 1,088	$ 1,059
Operating Costs & Expenses	$ 1,112	$ 1,009	$ 989
Other Income and (Expenses)	$ (12)	$ (12)	$ 111
Income Taxes	$ 40	$ 21	$ 65
Net Income	$ 81	$ 58	$ 111
Other Comprehensive Income (Loss)	$ 19	$ (27)	$ (62)
Basic Earnings Per Share	$ 1.95	$ 1.42	$ 2.73

Operating Revenue for 2003 increased $145 million, or 13 percent, compared with 2002. Ocean transportation contributed 62 percent of the increase due principally to the addition of terminal handing charges, an increase in cargo volume and other rate actions. Logistics services contributed 29 percent to the increase due to top-line business growth. Property leasing contributed 9 percent due principally to purchases of new income-producing properties and increased rents and occupancies. Property sales and food products revenue were comparable to 2002. The property leasing and property sales revenue included in the Consolidated Statements of Income are stated after discontinued operations.

Operating revenue for 2002 increased by $29 million or 3 percent compared with 2001. Ocean transportation increased $5 million compared with 2001 due to rate actions and higher Hawaii Service container volumes. Revenue for 2002 was adversely affected by terrorist events of September 11, 2001 and by West Coast port disruptions late in 2002. Logistics services revenue increased $73 million due to top-line business growth. Property leasing increased $5 million due to increased rents partially offset by lower occupancies. Property sales were $61 million lower than in 2001. This resulted from the 2001 adoption

of Statement of Financial Accounting Standard ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 required that transactions that were initiated prior to the adoption of the standard should not be treated as discontinued operations. Food products revenue increased by $7 million due to higher sugar production and modestly higher raw sugar prices.

Because the Company regularly develops and sells income producing real estate, the revenue trends for these two segments are best understood before subtracting discontinued operations. This analysis is provided in the Analysis of Operating Revenue and Profit below.

Operating Costs and Expenses for 2003 increased by $103 million, or 10 percent, compared with 2002. Cost of transportation services increased by $26 million due to higher terminal and vessel operating costs (both of which were due to higher volume), higher pension costs of $10 million and an accrual of $5 million in 2003 for the settlement of a claim with the State of Hawaii offset by improved performance of joint ventures and by a pension settlement gain of $17 million that resulted from the formation of a new Hawaii Terminals Multiemployer plan. Costs of logistics services increased $40 million due to business growth. Costs of property sales and leasing services, after removing discontinued operations, increased by $3 million due to increased operating and maintenance costs, net of joint venture results. Cost of agricultural goods and services increased by $9 million due to higher pension, personnel, maintenance and insurance costs. Selling, General and Administrative costs increased by $17 million due to higher pension, health benefit, and business insurance costs. Operating costs for 2003 also include an $8 million write-down of the carrying value of C&H Sugar Company, Inc. ("C&H.")

Operating Costs and Expenses for 2002 increased by $20 million, or 2 percent compared with 2001. Cost of transportation services increased by $23 million due to higher freight costs associated with the late 2002 West Coast port disruptions and higher pension costs partially offset by lower vessel operating costs. Costs of logistics services increased $63 million due to business growth. Costs of property sales and leasing services declined by $44 million due to the adoption of SFAS 144 that resulted in a different accounting treatment for property sales initiated after adoption of the standard. Selling, General and Administrative expenses increased $8 million in 2002 compared with 2001 because of higher pension, employee benefit and business insurance costs. The comparison of operating costs and expenses also was affected by the 2001 write-downs of power generation equipment by $5 million, the Company's investment in C&H by $29 million, and the panelboard manufacturing subsidiary on Maui by $9 million.

Additional information about year-to-year fluctuations is included under the caption Analysis of Operating Revenue and Profit.

Other Income and Expenses is composed of interest expense and gains on sales of assets. Interest expense of $12 million for 2003 was the same as 2002. Interest expense in 2001 was $19 million reflecting higher interest rates and greater amounts drawn on credit facilities. 2001 also included a $126 million gain on the sale of marketable securities. This gain was the result of the Company divesting its holdings in BancWest Corporation and Bank of Hawaii Corporation.

Income Taxes were higher for 2003 compared with 2002 due primarily to higher pre-tax income and a higher effective tax rate of 37 percent versus 33 percent for the two years, respectively. The 2001 effective tax rate was 36 percent.

Other Comprehensive Income or Loss for 2003 and 2002 comprised the minimum pension liability adjustments (Note 10 in Item 8 of the Company's 2003 Form 10-K) and the change in fair value of the treasury lock agreement (Note 8 in Item 8 of the Company's 2003 Form 10-K). The 2001 amount reflected the reversal of previously unrealized gains from the sales of marketable equity securities when those gains were realized.

ANALYSIS OF OPERATING REVENUE AND PROFIT

Detailed information related to the operations and financial performance of the Company's Industry Segments is included in Note 14 in Item 8 of the Company's 2003 Form 10-K. The following information should be read in relation to information contained in that Note.

Transportation Industry

Ocean Transportation; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 776	$ 687	13%
Operating profit	$ 93	$ 42	2.2x
Volume (units)			
Hawaii containers	162,400	152,500	6%
Hawaii automobiles	145,200	120,500	20%
Guam containers	17,800	16,300	9%

Transportation - Ocean Transportation revenue of $776 million for 2003 was 13 percent higher than the $687 million reported in 2002. Of this increase,

57 percent was due to the terminal handling charges and other rate actions, and 43 percent was due to higher container and automobile volume. In January 2003, to partially offset increasing terminal operation costs, Matson implemented a terminal handling charge in its Hawaii Service of $200 per container for westbound freight, $100 per container for eastbound freight, and $30 per automobile.

For 2003, Hawaii Service container volume was 6 percent higher than in 2002 and automobile volume was 20 percent higher reflecting the recovery in westbound container volumes that had declined in the months following September 11, 2001, a carryover of freight into 2003 following West Cost port disruptions in the fourth quarter of 2002, and higher market growth due, in part, to the improving Hawaii economy. During 2003 Matson accepted delivery of a new vessel, the M.V. Manukai, and retired two older vessels.

Automobile volume increases also reflect principally increased automobile dealer sales but also include rental fleet replacements, partly offset by the acceleration of some 2003 automobile carriage into the third quarter of 2002 in anticipation of the port disruptions. During the fourth quarter, Matson chartered a roll-on/roll-off ("RORO") vessel, the Great Land, to accommodate customer needs in a cost effective manner. In addition to moving the Great Land's RORO operations to a Honolulu pier that is separate from container operations, the vessel is making direct calls to Maui. Guam Service container volume was 9 percent higher than 2002, reflecting recovery efforts following Typhoon Pongsona.

Operating profit of $93 million for 2003 was $51 million greater than the $42 million reported for 2002 reflecting principally $37 million of favorable revenue yields and improved cargo volume, a $17 million pension settlement gain that resulted from Matson joining the newly formed Hawaii Terminals Multiemployer Plan, $13 million due to the absence of port disruptions that reduced 2002 operating results, $22 million due to higher margins in the Hawaii and Guam Service due to higher volume and improved terminal productivity and $9 million of higher returns from joint ventures. These favorable factors were partially offset by $17 million of higher vessel operating costs due principally to the addition of an eighth vessel in the Hawaii Service to accommodate the higher volume, $11 million for higher general and administrative costs, principally related to increases in pension costs, $7 million of higher west coast terminal costs and $4.7 million for the settlement of a claim with the State of Hawaii (See Note 13 of Item 8 to the Company's Form 10-K). To mitigate the effects of fluctuating fuel costs, Matson charges a fuel surcharge.

Ocean Transportation; 2002 compared with 2001

(dollars in millions)	2002	2001	Change
Revenue	$ 687	$ 682	1%
Operating profit	$ 42	$ 61	-30%
Volume (units)			
Hawaii containers	152,500	149,600	2%
Hawaii automobiles	120,500	122,400	-2%
Guam containers	16,300	17,300	-6%

Ocean Transportation revenue of $687 million for 2002 was 1 percent higher than the $682 million reported in 2001. The higher revenue was due to higher container volumes in the Hawaii Service, partially offset by lower Guam Service container volume and lower Hawaii Service automobile volume.

For 2002 compared with 2001, Hawaii Service container volume was 2 percent higher, Hawaii Service automobile volume was 2 percent lower and Guam Service container volume was 6 percent lower. The increased Hawaii Service container volume was due, in part, to the lower than normal 2001 fourth quarter cargo that was affected adversely by terrorist events of September 11, 2001. Hawaii container and automobile volumes were affected adversely by U.S. Pacific Coast labor disruptions experienced in the fourth quarter of 2002.

Operating profit of $42 million declined 30 percent from the $61 million reported for 2001 reflecting principally $13 million related to 2002 disruptions in U.S. Pacific Coast ports, $6 million of higher pension and personnel costs, a 2001 gain of $3 million from the sale of two tugboats, $2 million of higher drydocking expenses, and the 2002 write-off of $1 million in assets made obsolete by the replacement of two cranes at the Company's Sand Island terminal. These unfavorable factors were offset partially by $3 million for increased contract cargo carriage and $1 million of lower vessel costs due principally to operating one fewer vessel in the Hawaii Service during most of 2002. Matson's share of the Sea Star Line, LLC and SSA Terminals, LLC joint venture losses, included in operating profit, was $2 million less than its share of losses recorded in 2001.

In January 2002, Matson reduced the number of vessels in the Hawaii Service from eight to seven. An eighth vessel was returned to the regular Hawaii Service in December 2002 to help alleviate the cargo backlogs that resulted from the previously discussed port disruptions. In January 2002, Matson sold two vessels to Sea Star Line, LLC for $17 million, which approximated the vessels' carrying value.

In 2002, the labor agreement between the International Longshore and Warehouse Union ("ILWU") and the Pacific Maritime Association ("PMA"), of which Matson is a member, expired. Early in the fourth quarter of 2002, following

extensive negotiations and a shutdown of West Coast port operations, the U.S. Court of Appeals for the Ninth Circuit issued an order requiring that the ports be re-opened and longshore workers be ordered back to work for an 80-day cooling off period. A new agreement between the ILWU and the PMA was ratified in January 2003. A separate six-year labor agreement with the ILWU Local 142 in Hawaii was ratified in January 2003. The impact of the new ILWU agreements increased terminal handling and benefit costs and was the primary reason for implementing the previously noted terminal handling charge in January 2003.

On December 8, 2002, Typhoon Pongsona hit the island of Guam, causing extensive property and economic damage to the island, but only minor damage to Matson's office and equipment. Repairs were completed and normal operations quickly resumed.

Logistics Services; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 238	$ 195	22%
Operating profit	$ 4	$ 3	39%

Matson Integrated Logistics, Inc. (previously Matson Intermodal System, Inc.) provides intermodal marketing and trucking brokerage services throughout North America. Revenue was $238 million for 2003, compared with $195 million in 2002. Operating profit was $4 million for 2003, compared with $3 million earned in 2002. The 2003 revenue growth was primarily the result of new business.

In the fourth quarter of 2003, Matson Integrated Logistics acquired certain assets, obligations and contracts of TransAmerica Transportation Services, Inc. ("TTS," which is not affiliated with the Transamerica entity that is a subsidiary of AEGON N.V.). TTS provides truck brokerage services to companies located throughout the United States of America, Canada and Mexico by contracting with over 100 regionally located transportation agencies and carriers. Headquartered in Akron, Ohio, TTS provides comprehensive truckload, less than truckload, and logistics services. The transaction added $12 million of assets to the consolidated balance sheet at December 31, 2003, including goodwill of approximately $1 million. No debt was assumed in connection with the acquisition.

Logistics Services; 2002 compared with 2001

(dollars in millions)	2002	2001	Change
Revenue	$ 195	$ 122	60%
Operating profit	$ 3	$ 2	94%

Matson Integrated Logistics revenue was $195 million for 2002, compared with $122 million in 2001. Operating profit was $3 million for 2002, compared with $2 million earned in 2001. The 2002 revenue growth was primarily the result of new business.

The revenue for intermodal services includes the total amount billed to customers for transportation services. The primary costs of the business include purchased transportation for that cargo. As a result, the operating profit margins for this business are consistently lower than other A&B businesses. The primary operating profit and investment risk in the intermodal business is the quality of receivables, which are monitored closely by management.

Property Development and Management

Leasing; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 80	$ 73	10%
Operating profit	$ 37	$ 33	12%
Occupancy Rates:			
Mainland	93%	92%	1%
Hawaii	90%	89%	1%

Revenue, before subtracting amounts treated as discontinued operations, was $80 million for 2003, or 10 percent higher than the $73 million reported in 2002. Operating profit, also before subtracting discontinued operations, was $37 million for 2003, or 12 percent higher than the $33 million earned in 2002. The

higher operating profit was due primarily to the purchases of new income-producing properties as well as higher rental rates and occupancies for both the Mainland and Hawaii portfolios. These favorable factors were partially offset by increased operating costs and additional expense to repair a siding problem on a commercial building and other costs. Mainland occupancy increased, due principally to tenancy increases in industrial properties as well as the varying mix of properties in the portfolio due to sales and acquisitions. Hawaii occupancy increased, due principally to gains in office leasing.

Leasing; 2002 compared with 2001

(dollars in millions)	2002	2001	Change
Revenue	$ 73	$ 71	3%
Operating profit	$ 33	$ 34	-4%
Occupancy Rates:			
Mainland	92%	93%	-1%
Hawaii	89%	90%	-1%

Revenue, before subtracting amounts treated as discontinued operations, was $73 million for 2002, or 3 percent higher than the $71 million reported in 2001. Operating profit, also before subtracting discontinued operations, was $33 million for 2002, or 4 percent lower than the $34 million earned in 2001. The decrease in operating profit was due primarily to lower occupancies, increased operating costs, and additional maintenance expense to repair a siding problem on a commercial building. Mainland occupancy declined, due principally to vacancies resulting from two tenant bankruptcies. Hawaii occupancy declined, due primarily to an office vacancy that occurred in late 2001 and which was not re-tenanted until July 2002.

As with any large real estate portfolio of commercial properties, occupancy levels will vary between reporting periods based on known lease expirations, unanticipated lease terminations, and properties sold and purchased in the interim periods. The Company's portfolio includes leases covering a wide range of space sizes and income, with no necessary correlation between lease size and lease income. For example, a large lease covering 480,000 square feet of industrial warehouse space in Ontario, California expired in December 2002. Although this lease constituted approximately 10 percent of the total space in the Company's portfolio, it represented only 2.5 percent of the portfolio's annual leasing revenue. In early 2003 that property was leased to a new tenant.

Property Sales; 2003 compared with 2002 and 2001

(dollars in millions)	2003	2002	2001
Revenue	$ 64	$ 93	$ 89
Operating profit	$ 24	$ 19	$ 18

Before subtracting amounts treated as discontinued operations, property sales revenue was $64 million and operating profit was $24 million in 2003. Sales during 2003 included (1) a shopping center in Nevada for $24 million, (2) six commercial properties on Maui (including a seven-acre property that had a low carrying cost) for $15 million, (3) 23 residential properties for $9 million, (4) eight floors in the Alakea Corporate Tower for $9 million, (5) seven industrial lots on Oahu for $3 million, (6) five industrial lots on Maui for $3 million and (7) two land parcels on Maui for $1 million. Operating profit also includes the Company's share of earnings in two real estate joint ventures of $4 million that, combined, reflects the sales of 142 residential units in 2003.

Revenue of $93 million and operating profit of $19 million in 2002 resulted from the sales of (1) a seven-building distribution complex in Texas for $27 million, (2) a shopping center and an industrial complex in California for $27 million, (3) several small commercial properties, an 85-acre parcel in Upcountry Maui, and nine business parcels on Oahu and Maui for $18 million, (4) 27 residential properties for $16 million and (5) a shopping center in Colorado for $5 million. Operating profit also includes the Company's share of earnings in two real estate joint ventures, reflecting the sales of five residential units in 2002.

Revenue of $89 million and operating profit of $18 million in 2001 resulted from the sales of (1) 82 residential properties for $48 million, (2) three commercial properties in Bainbridge, Washington for $16 million, (3) a 14-acre parcel at Maui Business Park to Wal-Mart for $14 million, (4) 11 business parcels on Oahu for $5 million, (4) a 68-acre parcel for highway widening on Maui for $2 million, (5) two industrial lots on Maui for $1 million, and (6) several parcels on Maui for $3 million.

The mix of property sales in any year or quarter can be diverse. Sales can include developed residential real estate, commercial properties, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawaii

generally provides a greater contribution to earnings than does the sale of developed and commercial property, due to the low historical cost basis of the Company's Hawaii land. Consequently, property sales revenue trends, cash flows from the sales of real estate and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability trends for this segment. The reporting of property sales is also affected by the classification of certain property sales as discontinued operations.

Discontinued Operations; Properties - The sales of certain income-producing assets are classified as discontinued operations if the operations and cash flows of the assets clearly can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold and if the amount is considered material. Certain assets that are "held for sale," based on the likelihood and intention of selling the property within 12 months, are also treated as discontinued operations. At the time a property is classified as "discontinued," the previously recognized revenue and expenses for the property are reclassified to discontinued operations so historically reported information is updated to reflect discontinued operations at each reporting interval.

The revenue, operating profit, and after-tax effects of these transactions for 2003, 2002 and 2001 were as follows (in millions, except per-share amounts):

	2003	2002	2001
Sales Revenue	$ 37	$ 65	--
Leasing Revenue	$ 1	$ 8	$ 11
Sales Operating Profit	$ 18	$ 14	--
Leasing Operating Profit	$ 1	$ 5	$ 6
After-tax Earnings	$ 12	$ 12	$ 4
Basic Earnings Per Share	$ 0.28	$ 0.30	$ 0.10

2003: The sales of the Nevada commercial property and five of the commercial properties on Maui met the criteria for classification as discontinued operations.

2002: The sales of the previously noted California, Texas, and Colorado commercial properties, four commercial properties on Maui, and the planned sale, within the next 12 months, of a Nevada commercial property, met the criteria for classification as discontinued operations.

2001: As permitted by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," comparable property sales that were initiated prior to the Company's adoption of this accounting standard on January 1, 2001, were not reported as discontinued operations. During 2001, the Company sold three properties in Washington State for an aggregate price of $16 million and a $2 million after-tax gain. Since these transactions were initiated prior to the adoption of SFAS No. 144, accounting treatment as discontinued operations was not required.

Consistent with the Company's intention to reinvest the sales proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

Food Products

Food Products; 2003 compared with 2002

(dollars in millions)	2003	2002	Change
Revenue	$ 113	$ 113	0%
Operating profit	$ 5	$ 14	-63%
Tons sugar sold	205,700	215,900	-5%

Revenue of $113 million for 2003 was the same as revenue reported in 2002, but operating profit declined by 63 percent. Compared with 2002, the 10,200 fewer tons sugar sold was offset by higher raw sugar prices and an increase in specialty sugar sales that improved revenue by $4 million and increased power sales that added $1 million to revenue. Average revenue per ton of sugar for 2003 was 4 percent higher than in 2002.

Operating profit declined due to higher 2003 costs, with those costs being spread over 10,200 fewer tons of sugar. Operating costs were approximately $6 million higher than 2002 due to $4 million higher pension and personnel costs, $1 million of higher maintenance costs and $1 million higher insurance costs. 2003 operating profit also was reduced for an accrual related to the proposed penalty discussed under "Environmental Matters." Year-over-year results were also affected by the 2002 sale of obsolete equipment at a gain of $1 million.

Annual and quarterly fluctuations in sales and operating profit are normal for this business due to weather, and other seasonality factors that impact production. Lower sugar production during 2003 was affected by adverse weather conditions and a series of malicious fires that consumed nearly 900 acres of sugar cane. Cane fires disrupt normal harvesting practices and result in lower yields per acre.

Coffee production of 3.3 million pounds for 2003 was approximately 500,000 pounds higher than the 2.8 million pounds produced in 2002. Coffee prices continue to be affected adversely by world oversupply and near record lows. Coffee operating profit for 2003 was approximately break-even.

Approximately 94 percent of the Company's sugar production was sold to Hawaiian Sugar & Transportation Cooperative ("HS&TC") during each of 2003 and 2002 under a standard marketing contract. HS&TC sells its raw sugar to C&H at a price equal to the New York No. 14 Contract settlement price, less a discount and less costs for sugar vessel discharge and stevedoring. This price, after deducting the marketing, operating, distribution, transportation and interest costs of HS&TC, reflects the gross revenue to the Company.

Congress is expected to consider the U.S. - Central American Free Trade Agreement ("CAFTA") during 2004. If CAFTA is approved, it would result in more foreign sugar imports to the U.S. because world sugar prices reflect a "dump" market through which foreign producers often sell surplus sugar that has been subsidized for foreign governments at a loss. Currently the Central America allotment quota is approximately 120,000 tons or about 10 per cent of the total U.S. import quota. CAFTA would initially increase this quota, in 2005, to 210,000 tons. This would increase by 2 percent per year for 15 years. The resulting increase in low priced imported sugar could have a significant adverse effect on raw sugar sales prices and C&H refined sugar prices. The Company is a minority owner of C&H.

Food Products; 2002 compared with 2001

(dollars in millions)	2002	2001	Change
Revenue	$ 113	$ 106	6%
Operating profit	$ 14	$ 6	2.4x
Tons sugar sold	215,900	191,500	13%

Revenue of $113 million for 2002 was 6 percent higher than the $106 million reported in 2001. Operating profit for 2002 was $14 million, compared with $6 million reported in 2001. This revenue and operating profit improvement was due primarily to higher tons sold and modestly higher sugar prices. Operating profit in 2002 also included a gain of $1 million for the sale of obsolete equipment. Operating profit in 2001 included a charge of $5 million for the write-off of power generation equipment that no longer was needed in the business and a one-time $5 million distribution from HS&TC, the cooperative that transports and markets Hawaii sugar.

Even with the wet harvesting conditions early in 2002, total year sugar production was 13 percent higher than 2001 production. Sugar production and costs in 2001 were affected adversely by drought conditions.

Coffee production of 2.8 million pounds for 2002 was approximately one million pounds lower than the 3.8 million pounds produced in 2001. During 2002, the Company recorded an expense of $250,000 to reduce the carrying cost of inventory to the amount it expects to realize when it is sold.

In 2001, the Company ceased the operations of, and abandoned, its panelboard manufacturing business operated by Hawaiian DuraGreen, Inc., a wholly owned subsidiary of A&B (reported in 2001 discontinued operations). This is discussed further in Note 3 of Item 8 of the Company's Form 10-K for the year ended December 31, 2003.

ECONOMIC OUTLOOK

The economy of the State of Hawaii continues to perform well, and growth forecasts are being raised. In spite of the fact that the State's large visitor industry still has not fully recovered from the effects of the Iraq war and SARS, its growth rate is improving. In addition, a strong residential real estate market and associated construction activity continue to provide sound underpinnings for employment.

Total visitor arrivals rose 0.3 percent in November compared with October, with the comparable year-to-date figure being an increase of one percent. Within the total, domestic arrivals were up 2 percent, led by U.S. West, the largest domestic market, up 5.6 percent. Year-to-date, total domestic arrivals are up 2.8 percent, with U.S. West up 2.3 percent. Domestic visitors represent more than 71 percent of Hawaii's total visitors. The international market continues to be relatively weaker, but improving, however, with total November arrivals off just 3 percent, in the context of a 9.3 percent decline year-to-date. Visitors from Japan were up 1.9 percent in November, the first increase since March 2003, and a good improvement over the year-to-date decline of 11.1 percent.

Residential housing markets remain very strong, with a steady progression of record or near-record sales of both existing and new homes and

condominium properties. This is the case for nearly all residential markets on all of Hawaii's islands, in spite of the fact that these separate and distinct markets frequently behave differently.

Associated with this level of residential real estate, construction activity remains high, although some recent measures are off earlier peaks. For example, the contracting tax base, a proxy for the level of construction activity, decreased by 2.8 percent in the third quarter. On the other hand, private building authorizations rose 5.8 percent for the three counties reporting and construction jobs statewide were up 4.9 percent.

Looking ahead, defense spending should be a large net contributor to the Hawaii economy. Although a sizeable number of Hawaii-based troops are being deployed now to Iraq and Afghanistan, with an associated decline in consumption, a number of new, very large contracts have been awarded for facilities for new Air Force and Army units, as well as long-term, multi-billion dollar contracts to replace, rebuild and manage military housing on Oahu. Other initiatives, such as basing an aircraft carrier at Pearl Harbor, are under consideration.

The State of Hawaii Department of Business, Economic Development and Tourism recently raised its projection for Hawaii's real gross state product in 2003 to 2.9 percent, its third upward revision of the year. Its comparable estimate for 2004 is now 2.8 percent, a full percentage point higher than its projection three months ago. This type of improvement provides more growth opportunities for increasing demand for shipping to Hawaii, as well as for all aspects of real estate activity.

FINANCIAL CONDITION AND LIQUIDITY

Debt and Liquid Resources: Liquid resources of the Company, comprising cash and cash equivalents, receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund ("CCF"), totaled $545 million at December 31, 2003, an increase of $41 million from December 31, 2002. This net increase was due primarily to $30 million in higher available balances on revolving credit and private placement shelf facilities, $5 million of higher cash and cash equivalent balances and $4 million of increased receivables.

Working Capital: Working capital was $64 million at December 31, 2003, a decrease of $19 million from the balance at the end of 2002. The lower working capital was due primarily to $19 million of higher accrued and other liabilities and $14 million higher accounts payable balances partially offset by $5 million of higher cash balances, and $4 million of higher receivables. The higher other current liability balance was due primarily to reclassification of certain employee benefits to current from non-current and deferred operating revenue. The higher accounts payable balance was primarily due to the growth of the Integrated Logistics business.

At December 31, 2003, the Company had receivables totaling $160 million, compared with $156 million a year earlier. These amounts were net of allowances for doubtful accounts of $12 million and $11 million, respectively. The increase in receivables was mainly the result of higher cargo and growth of the integrated logistics business in 2003. The Company's management believes that the quality of these receivables is good and that its reserves are adequate. The fluctuations in cash and the remaining current assets and current liabilities resulted from normal operating activities.

Long-Term Debt and Credit Facilities: Long-term debt increased by $87 million during 2003. The additional borrowing reflected principally a $55 million Title XI bond issue, described below, that partially financed a vessel purchase, $17 million used for the retirement of State of Hawaii Special Facility Revenue Bonds, and $15 million of debt assumed by the Company as part of a real estate purchase. Other fluctuations in Debt as noted on the Consolidated Statement of Cash Flows related to other operating, working capital, and capital expenditure needs.

In July 2003, the Company borrowed $35 million on an existing $50 million private shelf agreement for the purpose of restructuring some of its debt to take advantage of lower long-term interest rates. The $35 million loan is for 9 years and bears an interest rate of 4.1 percent. The Company subsequently replaced the remaining $15 million capacity with a new $75 million private shelf agreement. This increased facility provides the Company with more flexibility to finance capital projects and new investments.

In September 2003, Matson borrowed $15 million on its $50 million private shelf agreement and used the proceeds to retire higher-rate Special Facility Revenue Bonds that had been issued by the State of Hawaii Department of Transportation and for which Matson was obligated to pay terminal facility rent equal to the principal and interest on the bonds.

As noted previously, Matson took delivery of a new vessel in September 2003. This vessel, with a total project cost of approximately $107 million was partially financed with $55 million of 5.3 percent fixed-rate, 25-year term, U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds. The remaining project cost was financed with the Capital Construction Fund and operating cash flows. No decision has been made about the form of financing for the new vessel that will be delivered to Matson during the third or fourth quarter 2004. Matson has, however, received from the Maritime Administration a commitment to guarantee bonds for up to $75 million for the purchase of that vessel, of which 35 percent may be issued at a floating rate.

A&B also renewed, and extended for one year, its uncommitted $70 million credit line. Matson renewed, and extended for one year, its $40 million revolving credit facility. Credit facilities are described in Note 8 in Item 8 of the Company's 2003 Form 10-K.

Capital Construction Fund: During 2003, the Company deposited $4

million into the CCF and withdrew approximately $46 million for the purchase of a new vessel and $1 million for other qualified purposes.

Cash Flows: Cash Flows from Operating Activities were $136 million for 2003, compared with $56 million for 2002. The higher cash flow was due to better operating results, the timing of sales and expenditures for real estate development projects that are classified as Real Estate Held for Sale and fluctuations in other working capital balances, including the timing of payments for income taxes in 2002 resulting from a sale of securities in late 2001.

Capital Expenditures: For 2003, capital expenditures, including purchases of property using tax-deferred proceeds and additions to real estate held for sale but excluding assumed debt, totaled $290 million. This was comprised principally of $142 million for real estate acquisitions and property development, $107 million for a new Matson vessel, $26 million for Matson's container equipment and office relocation, and $13 million for agricultural projects. Of the real estate related capital expenditures, $35 million was for purchases and development of property intended to be sold as inventory and included in Cash Flows from Operating Activities, $40 million utilized tax-deferred proceeds and was not included in cash flows, and the remaining $67 million was recorded as Cash Flows from Investing Activities.

Real estate acquisitions during 2003 included the following:

Boardwalk Shopping Center: Purchased in March 2003 for $23 million, the Boardwalk Shopping Center in Round Rock, Texas comprises 184,600 square feet of retail space. In connection with the purchase, the Company assumed a $15 million term loan that is secured by the property. The term loan matures in January 2005, but may be repaid, without penalty, as early as October 2004.

Alakea Corporate Tower: Purchased in March 2003 for $20 million, the Alakea Corporate Tower is a 31-story Class "A" office building with approximately 158,300 square feet of office space in Honolulu, Hawaii. The Company has converted the building to fee simple office condominiums and began selling units during the fourth quarter of 2003.

Vista Controls Building: Purchased in March 2003 for $5 million, the Vista Controls Building is a 51,100-square-foot, two-story commercial building in Valencia, California.

Napili Plaza: Purchased in August 2003 for $7 million, the Napili Plaza is a 45,200-square-foot neighborhood retail center in West Maui.

Centennial Plaza: Purchased in September 2003 for $8 million, the Centennial Plaza is a 244,000-square-foot, three-building industrial complex in Salt Lake City, Utah.

Wailea: In October 2003, the Company and an affiliate of GolfBC Group ("GolfBC," a Vancouver, Canada-based company unrelated to A&B) acquired certain real estate assets from various subsidiaries of the Shinwa Golf Group ("Shinwa"). A&B purchased 270 acres of residential and commercial zoned property at the Wailea Resort for $67 million. GolfBC purchased three golf courses and a tennis center at the Wailea Resort and two golf courses and other lands at the Kauai Lagoons Resort.

Broadlands Marketplace: In October 2003, the Company purchased, for $11 million, the Broadlands Marketplace, a 97,900-square-foot, neighborhood shopping center in Broomfield, Colorado, a suburb north of Denver.

Tax-Deferred Real Estate Exchanges: Sales - During 2003, the Company recorded, on a tax-deferred basis, real-estate sales proceeds of $37 million. The proceeds from these sales were immediately available for reinvestment in replacement property. The proceeds from tax-deferred sales are held in escrow pending future use to purchase new real estate assets. Of the total sales proceeds, $3 million was included in the Statement of Cash Flows as both Capital expenditures for property and developments and as "Receipts from disposal of property" because the Company purchased replacement "like-kind" property prior to the related tax-deferred sale (referred to as a "reverse exchange"). The remaining $34 million is reported under the caption "Other Non-cash Information" in the Condensed Statements of Cash Flows.

Purchases - During the 2003, the Company utilized $41 million of tax-deferred funds to acquire new income-producing assets. As of December 31, 2003, all of the proceeds from tax-deferred sales had been reinvested.

INVESTMENTS, COMMITMENTS AND CONTINGENCIES

Investments: The Company has the following principal joint ventures, each of which is accounted for following the equity method of accounting:

Kukui'Ula Development Company: The Kukui'Ula project on the island of Kauai comprises 1,000 acres on the southern coast of Kauai, adjacent to the Poipu resort. The project is planned for a resort, an 18-hole golf course, residential and commercial use, and parks and open space. In 2002, A&B Properties, Inc. ("Properties"), a subsidiary of A&B, accelerated development plans for Kukui'Ula by entering into a joint venture with an affiliate of DMB Associates, Inc. DMB is an Arizona-based developer of large master-planned communities. During 2003, Properties contributed to the venture, title to 846 acres, a waste water treatment plant, and other improvements, totaling approximately $28 million. The balance of the land will be transferred to the venture upon securing further entitlements for the property. DMB will fund all future development costs, subject to an option available to Properties, which diminishes over time, to participate in a portion of that funding. In July 2003, the State Land Use Commission granted urban designation for the project's

remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. The Kauai County Planning Commission recommended approval of the applications on January 27, 2004, and action is anticipated by the County Council by the third quarter of 2004. The venture had no sales activity during 2003.

Hokua: During 2003, Properties entered into an operating agreement with MK Management LLC, for the joint development of "Hokua at 1288 Ala Moana" ("Hokua"), a 40-story luxury residential condominium in Honolulu. Properties' total investment in the venture is expected to be $40 million. Approximately $10 million was funded during 2003 and the remainder is expected to be funded during 2004. The joint venture has loan commitments totaling $130 million, of which Properties guarantees approximately $18 million.

Kai Lani and HoloHolo Ku: Properties has a joint venture interest in Kai Lani Company, LLC, a 116-unit townhouse condominium at Ko 'Olina Resort. It also has a joint venture interest in HoloHolo Ku, a 44 single-family detached condominium development in Waimea on the island of Hawaii. Notes receivable totaling $7 million from these two investments were repaid during 2003.

Westridge LLC: Properties has a joint venture investment in an office building that is being developed in Valencia, California. This building was substantially completed in 2003.

SSA Terminals: Matson's ownership interest in SSA Terminals, LLC ("SSAT"), a West Coast stevedoring and terminal service provider, was reduced in 2002 to 35 percent from 49.5 percent, because of an agreement to eliminate the majority owner's preferred cash return.

Sea Star Line, LLC: The operating agreement for Sea Star Line, LLC ("Sea Star"), an ocean transportation venture carrying cargo between Florida and Puerto Rico, in which Matson is a minority owner, was revised in 2002 when Matson chose not to participate with other owners in capital calls associated with acquisition of the assets of a bankrupt Puerto Rico competitor. As a result, Matson's ownership interest in Sea Star was reduced from 45 percent to approximately 20 percent.

C&H Sugar Company: The Company owns approximately 36 percent of C&H Sugar Company's ("C&H") common voting stock, 40 percent of its junior preferred stock, and 100 percent of its senior preferred stock. Approximately 94 percent of the Company's Maui sugar production is sold to C&H through an intermediary raw sugar marketing and transportation cooperative, Hawaiian Sugar & Transportation Cooperative. The carrying value of this investment was written down by $8 million and $29 million in 2003 and 2001, respectively, because expected cash flows are not expected to allow recovery of the carrying value of the investment.

Notes 4 and 5 in Item 8 of the Company's 2003 Form 10-K provide additional information about these investments.

Contractual Obligations: At December 31, 2003, the Company had the following contractual obligations (in millions):

Contractual Obligations	Total	Payment due by period Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations	$ 345	$ 15	$ 90	$ 45	$ 195
Capital lease obligations	--	--	--	--	--
Operating lease obligations	148	22	29	13	84
Total	$ 493	$ 37	$ 119	$ 58	$ 279

Long-term debt obligations and lease obligations are described in Notes 8 and 9, respectively, of Item 8 of the Company's 2003 Form 10-K.

Charter Agreements: Matson and American President Lines, Ltd. ("APL") are parties to an eight-year Successor Alliance Slot Hire and Time Charter Agreement dated January 28, 1998 ("Agreement"). This Agreement provides the structure of an alliance through which Matson provides a weekly service to Guam. Pursuant to this Agreement, Matson time charters three C-9 class vessels to APL, and APL reserves a designated number of container slots on each vessel for Matson's exclusive use. This Agreement generates annual revenue of approximately $35 million for Matson.

In July 2003, Matson entered into a time charter agreement with Totem Ocean Trailer Express, Inc. for a roll-on/roll-off vessel. The agreement has a two-year initial term with three one-year renewal options at an average annual expense of $12 million. Dedicated shore-side facilities for automobiles were opened in Oakland California and in Honolulu to accommodate cargo for this vessel. Matson began using this vessel for the carriage of vehicles in its Hawaii Service in October 2003.

Commitments: Commitments and financing arrangements, other than operating lease commitments, in effect at the end of 2003 and 2002 included the following (in millions):

Arrangement	2003	2002

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Appropriations for capital expenditures	(a)	$ 282	$ 104
Vessel purchases	(b)	$ 107	$ 214
Guarantee of Sea Star debt	(c)	$ 27	$ 30
Guarantee of HS&TC debt	(d)	$ 15	$ 15
Guarantee of Hokua debt	(e)	$ 18	--
Standby letters of credit	(f)	$ 20	$ 21
Bonds	(g)	$ 12	$ 14
Benefit plan withdrawal obligations	(h)	$ 50	$ 11

These amounts are not recorded on the Company's balance sheet and, based on the Company's current knowledge and with the exception of items (a) and (b), it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments. The value of guarantees that were entered into or modified subsequent to December 31, 2002 are recorded as obligations as required by Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

(a) At December 31, 2003, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $282 million. These expenditures are primarily for vessel maintenance, real estate developments held for investment purposes, containers and operating equipment and vessel modifications. There are, however, no contractual obligations to spend the entire amount. For 2004, internal cash flows and existing credit lines are expected to be sufficient to finance working capital needs, dividends, capital expenditures, and debt service.

(b) During 2002, Matson entered into an agreement with Kvaerner Philadelphia Shipyard, Inc. to purchase two container ships. The total project cost for each ship is approximately $107 million. The first ship was delivered in September 2003 and the second ship is expected to be delivered in the third or fourth quarter of 2004. The cost of the second ship is expected to be funded with a combination of cash from the Capital Construction Fund, the issuance of new debt, and operations. No significant payment is required until the acceptance and delivery of each ship. No obligation is recorded on the financial statements because conditions necessary to record either a liability or an asset have not yet been met.

(c) At December 31, 2003, Matson had guaranteed $27 million of the debt of Sea Star and would be required to perform under the guarantee should Sea Star be unable to meet its obligations. It is expected that the guarantee will be further reduced by scheduled repayments of the debt by Sea Star. Certain assets of Sea Star serve as collateral for these borrowings and would reduce Matson's guarantee obligations. Matson has not recorded any liability for its obligations under the guarantee because it believes that the likelihood of making any payments is not probable.

(d) The Company, in the fourth quarter of 2003, guaranteed up to $15 million of HS&TC's $30 million revolving credit line. That credit line is used primarily to fund purchases of raw sugar from the Hawaii growers and is fully secured by the inventory, receivables and transportation assets of the cooperative. The amount that may be drawn by HS&TC under the facility is limited to 95 percent of its inventory value plus up to $15 million of HS&TC's receivables. The Company's guarantee is limited to the lesser of $15 million or the actual amounts drawn. Although the amount drawn by HS&TC on its credit line varies, as of December 31, 2003, the amount drawn was $10 million. The Company has not recorded a liability for its obligation under the guarantee because it believes that the likelihood of making any payment is not probable.

(e) Properties, in the fourth quarter of 2003, guaranteed $3 million of the $12 million component of a $130 million construction loan agreement that was entered into by HDH, LLC, a limited liability company that is owned by Hokua Development Group LLC ("Hokua"), a limited liability company in which the Company is an investor (see Note 5 of the Consolidated Financial Statements included in Item 8). The $12 million component was used by Hokua to acquire the land that is being developed. The Company would be called upon to honor this guarantee in the event that Hokua is unable to repay the construction loan. Additionally, Properties has a limited guarantee equal to the lesser of $15 million or 15.5 percent of the outstanding loan balance that could be triggered if the purchasers of condominium apartments become entitled to rescind their purchase obligations. This could occur if Hokua breaches covenants contained in its sales contracts or violates the Interstate Land Sales Practices Act, the Hawaii Condominium Act, the Securities Act of 1933 or the Securities Exchange Act of 1934. The fair value of these guarantees was estimated at $345,000 and is recorded as a non-current obligation of the Company.

(f) The Company has arranged for standby letters of credit totaling $20 million. This includes letters of credit, totaling approximately $12 million, which enable the Company to qualify

as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of $3 million for workers' compensation claims incurred by C&H employees prior to December 24, 1998 (see Note 5 of the Consolidated Financial Statements included in Item 8). The letter of credit is for the benefit of the State of California Department of Industrial Relations ("CDIR"). The Company only would be called upon by the CDIR to honor this letter of credit in the event of C&H's non-payment of workers' compensation claims or insolvency. The agreement with C&H to provide this letter of credit expired on December 24, 2003. C&H has advised the Company that it is unable to provide a replacement security deposit. Until C&H meets this contractual obligation, the Company will not be released from this letter of credit. The remaining letters of credit, totaling $5 million, are for insurance-related matters, construction performance guarantees, and other routine operating matters.

(g) Of the $12 million in bonds, $7 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required by either state or county governments to ensure that certain infrastructure work required as part of real-estate development is completed as required. The Company has the financial ability and intention to complete these improvements. Also included in the total are $5 million of customs bonds.

(h) Under special rules approved by the Pension Benefit Guaranty Corporation ("PBGC") and adopted by the Pacific Coast longshore plan in 1984, the Company could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately $50 million as of the most recent valuation dates, based on estimates by plan actuaries. In December 2003, Matson joined the Hawaii Terminals Multiemployer plan. An estimate of that withdrawal liability is included in the total withdrawal obligation. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

Environmental Matters: As with most industrial and land development companies of its size, the Company's shipping, real estate, and agricultural businesses have certain risks that could result in expenditures for environmental remediation. The Company believes that it is in compliance, in all material respects, with applicable environmental laws and regulations, and works proactively to identify potential environmental concerns. In addition, the Company has emergency response and crisis management programs.

After Hawaiian Commercial & Sugar Company ("HC&S") self-reported, in 2001, to the State of Hawaii Department of Health ("DOH") possible violations of state and federal air pollution control regulations at its Maui sugar mill, the DOH issued a notice of violation and proposed penalty of approximately $2 million in September 2003. Although the Company operated in accordance with the requirements of permits issued by the DOH in 1974, the permit conditions may not have reflected the federal standards fully. Upon identifying and self-reporting the matter in late 2001, the Company immediately took corrective action to comply with the regulations. The amount of the penalty is being contested. The Company believes that the resolution of this matter will not have a material effect on the Company's financial statements and that appropriate accruals for this matter have been recorded.

Additionally, during the fourth quarter of 2003, the Company paid $1.6 million to settle a claim for payment of environmental remediation costs incurred by the current owner of a sugar refinery site in Hawaii that previously was owned by C&H and sold in 1994. In connection with this settlement, the Company assumed responsibility to remediate certain parcels of the site. The Company has accrued approximately $2 million for the estimated remediation cost.

Contingencies: The Company and certain subsidiaries are parties to various legal actions and are contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which, in the opinion of management after consultation with legal counsel, will not have a material adverse effect on the Company's financial position or results of operations.

In January 2004, a petition was filed by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources ("BLNR") declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company has objected to the petition, asked the BLNR to conduct administrative hearings on the matter, and asked that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar operations.

On February 6 and 7, 2004, union workers at Honolulu's two largest concrete manufacturers, which supply most of the concrete on Oahu, went on strike, shutting down both manufacturing operations. This shutdown had the immediate impact of delaying the pouring of the foundation for the Hokua project, but is not expected to have a near-term impact on construction at the Lanikea project. Any prolonged strike will delay the completion of both projects, as well as have wide-spread impact on construction generally on Oahu.

Although labor negotiations between union and management are ongoing, it is difficult at this time to predict the likely duration of the strike.

CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are more fully described in Note 1 of the Consolidated Financial Statements included in Item 8. 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 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 estimates. These differences could be material.

The most significant accounting estimates inherent in the preparation of A&B's financial statements are described below.

Asset Impairments: The Company's properties and investments are reviewed for impairment if changing events or circumstances indicate that the carrying amount of the assets may not be recoverable. This evaluation is based on historical experience with similar assets and the assets' expected use in the Company's business. The identification of impairment indicators of assets and investments subsequent to acquisition and the estimates used in valuing these amounts could result in different amounts recorded for property or investments and, accordingly, the related depreciation and equity in earnings of unconsolidated affiliates could be different.

Depreciation: Depreciation requires an estimate by management of the useful life of each property item as well as an allocation of the costs associated with a property to its various components. These assessments are based on industry information as well as the Company's experience with similar assets. If the Company changed its allocation of costs or changed the estimates of useful lives of property, depreciation expense may be different.

Valuation of Purchased Leases and Contracts: Upon acquisition of real estate, the Company assesses the fair value of acquired assets (including land, buildings, tenant improvements and acquired above and below market leases and the origination cost of acquired in-place leases in accordance with SFAS No. 141) and acquired obligations, and allocates the purchase price based on these assessments. Different assessments could result in the carrying values of the asset and the amortization charges being different.

Unconsolidated Affiliates: The Company accounts for its investments in unconsolidated affiliates under the equity method when the Company's ownership interest is more than 20 percent but less than 50 percent and the Company does not exercise direct or indirect control over the investee. Factors that are considered in determining whether or not the Company exercise control include rights of partners regarding significant business decisions, including dispositions and acquisitions of assets, board and management representation, financing decision making, operating and capital budget approvals and contractual rights of partners. To the extent that the Company is deemed to control these entities, the entities would have to be consolidated. This would affect the balance sheet, operations, and debt covenants.

Revenue Recognition and Collectibility: The Company has a wide range of revenue types, including, for example, rental income, property sales, shipping revenue, intermodal and logistics revenue and sales of raw sugar, molasses and coffee. Before recognizing revenue, the Company assesses the underlying terms of the transaction to ensure that recognition meets the requirements of relevant accounting standards. Among these requirements is that the amount is collectible. If assessments regarding collectibility are different, revenue and assets could be different.

Voyage Revenue: The Company recognizes voyage revenue using the percentage completion methods that is based on the relative transit times between reporting periods. These transit times are very predictable, but if the Company incorrectly estimates transit times due to unforeseen delays in transit, revenue could be over or under stated.

Environmental Reserves: The estimated costs for environmental remediation are recorded by the Company when the obligation is known and can be estimated. If a range of probable loss is determined, the Company will record the obligation at the low end of the range unless another amount in the range better reflects the expected loss. These analyses are performed, depending on the circumstances, by internal analysis or the use of third-party specialists. The assumptions used in these analyses as well as the extent of the known remediation can have an impact on the resulting valuation and that difference could be material.

Pension and Post-retirement Estimates: The Company has defined benefit 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 estimates for 2003, the more significant of which, relating to its defined benefit pension plans are stated below, are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

Pension income (expense) related to the Company's pension plans were

$(14) million, $1 million, and $13 million for 2003, 2002 and 2001, respectively. The 2003 expense of $14 million does not include the settlement gain of $17 million that resulted from the formation of the new Hawaii Terminals Multiemployer plan. The Company expects that, in 2004, the qualified plan expense will be approximately $2 million.

The valuation assumptions used for the Company's pension plans for each of the three years were as follows:

	Pension Benefits		
	2003	2002	2001
Discount rate	6.25%	6.50%	7.25%
Expected return on plan assets	8.50%	9.00%	9.00%
Rate of compensation increase	4.00%	4.25%	4.25%

The expected return on plan assets is based on the Company's historical returns combined with long-term expectations, based on the mix of plan assets, asset class returns, and long-term inflation assumptions, after consultation with the firm used by the Company for actuarial calculations. One-, three-, and five-year pension returns were 23.5 percent, -2.2 percent, and 1.4 percent, respectively. Since 1989, the average return has been above 9 percent. These returns have approximated or exceeded benchmark returns used by the Company to evaluate performance of its fund managers. The Company's weighted-average asset allocations at December 31, 2003 and 2002, and 2003 year-end target allocation, by asset category, were as follows:

	Target	2003	2002
Domestic equity securities	60%	60%	56%
International equity securities	10%	13%	11%
Debt securities	15%	16%	20%
Real Estate	15%	10%	11%
Other and cash	0%	1%	2%
Total	100%	100%	100%

The Company bases its determination of pension expense or income on Statement of Financial Accounting Standards No. 87, which reduces year-to-year volatility. Investment gains and losses are the difference between actual returns on plan assets and expected returns. The cumulative investment gains or losses are recognized over periods ranging from five to eighteen years. The Company uses shorter amortization periods for certain plans because the benefits offered under these plans are re-negotiated and updated more frequently than those under the other benefit plans.

The discount rate used for benefit plan calculations is based on an analysis, provided by the Company's actuary, of long-term bonds that receive one of the two highest ratings given by a recognized rating agency, with durations that approximate the benefit cash flows for the Company's employees and retirees.

Lowering the expected long-term rate of return on the Company's qualified plan assets from 9 percent to 8.5 percent would have reduced pre-tax pension income for 2003 by approximately $1 million. Lowering the discount rate assumption by one-half of one percentage point would have reduced pre-tax pension income by approximately $2 million.

The value of qualified plan assets increased from $254 million at the beginning of 2003 to $274 million at the end of the year. The 2003 net increase was primarily the result of an actual return of $58 million, less the previously noted $22 million transfer to the Hawaii Terminals Multiemployer Plan, and less benefit payments of $16 million. At 2003 year end the projected benefit obligation was $262 million. Plan funding was 105 percent at 2003 year-end compared with 88 percent at 2002 year-end. The Company expects that its qualified plans will require cash funding of approximately $5 million in 2004.

OTHER MATTERS

Stock Options: Information regarding the accounting for and pro forma effect of options to purchase shares of the Company's stock is included in Note 1 and Note 12 to the Consolidated Financial Statements included in Item 8.

Dependence on Information Technology Systems: The Company is highly dependent on information technology systems to support its ability to conduct business. These dependencies primarily include accounting, billing, disbursement, cargo booking, vessel scheduling and stowage, banking, payroll and employee communication systems. All of these systems are vulnerable to reliability issues, integration and compatibility concerns, and security-threatening intrusions. The Company has had no significant instances of interruption to these systems.

Management believes that its information technology and systems are adequate to meet the requirements of its business and operations. It continues to make investments of capital for infrastructure, system development and

maintenance, system security and staffing and staff development. However, there can be no assurances that future incidents, whether accidental or malicious, could not affect adversely the function of the Company's information systems and operations.

Management Changes: The following management changes occurred during 2003 and through February 9, 2004:

- James S. Andrasick accepted the permanent position of president and chief executive officer of Matson, effective July 15, 2003. Mr. Andrasick continued as chief financial officer and treasurer of A&B through February 8, 2004. Mr. Andrasick is also an executive vice president of A&B.

- Christopher J. Benjamin was promoted to vice president, corporate development and planning of A&B effective April 24, 2003. Mr. Benjamin was promoted to vice president and chief financial officer of A&B effective February 9, 2004.

- Nelson N. S. Chun was named vice president and general counsel of A&B effective November 26, 2003.

- Ronald J. Forest was promoted to senior vice president of Matson effective April 24, 2003.

- David L. Hoppes was promoted to vice president, ocean services of Matson effective August 1, 2003.

- John Hoxie, vice president of HC&S retired effective April 1, 2003.

- Frank Kiger was promoted to vice president, agricultural operations of HC&S effective February 5, 2003.

- Michael J. Marks, vice president and general counsel of A&B, retired effective September 1, 2003.

- C. Bradley Mulholland, vice chairman of Matson and executive vice president of A&B, retired effective January 1, 2004.

- Paul E. Stevens resigned as executive vice president of Matson on July 29, 2003.

- John W. Sullivan was promoted to vice president, vessel operations of Matson effective August 1, 2003.

- Peter F. Weis was named vice president and chief information officer of Matson on August 28, 2003.

- Thomas A. Wellman was promoted to vice president, treasurer and controller effective February 9, 2004.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A&B, in the normal course of doing business, is exposed to the risks associated with fluctuations in the market value of certain financial instruments. A&B maintains a portfolio of investments, pension fund investments and, through its Capital Construction Fund, an investment in mortgage-backed securities. Details regarding these financial instruments are described in Notes 1, 4, 5, 7 and 10 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data."

A&B is exposed to changes in U.S. 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, A&B utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. The nature and amount of A&B'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 periodically uses derivative financial instruments such as interest rate and foreign currency hedging products to mitigate risks. The Company's use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate or currency agreements that are accounted for as hedges. The Company does not hold or issue derivative instruments for trading or other speculative purposes nor does it use leveraged financial instruments. Hedge accounting requires a high correlation between changes in fair value of cash flows of the derivative instrument and the specific item being hedged, both at inception and throughout the life of the hedge. The Company discontinues hedge accounting prospectively when it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is discontinued as a hedge investment because it is unlikely that a forecasted transaction will occur.

All derivatives are recognized in the consolidated balance sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a fair value or a cash flow hedge. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair value hedge, are recorded in current period earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, are recorded in Other Comprehensive Income (Loss) and are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of hedges is recognized in earnings in the current period.

At December 31, 2003 the Company had an interest rate lock agreement that reduced the exposure to interest rate risk associated with future debt issuances for the financing of a new vessel. This is described under the caption "Interest Rate Hedging" in Note 8 of Item 8. A&B believes that, as of December 31, 2003, its exposure to market risk fluctuations for its financial instruments is not material.

The following table summarizes A&B's debt obligations at December 31, 2003, presenting principal cash flows and related interest rates by the expected fiscal year of repayment. Variable interest rates represent the weighted-average rates of the portfolio at December 31, 2003. A&B estimates that the carrying value of its debt is not materially different from its fair value.

	Expected Fiscal Year of Repayment as of December 31, 2003						
	2004	2005	2006	2007	2008	Thereafter	Total
	(dollars in millions)						
Fixed rate	$ 15	$ 36	$ 22	$ 22	$ 23	$ 95	$ 213
Average interest rate	7.07%	7.49%	6.94%	6.95%	6.13%	5.23%	--
Variable rate	--	$ 132	--	--	--	--	$ 132
Average interest rate	--	1.30%	--	--	--	--	--

A&B's sugar plantation, HC&S, has a contract to sell its raw sugar production through 2008 to Hawaiian Sugar & Transportation Cooperative ("HS&TC"), an unconsolidated sugar and marketing cooperative, in which A&B has an ownership interest. Under that contract, the price paid will fluctuate with the New York No. 14 Contract settlement price for domestic raw sugar, less a fixed discount. A&B also has an agreement with C&H Sugar Company, Inc, the primary purchaser of sugar from HS&TC, which allows A&B to forward price, with C&H, a portion of its raw sugar deliveries to HS&TC.

A&B has no direct material exposure to foreign currency risks, although it is indirectly affected by changes in currency rates to the extent that this affects tourism in Hawaii.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Alexander & Baldwin, Inc. has the responsibility for preparing the accompanying consolidated financial statements and related notes accurately and objectively. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America, consistently applied, and necessarily include amounts based on judgments and estimates made by management. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

The Company maintains internal control systems, and related policies and procedures, designed to provide reasonable assurance that assets are safeguarded, that transactions are properly executed and recorded in accordance with management's authorization, and that underlying accounting records may be relied upon for the accurate preparation of the consolidated financial statements and other financial information. The design, monitoring, and revision of internal control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal controls, policies, and procedures.

The Company's consolidated financial statements have been audited by Deloitte & Touche LLP, independent auditors, who have expressed their opinion

with respect to the fairness, in all material aspects, of the presentation of financial position, results of operations and cash flows under accounting principles generally accepted in the United States of America. Management has made available to Deloitte & Touche LLP all of the Company's financial records and related data. Furthermore, management believes that all representations made to Deloitte & Touche LLP during its audit were valid and appropriate.

The Board of Directors, through its Audit Committee (composed of non-employee directors), oversees management's responsibilities in the preparation of the consolidated financial statements. The Audit Committee appoints the independent auditors, subject to shareholder ratification. The Audit Committee meets regularly with the external and internal auditors to evaluate the effectiveness of their work in discharging their respective responsibilities and to assure their independent and free access to the Committee.

/s/ Allen Doane
Allen Doane
President and Chief Executive Officer

/s/ J. S. Andrasick
James S. Andrasick
Executive Vice President, Chief Financial Officer and Treasurer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALEXANDER & BALDWIN, INC.:

We have audited the accompanying consolidated balance sheets of Alexander & Baldwin, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Honolulu, Hawaii
February 6, 2004

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per-share amounts)

Year Ended December 31,	2003	2002	2001
Operating Revenue:			
Ocean transportation	$ 776	$ 687	$ 682
Logistics services	238	195	122
Property leasing	79	65	60
Property sales	27	28	89
Food products	113	113	106
Total revenue	1,233	1,088	1,059
Operating Costs and Expenses:			
Cost of transportation services	601	575	552
Cost of logistics services	215	175	112
Cost of property sales and leasing services	56	53	97
Cost of agricultural goods and services	108	99	100
Selling, general and administrative	124	107	99
Impairment loss for operating investment	8	--	29
Total operating costs and expenses	1,112	1,009	989
Operating Income	121	79	70
Other Income and (Expense)			
Gain on sale of investments	--	--	126

Dividends	--	--	4
Interest expense	(12)	(12)	(19)
Income From Continuing Operations Before Income Taxes	109	67	181
Income taxes	40	21	65
Income From Continuing Operations	69	46	116
Income from discontinued operations, net of income taxes (see Notes 2 and 3)	12	12	(5)
Net Income	81	58	111
Other Comprehensive Income (Loss):			
Minimum pension liability adjustment (net of taxes of $(13) and $16)	20	(25)	--
Change in valuation of derivatives (net of taxes)	(1)	(2)	--
Unrealized holding gains (losses) and reclassification of realized gains on securities (net of income taxes of $36)	--	--	(62)
Comprehensive Income	$ 100	$ 31	$ 49
Basic Earnings per Share of Common Stock:			
Continuing operations	$ 1.67	$ 1.12	$ 2.86
Discontinued operations	0.28	0.30	(0.13)
Net income	$ 1.95	$ 1.42	$ 2.73
Diluted Earnings per Share of Common Stock:			
Continuing operations	$ 1.66	$ 1.11	$ 2.85
Discontinued operations	0.28	0.30	(0.13)
Net income	$ 1.94	$ 1.41	$ 2.72
Average Common Shares Outstanding	41.6	41.0	40.5

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Year Ended December 31,	2003	2002	2001
Cash Flows from Operations:			
Net income	$ 81	$ 58	$ 111
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	73	71	75
Deferred income taxes	3	13	(8)
Gains on disposal of assets	(18)	(20)	(143)
Equity in (income) loss of affiliates	(9)	5	13
Write-down of long-lived assets and investments	8	--	45
Changes in assets and liabilities:			
Accounts and notes receivable	3	(23)	2
Inventories	(1)	1	1
Prepaid expenses and other assets	3	(9)	13
Deferred drydocking costs	1	(11)	(5)
Pension and post-retirement assets and obligations	(1)	(2)	(21)
Accounts and income taxes payable	7	(24)	62
Other liabilities	6	(7)	(2)
Real Estate Developments Held for Sale:			
Real estate inventory sales	15	13	40
Expenditures for new real estate inventory	(35)	(9)	(32)
Net cash provided by operations	136	56	151
Cash Flows from Investing Activities:			
Capital expenditures for property and developments	(214)	(45)	(99)
Receipts from disposal of income producing property, investments and other assets	8	21	142
Deposits into Capital Construction Fund	(4)	(58)	(12)
Withdrawals from Capital Construction Fund	47	5	4
Payments for purchases of investments	(17)	(6)	(2)
Proceeds from sale and maturity of investments	6	--	--
Net cash provided by (used in) investing activities	(174)	(83)	33
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	293	73	6
Payments of long-term debt	(233)	(31)	(137)
Proceeds (payments) from short-term borrowings - net	--	(12)	(3)
Repurchases of capital stock	--	--	(2)
Proceeds from issuance of capital stock	20	16	5
Dividends paid	(37)	(37)	(37)
Net cash provided by (used in) financing activities	43	9	(168)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	5	(18)	16
Balance, beginning of year	1	19	3
Balance, end of year	$ 6	$ 1	$ 19
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (11)	$ (12)	$ (20)
Income taxes paid, net of refunds	(45)	(52)	(21)
Non-cash Activities:			
Tax-deferred property sales	34	68	30
Tax-deferred property purchases	(41)	(60)	(42)

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except per-share amount)

	December 31 2003	December 31 2002
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6	$ 1
Accounts and notes receivable, less allowances of $12 and $11 million	160	156
Sugar and coffee inventories	5	5
Materials and supplies inventories	11	10
Real estate and other assets held for sale	30	33
Deferred income taxes	15	12
Prepaid expenses and other assets	20	17
Total current assets	247	234
Investments	68	33
Real Estate Developments	77	42
Property - net	1,079	943
Capital Construction Fund	165	208
Pension Assets	62	28
Other Assets - net	62	65
Total	$ 1,760	$ 1,553
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable and current portion of long-term debt	$ 15	$ 10
Accounts payable	95	81
Payrolls and vacation due	20	20
Uninsured claims	10	13
Income taxes payable	1	4
Post-retirement benefit obligations-- current portion	3	3
Accrued and other liabilities	39	20
Total current liabilities	183	151
Long-term Liabilities		
Long-term debt	330	248
Deferred income taxes	356	338
Post-retirement benefit obligations	44	43
Uninsured claims and other liabilities	36	49
Total long-term liabilities	766	678
Commitments and Contingencies		
Shareholders' Equity		
Capital stock - common stock without par value; authorized, 150 million shares ($0.75 stated value per share); outstanding, 42.2 million shares in 2003 and 41.3 million shares in 2002	35	34
Additional capital	112	85
Accumulated other comprehensive loss	(8)	(27)
Retained earnings	684	644
Cost of treasury stock	(12)	(12)
Total shareholders' equity	811	724
Total	$ 1,760	$ 1,553

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2003
(In millions, except per-share amounts)

	Capital Stock					Accumulated Other Comprehensive Income (Loss)	
	Issued		In Treasury				
	Shares	Stated Value	Shares	Cost	Additional Capital	Income (Loss)	Retained Earnings
Balance, December 31, 2000	44.3	$ 33	4.0	$ (12)	$ 58	$ 62	$ 553
Shares repurchased	(0.1)	--	--	--	--	--	(2)
Stock options exercised - net	0.2	--	--	--	7	--	(2)
Issued-- incentive plans	--	--	(0.1)	--	2	--	--
Unrealized holding gain	--	--	--	--	--	16	--
Reversal of holding gains1	--	--	--	--	--	(78)	--
Net income	--	--	--	--	--	--	111
Cash dividends	--	--	--	--	--	--	(37)
Balance, December 31, 2001	44.4	33	3.9	(12)	67	--	623
Stock options exercised - net	0.7	1	--	--	17	--	--
Issued-- incentive plans	--	--	--	--	1	--	--
Minimum Pension Liability	--	--	--	--	--	(25)	--
Valuation of Derivative	--	--	--	--	--	(2)	--
Net income	--	--	--	--	--	--	58
Cash dividends	--	--	--	--	--	--	(37)
Balance, December 31, 2002	45.1	34	3.9	(12)	85	(27)	644
Stock options exercised - net	0.9	1	--	--	26	--	(4)
Issued-- incentive plans	--	--	(0.1)	--	1	--	--
Minimum Pension Liability	--	--	--	--	--	20	--
Valuation of Derivative	--	--	--	--	--	(1)	--
Net income	--	--	--	--	--	--	81
Cash dividends	--	--	--	--	--	--	(37)
Balance, December 31, 2003	46.0	$ 35	3.8	$ (12)	$ 112	$ (8)	$ 684

1 See Note 5 for discussion of marketable equity securities sold during 2001.

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Founded in 1870, Alexander & Baldwin, Inc. ("A&B") is incorporated under the laws of the State of Hawaii. A&B operates primarily in three industries: transportation, real estate and food products. These industries are described below:

Transportation - carrying freight, primarily between various ports on the U.S. Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; arranging intermodal and motor carrier services and providing logistics services in North America; and providing terminal, stevedoring and container equipment maintenance services in Hawaii.

Property Development and Management - purchasing, developing, selling, managing, leasing and investing in commercial (including retail, office and industrial) and residential properties, in Hawaii and on the U.S. mainland.

Food Products - growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; marketing and distributing roasted coffee and green coffee; providing sugar and molasses hauling in Hawaii; and generating and selling electricity.

Principles of Consolidation: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly owned subsidiaries ("Company"), after elimination of significant intercompany amounts. Significant investments in businesses, partnerships, and limited liability companies in which the Company does not have control are accounted for under the equity method. Generally, these are investments in businesses in which the Company's ownership is between 20 percent and 50 percent.

Segment Information: The Company has five segments operating in three industries: Transportation, Property Development and Management, and Food Products. The Transportation industry is comprised of ocean transportation and logistics services segments. The Property Development and Management industry is comprised of property leasing and property development and sales segments. The Company reports segment information in the same way that management assesses segment performance. Additional information regarding these segments is found in Note 14.

Cash and Cash Equivalents: Cash equivalents are composed of highly liquid investments with an original maturity of three months or less and which have no significant risk of change in value.

Allowances for Doubtful Accounts: Allowances for doubtful accounts are established by management based on estimates of collectibility. The changes in allowances for doubtful accounts, included on the Balance Sheets as an offset to "Accounts and notes receivable," for the three years ended December 31, 2003 were as follows (in millions):

	Balance at Beginning of year	Expense	Write-offs and Other	Balance at End of Year
2001	$ 6	$ 3	$ (2)	$ 7
2002	$ 7	$ 5	$ (1)	$ 11
2003	$ 11	$ 5	$ (4)	$ 12

Inventories: Raw sugar and coffee inventories are stated at the lower of cost (first-in, first-out basis) or market value. Other inventories, composed principally of materials and supplies, are stated at the lower of cost (principally average cost) or market value.

Drydocking: Under U.S. Coast Guard Rules, administered through the American Bureau of Shipping's alternative compliance program, all vessels must meet specified seaworthiness standards to remain in service carrying cargo between U.S. marine terminals. Vessels must undergo regular inspection, monitoring and maintenance, referred to as "drydocking" to maintain the required operating certificates. These drydocks occur on scheduled intervals ranging from two to five years, depending on the vessel age. Because the drydocks enable the vessel to continue operating in compliance with U.S. Coast Guard requirements, the costs of these scheduled drydocks are deferred and amortized until the next regularly scheduled drydock period. Deferred amounts are included on the Consolidated Balance Sheets in other current and non-current assets. Amortized amounts are charged to operating expenses in the Consolidated Statements of Income. Changes in deferred drydocking costs are included in the Consolidated Statements of Cash Flows in Cash Flows from Operations.

Property: Property is stated at cost, net of accumulated depreciation and amortization. Expenditures for major renewals and betterments are capitalized. Replacements, maintenance, and repairs that do not improve or

extend asset lives are charged to expense as incurred. Gains or losses from property disposals are included in the determination of net income. Costs of developing coffee orchards are capitalized during the development period and depreciated over the estimated productive lives of approximately 20 years. Upon acquiring real estate, the Company allocates the purchase price to land, buildings, in-place leases and above and below market leases based on relative fair value.

Capitalized Interest: Interest costs incurred in connection with significant expenditures for real estate developments or the construction of assets are capitalized. Interest expense is shown net of capitalized interest on the Statements of Income, because the amounts are not significant.

Construction Expenditures: Expenditures for real estate developments are capitalized during construction and are classified as Real Estate Developments on the Consolidated Balance Sheets. When construction is complete, the costs are reclassified as either Real Estate Held for Sale or Property, based upon the Company's intent to sell the completed asset or to hold it as an investment. Cash flows related to real estate developments are classified as either operating or investing activities, based upon the Company's intention to sell the property or to retain ownership of the property as an investment following completion of construction.

Depreciation: Depreciation is computed using the straight-line method. Estimated useful lives of property are as follows:

Classification	Range of Life (in years)
Buildings	10 to 40
Vessels	10 to 40
Marine containers	2 to 25
Terminal facilities	3 to 35
Machinery and equipment	3 to 35
Utility systems and other	5 to 50
Coffee Orchards	20

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term and long-term borrowings approximate their carrying values.

Real Estate Assets: Real estate is carried at the lower of cost or fair value. Fair values generally are determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, market value is determined by reference to the sales of similar property, market studies, tax assessments, and cash flows. For commercial property, market value is determined using recent comparable sales, tax assessments, and cash flows. A large portion of the Company's real estate is undeveloped land located in the State of Hawaii on the islands of Maui and Kauai. This land has a cost basis that averages approximately $150 per acre, a value much lower than fair value.

Impairments of Long-Lived Assets: Long-lived assets are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value (see Note 4).

Voyage Revenue Recognition: Voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period; commonly referred to as the "percentage of completion" method. Voyage expenses are recognized as incurred. Probable losses on voyages are provided for at the time such losses can be estimated. Freight rates are provided in tariffs filed with the Surface Transportation Board of the U.S. Department of Transportation. Prior to the 2003 third quarter, voyage revenue and variable costs and expenses associated with voyages were included in income at the time each voyage leg commenced. This change in accounting method did not have a material effect on the Company's consolidated results of operations or financial position.

Real Estate Sales Revenue Recognition: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally on closing dates), adequate down payments have been received, and collection of remaining balances is reasonably assured.

Real Estate Leasing Revenue Recognition: Revenue for leases with significant rent escalations that occur during the term of the lease is recognized on a straight-line basis. The effect of other leases not recognized on a straight-line basis is not material. Income arising from tenant rents that are contingent upon the sales of the tenant exceeding a defined threshold are recognized in accordance with Staff Accounting Bulletin 101, which states that this income is to be recognized only after the contingency has been removed (i.e. sales thresholds have been achieved).

Sugar and Coffee Revenue Recognition: Revenue from bulk raw sugar sales is recorded when delivered to the cooperative of Hawaiian producers, based on the estimated net return to producers in accordance with contractual agreements. Revenue from coffee is recorded when the title to the product and risk of loss passes to third parties (generally this occurs when the product is shipped or delivered to customers) and when collection is reasonably assured.

Non-voyage Ocean Transportation Costs: Depreciation, charter hire, terminal operating overhead, and general and administrative expenses are charged to expense as incurred.

Agricultural Costs: Costs of growing and harvesting sugar cane are

charged to the cost of production in the year incurred and to cost of sales as raw sugar is delivered to the cooperative of Hawaiian producers, as permitted by Statement of Position No. 85-3, "Accounting by Agricultural Producers and Agricultural Cooperatives." Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

Discontinued Operations: The sales of certain income-producing assets are classified as discontinued operations, as required by Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," if the operations and cash flows of the assets clearly can be distinguished from the remaining assets of the Company, if cash flows for the assets have been, or will be, eliminated from the ongoing operations of the Company, if the Company will not have a significant continuing involvement in the operations of the assets sold and if the amount is considered material. Certain assets that are "held for sale," based on the likelihood and intention of selling the property within 12 months, are also treated as discontinued operations. Upon reclassification, depreciation of the assets is stopped. Sales of land and residential houses are generally considered inventory and are not included in discontinued operations.

Employee Benefit Plans: Certain ocean transportation subsidiaries are members of the Pacific Maritime Association ("PMA") and the Hawaii Stevedoring Industry Committee, which negotiate multi-employer pension plans covering certain shoreside bargaining unit personnel. The subsidiaries directly negotiate multi-employer pension plans covering other bargaining unit personnel. Pension costs are accrued in accordance with contribution rates established by the PMA, the parties to a plan or the trustees of a plan. Several trusteed, noncontributory, single-employer defined benefit plans and defined contribution plans cover substantially all other employees.

Accounting Method for Stock-Based Compensation and Calculation of Basic and Diluted Earnings per Share of Common Stock: As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," and by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost is recognized in the Company's net income for options granted with exercise prices that are equal to the market values of the underlying common stock on the dates of grant.

Pro forma information regarding net income and earnings per share, using the fair value method and reported below, has been estimated using a Black-Scholes option-pricing model. This model was developed for use in estimating the fair value of traded options which do not have vesting requirements and which are fully transferable. The Company's options have characteristics significantly different from those of traded options. The following assumptions were used in determining the pro forma amounts:

	2003	2002	2001
Stock volatility	24.4%	23.4%	25.2%
Expected term from grant date (in years)	5.2	5.5	6.2
Risk-free interest rate	3.3%	2.8%	4.5%
Forfeiture discount	4.9%	2.9%	2.6%
Dividend yield	2.7%	3.4%	3.3%

Based upon the above assumptions, the computed annual weighted average fair values of employee stock options granted during 2003, 2002, and 2001 were $5.21, $4.44, and $6.22, respectively, per option.

Had compensation cost for the stock options been based on the estimated fair values at grant dates, the Company's pro forma net income and net income per share in each of the three years ended December 31, 2003, would have been as follows (in millions, except per share amounts):

	2003	2002	2001
Net Income:			
As reported	$ 81	$ 58	$ 111
Stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(1)	(1)	(2)
Pro forma	$ 80	$ 57	$ 109
Net Income Per Share:			
Basic, as reported	$ 1.95	$ 1.42	$ 2.73
Basic, pro forma	$ 1.93	$ 1.38	$ 2.69
Diluted, as reported	$ 1.94	$ 1.41	$ 2.72
Diluted, pro forma	$ 1.91	$ 1.38	$ 2.67
Effect on average shares outstanding of assumed exercise of stock options			

(in millions of shares):			
Average number of shares outstanding	41.6	41.0	40.5
Effect of assumed exercise of outstanding stock options	0.3	0.2	0.2
Average number of shares outstanding after assumed exercise of stock options	41.9	41.2	40.7

Basic Earnings per Share is determined by dividing Net Income by the weighted-average common shares outstanding during the year. The calculation of Diluted Earnings per Share includes the dilutive effect of unexercised options to purchase the Company's stock. Total shares considered antidilutive and that were not included in the computation of diluted earnings per share were 508,000, 1,682,000, and 1,932,000 for 2003, 2002, and 2001, respectively.

The pro forma disclosures of net income and earnings per share are not likely to be representative of the pro forma effects on future net income or earnings per share, because the number of future shares which may be issued is not known, shares vest over several years, and assumptions used to determine the fair value can vary significantly. Additional information about stock-based compensation is included in Note 12.

Income Taxes: The Company estimates its current tax due. Deferred tax assets and liabilities are established for temporary differences between the way certain income and expense items are reported for financial reporting and tax purposes. Deferred tax assets and liabilities are adjusted to the extent necessary to reflect tax rates in effect when the temporary differences reverse. A valuation allowance is established for deferred tax assets for which realization is uncertain. Adjustments may be required by a change in assessment of the Company's current and deferred tax assets and liabilities, changes in tax laws, and changes due to audit adjustments by federal and state tax authorities. To the extent adjustments are required in any given period, the adjustments would be included as part of the tax provision in the statement of operations and/or balance sheet.

Derivative Financial Instruments: The Company periodically uses derivative financial instruments such as interest rate and foreign currency hedging products to mitigate risks. The Company's use of derivative instruments is limited to reducing its risk exposure by utilizing interest rate or currency agreements that are accounted for as hedges. The Company does not hold or issue derivative instruments for trading or other speculative purposes nor does it use leveraged financial instruments. Hedge accounting requires a high correlation between changes in fair value of cash flows of the derivative instrument and the specific item being hedged, both at inception and throughout the life of the hedge. The Company discontinues hedge accounting prospectively when it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated or exercised, or the derivative is discontinued as a hedge investment because it is unlikely that a forecasted transaction will occur.

All derivatives are recognized in the consolidated balance sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a fair value or a cash flow hedge. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a fair value hedge, are recorded in current period earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that is highly effective as, and that is designated and qualifies as, a cash flow hedge, are recorded in Other Comprehensive Income (Loss) and are reclassified to earnings in the period in which earnings are affected by the underlying hedged item. The ineffective portion of hedges is recognized in earnings in the current period.

Comprehensive Income: Comprehensive Income includes all changes in Stockholders' Equity, except those resulting from capital stock transactions. Prior to 2002, the only difference between Net Income and Comprehensive Income was the unrealized holding gains on securities available for sale (see Note 5). For 2003 and 2002, Other Comprehensive Income (Loss) includes the minimum pension liability adjustments (see Note 10) and gains or losses on certain derivative instruments used to hedge interest rate risk (see Note 8). Comprehensive Income is not used in the calculation of Earnings per Share.

Environmental Costs: Environmental expenditures are recorded as a liability and charged to operating expense when the obligation is probable and the remediation cost is estimable. Certain costs, however, are capitalized in Property when the obligation is recorded, if the cost (1) extends the life, increases the capacity or improves the safety and efficiency of property owned by the Company, (2) mitigates or prevents environmental contamination that has yet to occur and that otherwise may result from future operations or activities, or (3) is incurred or discovered in preparing for sale property that is classified as "held for sale." The amounts of capitalized environmental costs were not material at December 31, 2003 or 2002.

Use of Estimates: The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Future actual amounts could differ from those estimates.

Impact of Newly Issued and Proposed Accounting Standards: The Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," on January 1, 2003. This statement addresses accounting and reporting for obligations and costs that will occur when long-term assets are retired. Among other things, the

statement requires that the present value of the liability associated with future asset retirements be recorded on the balance sheet when an obligation has been incurred and when it can be measured. The amortization of the capitalized cost and increases in the present value of the obligation which result from the passage of time, are recorded as charges to earnings. The financial effect of this standard was not material to the Company's consolidated financial statements.

The Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses accounting for restructuring and similar costs initiated after December 31, 2002. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. The standard requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost was recognized at the date of the Company's commitment to an exit plan. SFAS No. 146 also establishes that the liability initially should be measured and recorded at fair value. Accordingly, this standard affects the timing of recognizing future restructuring costs, as well as the amounts recognized.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure; an Amendment of FASB Statement No. 123." SFAS No. 148 permits companies that choose to apply the provisions of SFAS No. 123 to use several methods of transition to the accounting provisions of SFAS No. 123. Those transition methods include adopting the provisions only for new stock option grants, adopting the provisions for unvested options and for new stock option grants, and adopting SFAS No. 123 retroactive to the earliest period presented in the financial statements. SFAS No. 123 allows companies to treat the cost of stock options as expense during the periods in which the stock option awards vest. Information regarding the Company's stock options, including the disclosures required by SFAS No. 123 and SFAS No. 148, is contained in Notes 1 and 12.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149, effective, in most regards, for contracts entered into or modified after June 30, 2003, provides clarifying guidance to SFAS No. 133 and establishes additional accounting and reporting standards for derivative instruments, hedging activities, and derivatives embedded in other contracts. Adoption of SFAS No. 149 had no effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities." SFAS No. 150, effective for financial instruments entered into or modified after May 31, 2003, and for interim periods beginning after June 15, 2003, requires that certain instruments that were previously classified as equity should be classified as a liability. These include instruments for which redemption is mandatory, that have an obligation to repurchase the issuer's equity shares, and unconditional obligation that must or may be settled by issuing a variable number of the issuer's equity shares, provided that certain characteristics are present. The Company does not have any instruments that would be reclassified, under SFAS No. 150, from equity to liability.

In December 2003, the FASB amended SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." The portions of this amendment that apply to the Company's 2003 financial statement disclosures include additional disclosures related to market values of plan assets, a discussion of investment strategies and target allocations percentages, additional discussion of how the estimated rate of return assumption was developed, information about the accumulated benefit obligations, the measurement date, an estimate of the expected contributions for the next fiscal year and significant changes to previously disclosed expected contributions. These disclosures are included in Note 10. The portions of the amendment that will apply to the Company's 2004 financial statement disclosures include a table of expected benefit payments for five years and, in total, for the subsequent five-year period. Additionally, the Company is required to disclose components of the net benefit cost in quarterly financial statements beginning with the first quarter of 2004.

The Company adopted Financial Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" for guarantees issued or modified after December 31, 2002. This Interpretation specifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Interpretation also modified the disclosure requirements about a guarantor's obligations under agreements. The financial effect of adopting FIN 45 did not affect the consolidated financial statements materially.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." FIN 46 defines variable interest entities and addresses consolidation of such entities by the primary beneficiary of the entity. This Interpretation, as it relates to variable interest entities, has subsequently been deferred to the first interim period ending after March 15, 2004. The Company is currently assessing the impacts of the Interpretation, but currently does not believe it will have a material effect on the consolidated financial statements.

Reclassifications and Rounding: Certain amounts in the 2002 and 2001 consolidated financial statements have been reclassified to conform to the 2003 presentation. This includes the revenue and costs of real estate assets designated as discontinued operations in subsequent periods. This is further discussed in Note 3. Amounts in the Consolidated Financial Statements and Notes are rounded to millions, but per-share calculations and percentages were calculated based on un-rounded amounts. Accordingly, a recalculation of some per-share amounts and percentages, if based on the reported data, may be

slightly different than the more accurate amounts included herein.

2. ACQUISITIONS

In December 2003, Matson Integrated Logistics, Inc., a subsidiary of Matson Navigation Company, Inc., acquired certain assets, obligations and contracts of TransAmerica Transportation Services ("TTS," which is not affiliated with the Transamerica entity that is a subsidiary of AEGON N.V.) TTS provides truck brokerage services to companies located throughout the U.S., Canada and Mexico by contracting with over 100 regionally located transportation agencies and carriers. Headquartered in Akron, Ohio, TTS provides comprehensive truckload, less than truckload, and logistics services. The transaction added $12 million of assets to the consolidated balance sheet at December 31, 2003, including goodwill of approximately $1 million. No debt was assumed in connection with the acquisition.

3. DISCONTINUED OPERATIONS

Real-estate: During 2003, the sales of a Nevada commercial property and five commercial properties on Maui met the criteria for classification as discontinued operations.

During 2002, the sales of a shopping center and an industrial complex in California, a seven-building distribution complex in Texas, a shopping center in Colorado, four commercial properties on Maui and the planned sale, within the next 12 months, of a Nevada commercial property, met the criteria for classification as discontinued operations.

The revenue, operating profit, and after-tax effects of these transactions for the three years ended December 31, 2003 were as follows (in millions, except per share amounts):

	2003	2002	2001
Sales Revenue	$ 37	$ 65	--
Leasing Revenue	$ 1	$ 8	$ 11
Sales Operating Profit	$ 18	$ 14	--
Leasing Operating Profit	$ 1	$ 5	$ 6
After-tax Earnings	$ 12	$ 12	$ 4
Basic Earnings Per Share	$ 0.28	$ 0.30	$ 0.10

The revenue and operating profit generated from these properties in prior years were reclassified from continuing operations to discontinued operations for consistency with the current treatment. Consistent with the Company's intention to reinvest the sales proceeds into new investment property, the proceeds from the sales of property treated as discontinued operations were deposited in escrow accounts for tax-deferred reinvestment in accordance with Section 1031 of the Internal Revenue Code.

Agribusiness: In 2001, the Company ceased the operations of and abandoned its panelboard manufacturing business operated by Hawaiian DuraGreen, Inc., a wholly owned subsidiary ("DuraGreen"). Following a year of production issues, poor operating results and weaknesses in the panelboard market, management determined that the Company's investment in the business would not be recovered and profitability could not be achieved. The 2001 loss from Discontinued Operations includes operating losses and closure costs of $3 million and an $11 million write-down of the production machinery and equipment assets to their estimated salvage value, net of a total income tax benefit of approximately $5 million ($0.13 per share).

Income Taxes: The income tax expense (benefit) relating to discontinued operations was $7 million in 2003, $7 million in 2002 and ($3) million in 2001.

4. IMPAIRMENT OF LONG-LIVED ASSETS AND INVESTMENTS

The Company recorded impairment losses of $8 million and $29 million on its investment in C&H Sugar Company, Inc. ("C&H") in 2003 and 2001, respectively. During 2001, the Company also wrote off $5 million of power generation equipment that no longer was needed in the business.

C&H: As described in Note 5, the Company holds common and preferred stock holdings in C&H. As a result of operating losses and declining cash flows at C&H, combined with adverse market changes, the Company concluded in 2003 and, previously, in 2001, that C&H's estimated future earnings and cash flows would not allow recovery of the carrying value of the investments. This loss in value was considered an "other than temporary" impairment condition; accordingly, the carrying values of the investments were written down by $8 million and $29 million during the fourth quarters of 2003 and 2001, respectively. The 2001 loss includes a write-down of the common stock and junior preferred stock values to zero, and a write-down of the senior preferred stock to approximately $12 million. The amount of the 2001 write-down was based on the valuation of the common, and junior and senior preferred stocks, as conducted by an independent valuation firm. Accepted valuation practices were utilized in determining these investments' fair values, including the market and income approaches, discounted cash flow method, and market yield analysis. The valuation considered the Company's minority position, the illiquidity of these types of investments in the public market, the ability of future cash flows to fund future debt and preferred obligations, and sugar industry conditions. The 2003 write-down was based on the Company's estimate of probability-weighted discounted cash flows available to pay the dividends on the senior preferred stock. The estimate of

cash flows was based on information the Company had as a minority shareholder. The Company has no current plans to divest or sell its investments in C&H. These impairment charges were recorded as a separate line item in Operating Costs and Expenses in the Consolidated Statements of Income.

Power Equipment: In 2001, the Company included a charge of $5 million in "Cost of agricultural goods and services" on the Consolidated Statement of Income, for power generation equipment that was removed from service. This equipment no longer was needed in the Company's cane sugar refining operations on the island of Maui, due to changes in factory and power generation processes.

5. INVESTMENTS

At December 31, 2003 and 2002, investments consisted principally of equity in affiliated companies, limited liability companies, and limited partnership interests. These investments are summarized, by industries, as follows (in millions):

	2003	2002
Equity in Affiliated Companies:		
Real Estate	$ 41	$ 2
Transportation	23	19
Food Products	3	11
Other	1	1
Total Investments	$ 68	$ 33

The Company's equity in income (loss) of unconsolidated affiliates for the three years ended December 31, 2003, included in operating expenses and operating profit, was as follows (in millions):

	2003	2002	2001
Equity in Earnings (Losses) of Unconsolidated Affiliates:			
Real Estate	$ 4	--	--
Transportation	4	$ (5)	$ (7)
Food Products	--	--	(2)
Total	$ 8	$ (5)	$ (9)

Real Estate: In 2002, A&B Properties, Inc. ("Properties"), a subsidiary of A&B, accelerated development plans for its Kukui'Ula project on the island of Kauai by entering into a joint venture with an affiliate of DMB Associates, Inc. DMB is a Scottsdale, Arizona-based developer of large master-planned communities. During 2003, Properties contributed to the venture, title to 846 acres, a waste water treatment plant, and other improvements, totaling approximately $28 million. The balance of the land will be transferred to the venture upon securing further entitlements for the property. DMB will fund all future development costs, subject to an option available to Properties, which diminishes over time, to participate in a portion of that funding. The Kukui'Ula project comprises 1,000 acres on the southern coast of Kauai, adjacent to the Poipu resort. The project is planned for a resort, an 18-hole golf course, residential and commercial use, and parks and open space. In July 2003, the State Land Use Commission granted urban designation for the project's remaining acres, which will allow the entire 1,000-acre property to be developed as one integrated project. Properties is a member with a 50 percent voting interest, for major decisions, and accounts for the investment using the equity method of accounting. The venture had no sales activity during 2003.

During 2003, Properties entered into an operating agreement with MK Management LLC, for the joint development of "Hokua at 1288 Ala Moana," a 40-story luxury residential condominium in Honolulu. Properties' total investment in the venture is expected to be $40 million. Approximately $10 million was funded during 2003 and the remainder is expected to be funded during 2004. The joint venture has loan commitments totaling $130 million, of which Properties guarantees approximately $18 million. Properties is a member with a 50 percent voting interest, for major decisions, and accounts for the investment using the equity method of accounting.

Properties has a 50 percent voting interest, for major decisions, in Kai Lani Company, LLC, a 116-unit townhouse condominium at Ko 'Olina Resort. It also has a 50 percent voting interest, for major decisions, in HoloHolo Ku, a 44 single-family detached condominium development in Waimea on the island of Hawaii. Notes receivable totaling $7 million from these two investments were repaid during 2003. Properties also has a 50 percent voting interest, for major decisions, in an office building that is being developed in Valencia, California. This building was substantially completed in 2003. Properties accounts for these three investments using the equity method of accounting.

Transportation: Matson, a wholly owned subsidiary of the Company, has a minority interest investment in a limited liability company ("LLC") with Saltchuk Resources, Inc. and International Shipping Agency, Inc., named Sea Star Line, LLC ("Sea Star"), which operates an ocean transportation service between

Florida and Puerto Rico. The operating agreement for Sea Star was revised during 2002 when Matson chose not to participate with the other owners in capital calls associated with the acquisition of the assets of a bankrupt competitor. As a result, Matson's ownership interest in Sea Star was reduced from 45 percent to approximately 20 percent during 2002. At December 31, 2003 Matson had guaranteed obligations of $27 million of this unconsolidated affiliate. This guarantee obligation is expected to be reduced to $12 million during the first quarter of 2004 and it is expected that the guarantee will be further reduced by scheduled repayments of debt by Sea Star. Through 2001, Matson chartered two vessels to Sea Star. In January 2002, these two vessels were sold to Sea Star for an aggregate sales price of $17 million, which was the approximate carrying value of the vessels when they were sold. This investment represents a minority interest and is accounted for under the equity method of accounting.

Matson is part owner of an LLC with Stevedoring Services of America, named SSA Terminals, LLC ("SSAT"), which provides stevedoring and terminal services at five terminals in three West Coast ports to the Company and other shipping lines. Matson's ownership interest in SSAT was reduced from 49.5 percent to 35 percent during 2002 because of an agreement to eliminate the majority owner's preferred cash return. This investment represents a minority interest and is accounted for under the equity method of accounting. The "Cost of transportation services" included approximately $110 million, $96 million, and $90 million for 2003, 2002, and 2001, respectively, paid to this unconsolidated affiliate for terminal services.

Food Products: The Company owns an equity interest in C&H, comprising approximately 36 percent of the common stock, 40 percent of the junior preferred stock and all of the senior preferred stock of C&H. Dividends on the senior and junior preferred stocks are cumulative. Through December 2003, dividends on the senior preferred stock were payable either in cash or by issuance of additional shares of senior preferred stock. C&H has not issued additional shares of senior preferred stock to the Company but has accrued the dividends. C&H must redeem from the Company, at one thousand dollars per share, the outstanding senior preferred stock in December 2009 and the outstanding junior preferred stock in December 2010. The Company accounts for its investment in C&H under the equity method. Because the Company believes there is significant uncertainty regarding realization of the cumulative dividend amounts, it has established a valuation reserve approximately equal to the cumulative dividend amounts. Additionally, as described in Note 4, the Company recorded, in 2003 and 2001, impairment losses related to this investment that resulted from an "other than temporary" declines in value. As described in Note 13, the Company has an obligation to provide a security deposit for self-insurance workers' compensation claims incurred by C&H employees prior to December 24, 1998. The agreement with C&H to provide this security deposit, which is in the form of a letter of credit for $3 million, expired in December 2003, at which time C&H was obligated to post a replacement security deposit. C&H advised the Company in December 2003 that it would not be in a position to provide a replacement security deposit. Because the State of California Department of Industrial Relations, which is the named beneficiary, could draw on the Company's letter of credit if the Company initiated a termination of the letter of credit without C&H providing a replacement security deposit, the Company has left the $3 million letter of credit in place.

Other: Other investments are principally investments in limited partnerships that are recorded at the lower of cost or fair value. The values of these investments are assessed annually.

Marketable Equity Securities: In May 2001, BNP Paribas SA, France's largest bank, announced that, subject to regulatory, shareholder and other approvals, it would purchase the remaining 55 percent of BancWest Corporation ("BancWest") which it did not already own for $35 per share. This offer was 40 percent higher than the market price of BancWest's stock at the time of the offer. When the offer was made, the Company owned 3,385,788 shares of BancWest. The transaction closed during the fourth quarter of 2001. As a result of the sale, the Company received cash of $119 million, recorded a pre-tax gain of $110 million, and recognized an after-tax gain of approximately $68 million ($1.69 per basic share).

During 2001, the Company also divested its holdings in Bank of Hawaii Corporation (previously known as Pacific Century Financial Corporation). This was completed through the donation of 360,000 shares to the Company's charitable foundation and the sales of 749,000 shares of the stock. The fair value of the donated stock was approximately $8 million and the historical cost basis was approximately $500,000. The net expense related to this contribution was $500,000 and is included in "Selling, general and administrative expenses" in the 2001 consolidated financial statements. The Company received $16 million for the sales of the shares, recognized a pre-tax gain of $15 million, and recorded an after-tax gain of $9 million ($0.23 per basic share).

Net unrealized holding gains, net of tax, for 2001 were $16 million. Cumulative holding gains, net of tax, of $78 million were reversed and charged to Other Comprehensive Income during 2001, due to the sales of the securities previously noted.

See Note 7 for a discussion of fair values of investments in the Capital Construction Fund.

6. PROPERTY

Property on the Consolidated Balance Sheets includes the following (in millions):

	2003	2002
Vessels	$ 745	$ 699

Machinery and equipment	489	481
Buildings	355	313
Land	135	113
Water, power and sewer systems	93	93
Other property improvements	71	65
Total	1,888	1,764
Less accumulated depreciation and amortization	809	821
Property - net	$ 1,079	$ 943

7. CAPITAL CONSTRUCTION FUND

Matson is party to an agreement with the United States government that established a Capital Construction Fund ("CCF") under provisions of the Merchant Marine Act, 1936, as amended. The agreement has program objectives for the acquisition, construction, or reconstruction of vessels and for repayment of existing vessel indebtedness. Deposits to the CCF are limited by certain applicable earnings. Such deposits are tax deductions in the year made; however, they are taxable, with interest payable from the year of deposit, if withdrawn for general corporate purposes or other non-qualified purposes, or upon termination of the agreement. Qualified withdrawals for investment in vessels and certain related equipment do not give rise to a current tax liability, but reduce the depreciable bases of the vessels or other assets for income tax purposes.

Amounts deposited into the CCF are a preference item for calculating federal alternative minimum taxable income. Deposits not committed for qualified purposes within 25 years from the date of deposit will be treated as non-qualified withdrawals over the subsequent five years. As of December 31, 2003, the oldest CCF deposits date from 1995. Management believes that all amounts on deposit in the CCF at the end of 2003 will be used or committed for qualified purposes prior to the expiration of the applicable 25-year periods.

Under the terms of the CCF agreement, Matson may designate certain qualified earnings as "accrued deposits" or may designate, as obligations of the CCF, qualified withdrawals to reimburse qualified expenditures initially made with operating funds. Such accrued deposits to and withdrawals from the CCF are reflected on the Consolidated Balance Sheets either as obligations of the Company's current assets or as receivables from the CCF.

The Company has classified its investments in the CCF as "held-to-maturity" and, accordingly, has not reflected temporary unrealized market gains and losses on the Consolidated Balance Sheets or Consolidated Statements of Income. The long-term nature of the CCF program supports the Company's intention to hold these investments to maturity.

At December 31, 2003 and 2002, the balances on deposit in the CCF are summarized as follows (in millions):

	2003			2002		
	Amortized Cost	Fair Value	Unrealized Gain	Amortized Cost	Fair Value	Unrealized Gain
Mortgage-backed securities	$ 4	$ 5	$ 1	$ 17	$ 19	$ 1
Cash and cash equivalents	161	161	--	191	191	--
Total	$ 165	$ 166	$ 1	$ 208	$ 210	$ 1

Fair value of the mortgage-backed securities was determined by an outside investment management company, based on experience trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter. The Company earned $1 million in 2003, $2 million in 2002, and $2 million in 2001 on its investments in mortgage-backed securities. The fair values of other CCF investments are based on quoted market prices. These other investments mature no later than January 21, 2005. One security classified as "held-to-maturity" was sold during 2003 for approximately the carrying value, one security was sold during 2002 for a loss of $375,000 and one security was sold during 2001 for a loss of $43,000. The securities no longer met authorized credit requirements

8. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 2003 and 2002, long-term debt consisted of the following (in millions):

	2003	2002
Commercial paper, 2003 high 2.20%, low 1.79%	$ 100	$ 100
Bank variable rate loans, due after 2003, 2003 high 2.05%, low 1.03%	32	55
Term loans:		
5.34%, payable through 2028	55	--

4.10%, payable through 2012	35	--
7.38%, payable through 2007	30	38
7.42%, payable through 2010	20	20
7.43%, payable through 2007	15	15
7.55%, payable through 2009	15	15
4.31%, payable through 2010	15	--
8.33%, payable in 2005	15	--
7.57%, payable through 2009	13	15
Total	345	258
Less current portion	15	10
Long-term debt	$ 330	$ 248

Long-term Debt Maturities: At December 31, 2003, maturities and planned prepayments of all long-term debt during the next five years are $15 million in 2004, $68 million in 2005, $22 million in each of 2006 and 2007 and $23 million in 2008.

Commercial Paper: At December 31, 2003, $100 million of commercial paper notes was outstanding under a commercial paper program that was used by Matson to finance the construction of a vessel in 1991. Maturities ranged from 13 to 51 days. The commercial paper program is rated A-1 P-1 as of year-end.

As described below, the Company has committed long-term revolving credit facilities totaling $275 million, of which $250 million was available at December 31, 2003 and could be used to refinance its commercial paper notes if the Company were not successful in replacing the notes as they become due. These revolving credit facilities expire after December 31, 2004 and are not cancelable or callable prior to expiration, except for violation of provisions for which compliance is objectively determinable or measurable. No violations in these financial agreements existed at December 31, 2003 and no available information indicates that a violation has occurred thereafter but prior to the issuance of this Form 10-K. The borrowings outstanding under the commercial paper program are classified as long-term because the Company has the ability to refinance the notes on a non-current basis using these revolving credit facilities; however, it is the Company's intention to repay the commercial paper notes with qualified withdrawals from the Capital Construction Fund that is also classified as non-current. The Company also has an un-drawn $25 million short-term revolving credit facility that serves as a commercial paper liquidity back-up line.

Revolving Credit Facilities: The Company has a revolving credit and term loan agreement with six commercial banks, whereby it may borrow up to $185 million under revolving loans through November 2004, at market rates of interest. Any revolving loan outstanding on that date may be converted into a term loan that would be payable in four equal quarterly installments. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2003 and 2002, $25 million and $22.5 million, respectively, were outstanding under this agreement. These amounts were classified as non-current because the Company has the intent and ability to refinance the facility beyond 2004. The amount is included in the five-year maturity schedule for 2005.

The Company has an uncommitted $70 million short-term revolving credit agreement with a commercial bank. The agreement extends through November 2004, but may be canceled by the bank or the Company at any time. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $185 million multi-bank facility, in which it is a participant, and by letters of credit issued under the $70 million uncommitted facility. At December 31, 2003 and 2002, $7 million and $3 million, respectively, were outstanding under this agreement. These amounts were classified as non-current because the Company has the intent and ability to refinance the balances through its $185 million facility. Under the borrowing formula for this facility, the Company could have borrowed an additional $55 million at December 31, 2003. For sensitivity purposes, if the $185 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2003 year-end would have been $17 million.

Matson has two revolving credit agreements totaling $90 million with commercial banks. The first facility is a $50 million two-year revolving credit agreement that expires in December 2004. No amounts were outstanding on this facility at December 31, 2003 or 2002. Outstanding letters of credit that were issued against the facility reduced the available credit by $5 million. The second facility is a 21-month $40 million revolving credit agreement that expires in September 2005. At December 31, 2003, no amounts were outstanding on this facility. At December 31, 2002, $30 million was outstanding on this facility. Both of these facilities have one-year term options.

Matson also has a $25 million one-year revolving credit agreement with a commercial bank, expiring in November 2004, which serves as a commercial paper liquidity back-up line. No amounts were outstanding under this agreement at December 31, 2003 or 2002.

Title XI Bonds: In September 2003, Matson partially financed the delivery of a new vessel with $55 million of 5.3 percent fixed-rate, 25-year term, U.S. government Guaranteed Ship Financing Bonds, more commonly known as Title XI bonds. These bonds are payable in semiannual payments of $1.1 million beginning in March 2004.

Private Shelf Agreements: The Company has a private shelf agreement for $75 million that expires in November 2006. No amount had been drawn on this facility at December 31, 2003. This facility replaced a $50 million facility that would have expired in April 2004. During 2003, the Company borrowed $35

million on this $50 million facility. Additionally, Matson has a $50 million private shelf offering that expires in June 2004 against which $15 million was drawn during 2003.

Interest Rate Hedging: The Company entered into interest rate lock agreements to minimize exposure to interest rate risk associated with future debt issuances for new vessel financing. Under an interest rate lock agreement, the Company agrees to pay or receive an amount equal to the difference between the net present value of the cash flows for a notional principal amount of indebtedness based on the existing yield of a U.S. treasury bond at the date when the agreement is established and the date when the agreement is settled.

To hedge the interest rate risk associated with obtaining financing for the one new undelivered vessel discussed in Note 13, the Company entered into one such interest rate lock agreement with a notional amount of $55 million in November 2002. The lock settles in 2004, corresponding to the planned issuance of the associated debt. The interest rate lock agreement is reflected at fair value in the Company's consolidated financial statements and the related gain or loss on the agreement is deferred in shareholders' equity as a component of Accumulated Other Comprehensive Loss. Upon issuance of the debt, the deferred gain or loss will be amortized as an adjustment to interest expense over the same period that the related interest costs on the new debt are recognized in income. A second interest rate lock agreement with a notional amount of $55 million was settled in August 2003 with the delivery of a new vessel.

At 2003 year end, the fair value of the lock agreement settling in 2004, of $4 million has been recorded in current accrued liabilities and other long-term liabilities. Fair value is determined as the amount that the interest rate lock can be settled for with a third party. The $2 million cumulative unrealized loss, net of taxes of $1 million, is included in Accumulated Other Comprehensive Loss at December 31, 2003.

9. LEASES

The Company as Lessee: Principal operating leases include land, office and terminal facilities, containers and equipment, leased for periods that expire between 2004 and 2052. Management expects that, in the normal course of business, most operating leases will be renewed or replaced by other similar leases.

Rental expense under operating leases totaled $29 million, $22 million and $20 million for the years ended December 31, 2003, 2002, and 2001, respectively. Rental expense for operating leases that provide for future escalations are accounted for on a straight-line basis.

Future minimum payments under operating leases as of December 31, 2003 were as follows (in millions):

	Operating Leases
2004	$ 22
2005	19
2006	10
2007	8
2008	5
Thereafter	84
Total minimum lease payments	$ 148

In September 2003, Matson retired, for $17 million, Special Facility Revenue Bonds that had been issued by the State of Hawaii Department of Transportation and for which Matson was obligated to pay terminal facility rent equal to the principal and interest on the bonds.

The Company as Lessor: The Company leases land, buildings, land improvements, and three vessels under operating leases. The historical cost of and accumulated depreciation on leased property at December 31, 2003 and 2002 were as follows (in millions):

	2003	2002
Leased property	$ 659	$ 616
Less accumulated amortization	133	116
Property under operating leases--net	$ 526	$ 500

Total rental income under these operating leases for the three years ended December 31, 2003 was as follows (in millions):

	2003	2002	2001

Minimum rentals	$ 107	$ 105	$ 105
Contingent rentals (based on sales volume)	2	2	3
Total	$ 109	$ 107	$ 108

Future minimum rentals on non-cancelable leases at December 31, 2003 were as follows (in millions):

	Operating Leases
2004	$ 100
2005	93
2006	41
2007	30
2008	21
Thereafter	97
Total	$ 382

10. EMPLOYEE BENEFIT PLANS

The Company has funded single-employer defined benefit pension plans that cover substantially all non-bargaining unit employees. In addition, the Company has plans that provide certain retiree health care and life insurance benefits to substantially all salaried and to certain hourly employees. Employees are generally eligible for such benefits upon retirement and completion of a specified number of years of credited service. The Company does not pre-fund these benefits and has the right to modify or terminate certain of these plans in the future. Certain groups of retirees pay a portion of the benefit costs.

The measurement date for the Company's benefit plans is January 1st of each year unless there are mid-year bargaining unit negotiations that result in a new plan valuation. For 2003, all valuations were conducted on January 1st.

The Company's weighted-average asset allocations at December 31, 2003 and 2002, and 2003 year-end target allocation, by asset category, were as follows:

	Target	2003	2002
Domestic equity securities	60%	60%	56%
International equity securities	10%	13%	11%
Debt securities	15%	16%	20%
Real Estate	15%	10%	11%
Other and cash	0%	1%	2%
Total	100%	100%	100%

The Company has an Investment Committee that meets regularly with investment advisors to establish investment policies, direct investments and select investment options. The Investment Committee is also responsible for appointing trustees and investment managers. The Company's investment policy permits investments in marketable securities, such as domestic and foreign stocks, domestic and foreign bonds, venture capital, real estate investments, and cash equivalents. Equity investments in the defined benefit plan assets do not include any direct holdings of the Company's stock but may include such holdings to the extent that the stock is included as part of certain mutual fund holdings.

The assets of the defined benefit pension plans consist principally of listed stocks and bonds. Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the maximum deductible contribution allowed for tax purposes. For the plans covering employees who are members of collective bargaining units, the benefit formulas are determined according to the collective bargaining agreements, either using career average pay as the base or a flat dollar amount per year of service. The benefit formulas for the remaining defined benefit plans are based on final average pay. The Company expects to contribute approximately $5 million to its defined benefit pension plans in 2004.

The status of the funded defined benefit pension plan, the unfunded accumulated post-retirement benefit plans, the accumulated benefit obligation, and assumptions used to determine benefit information at December 31, 2003, 2002, and 2001, is shown below (dollars in millions):

	Pension Benefits	Other Post-retirement Benefits

	2003	2002	2001	2003	2002	2001
Change in Benefit Obligation						
Benefit obligation at beginning of year beginning of year	$ 289	$ 257	$ 235	$ 47	$ 41	$ 38
Service cost	6	5	5	1	1	--
Interest cost	19	18	18	3	3	3
Plan participants' contributions	--	--	--	2	1	1
Actuarial (gain) loss	7	24	13	1	5	2
Benefits paid	(16)	(15)	(14)	(5)	(4)	(3)
Amendments	17	--	--	--	--	--
Settlements	(60)	--	--	--	--	--
Benefit obligation at end of year	262	289	257	49	47	41
Change in Plan Assets						
Fair value of plan assets at beginning of year	254	315	364			
Actual return on plan assets	58	(46)	(35)			
Benefits paid	(16)	(15)	(14)			
Settlements	(22)	--	--			
Fair value of plan assets at end of year	274	254	315			
Prepaid (Accrued) Benefit Cost						
Funded status - Plan assets greater than benefit obligation	12	(35)	58	(49)	(47)	(41)
Unrecognized net actuarial (gain) loss	52	92	(5)	2	1	(4)
Unrecognized prior service cost	3	8	10	--	--	--
Intangible asset	1	8	--	--	--	--
Minimum pension liability	(6)	(45)	--	--	--	--
Prepaid (Accrued) benefit cost	$ 62	$ 28	$ 63	$ (47)	$ (46)	$ (45)
Accumulated Benefit Obligation	$ 234	$ 260	$ 231			
Weighted Average Assumptions:						
Discount rate	6.25%	6.50%	7.25%	6.25%	6.50%	7.25%
Expected return on plan assets	8.50%	9.00%	9.00%			
Rate of compensation increase	4.00%	4.25%	4.25%	4.00%	4.25%	4.25%
Initial health care cost trend rate				8.50%	9.00%	10.00%
Ultimate rate				5.00%	5.00%	5.00%
Year ultimate rate is reached				2008	2006	2006

The expected return on plan assets is based on the Company's historical returns combined with long-term expectations, based on the mix of plan assets, asset class returns, and long-term inflation assumptions, after consultation with the firm used by the Company for actuarial calculations. One, three, and five-year pension returns were 23.5 percent, -2.2 percent, and 1.4 percent, respectively. Since 1989, the average return has been above 9 percent. The actual returns have approximated or exceeded benchmark returns used by the Company to evaluate performance of its fund managers.

The information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2003 and 2002 is shown below (in millions):

	2003	2002
Projected benefit obligation	$ 56	$ 217
Accumulated benefit obligation	$ 49	$ 193
Fair value of plan assets	$ 47	$ 166

Components of the net periodic benefit cost for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 2003, 2002, and 2001, are shown below (in millions):

	Pension Benefits			Other Post-retirement Benefits		
	2003	2002	2001	2003	2002	2001
Components of Net Periodic Benefit Cost/(Income)						
Service cost	$ 6	$ 5	$ 5	$ 1	$ 1	$ 1
Interest cost	19	18	17	3	3	3
Expected return on plan						

assets	(22)	(27)	(32)	--	--	--
Recognition of net gain	7	--	(5)	--	(2)	(3)
Amortization of prior service cost	5	3	2	--	--	--
Recognition of settlement (gain)/loss	(17)	--	--	--	--	--
Net periodic benefit cost/(income)	$ (2)	$ (1)	$ (13)	$ 4	$ 2	$ 1

Unrecognized gains and losses of the post-retirement benefit plans are amortized over five years. Although current health costs are increasing, the Company attempts to mitigate these increases by maintaining caps on certain of its benefit plans, using lower cost health care plan options where possible, requiring that certain groups of employees pay a portion of their benefit costs, self-insuring for certain insurance plans, encouraging wellness programs for employees, and implementing measures to mitigate future benefit cost increases.

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2003, 2002 and 2001, and the net periodic post-retirement benefit cost for 2003, 2002 and 2001, would have increased or decreased as follows (in millions):

	Other Post-retirement Benefits One Percentage Point					
	Increase			Decrease		
	2003	2002	2001	2003	2002	2001
Effect on total of service and interest cost components	$ --	$ --	$ --	$ --	$ --	$ --
Effect on post-retirement benefit obligation	$ 5	$ 4	$ 4	$ (4)	$ (4)	$ (3)

The Company has non-qualified supplemental pension plans covering certain employees and retirees, which provide for incremental pension payments from the Company's general funds, so that total pension benefits would be substantially equal to amounts that would have been payable from the Company's qualified pension plans if it were not for limitations imposed by income tax regulations. The obligation, included with other non-current liabilities, relating to these unfunded plans, totaled $13 million and $16 million at December 31, 2003 and 2002, respectively. These amounts include the additional minimum pension liability described below. The expense associated with the non-qualified plans was $7 million, $3 million, and $3 million for 2003, 2002 and 2001, respectively. The 2003 expense included settlement and special termination losses totaling $3 million.

The Company has recorded minimum pension liabilities for its qualified and nonqualified plans as required by SFAS No. 87 representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. The change in the unfunded accumulated benefit obligations was attributed primarily to fluctuations in the values of pension assets combined with a reduction in the discount rate assumption. The components for 2002 and 2003 were as follows (in millions):

	Other Non-current Asset (unrecognized prior service cost) 1	Other Non-current Liabilities (additional minimum liability)1	Deferred Tax Asset	Accumulated Other Comprehensive Loss
December 31, 2001	--	--	--	--
Change	$ 8	$ (49)	$ 16	$ 25
December 31, 2002	8	(49)	16	25
Change	(7)	40	(13)	(20)
December 31, 2003	$ 1	$ (9)	$ 3	$ 5

1The year-end balance is included in the total pension asset on the balance sheet.

In December 2003, Matson Terminals, Inc., a subsidiary of Matson, and two other Hawaii marine terminal operators formed the Hawaii Terminals Multiemployer Plan. The termination of two of the Company's defined benefit plans and the transfer of the obligations for terminated plan's benefit obligations to the new multiemployer plan resulted in a settlement gain of $17 million. Approximately $22 million of assets were transferred to the multiemployer plan in December in connection with this matter.

Total contributions to the multi-employer pension plans covering personnel in shoreside and seagoing bargaining units were $6 million in 2003, $4

million in 2002, and $4 million in 2001.

Union collective bargaining agreements provide that total employer contributions during the terms of the agreements must be sufficient to meet the normal costs and amortization payments required to be funded during those periods. Contributions are generally based on union labor paid or cargo volume. A portion of such contributions is for unfunded accrued actuarial liabilities of the plans being funded over periods of 25 to 40 years, which began between 1967 and 1976.

The multi-employer plans are subject to the plan termination insurance provisions of ERISA and are paying premiums to the Pension Benefit Guaranty Corporation ("PBGC"). The statutes provide that an employer who withdraws from, or significantly reduces its contribution obligation to, a multi-employer plan generally will be required to continue funding its proportional share of the plan's unfunded vested benefits.

Under special rules approved by the PBGC and adopted by the Pacific Coast longshore plan in 1984, Matson could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately $50 million, based on estimates by plan actuaries at the most recent valuation dates. This amount includes an estimate of the withdrawal obligation of $19 million for the previously noted Hawaii Terminals Multiemployer Plan. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

11. INCOME TAXES

The income tax expense on income from continuing operations for the three years ended December 31, 2003 consisted of the following (in millions):

	2003	2002	2001
Current:			
Federal	$ 43	$ 14	$ 64
State	3	(3)	8
Current	46	11	72
Deferred	(6)	10	(7)
Income tax expense	$ 40	$ 21	$ 65

Income tax expense for the three years ended December 31, 2003 differs from amounts computed by applying the statutory federal rate to income from continuing operations before income taxes, for the three years ended December 31, 2003 for the following reasons (in millions):

	2003	2002	2001
Computed federal income tax expense	$ 38	$ 23	$ 64
State income taxes	3	(2)	5
Dividend exclusion	--	--	(1)
Prior years' tax settlement	--	(1)	--
Low income housing credits	--	--	(1)
Fair market value over cost of donations	--	--	(2)
Other--net	(1)	1	--
Income tax expense	$ 40	$ 21	$ 65

State taxes include credits for low-income housing, capital goods excise tax, residential construction and research activities, net of related federal taxes.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 2003 and 2002 were as follows (in millions):

	2003	2002
Property basis and depreciation	$ 177	$ 165
Tax-deferred gains on real estate transactions	121	112
Capital Construction Fund	61	76
Benefit plans	(1)	(13)
Insurance reserves	(10)	(8)
Other--net	(7)	(6)
Total	$ 341	$ 326

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Examinations of the Company's federal income tax returns have been completed through 1999. The State of Hawaii Department of Taxation is currently auditing the Company's state tax returns for 1999-2001. Management believes that the outcome of the current audit will not have a material effect on the Company's financial position or results of operations

In 2002, the Internal Revenue Service completed its audit of the Company's 1998 and 1999 tax returns and the State of California completed its audit of the Company's 1996-1999 California income tax returns. This resulted in a one-time reduction of income tax expense of $1 million, due to the reversal of previously accrued income tax liabilities. The Company's 2002 effective tax rate on continuing operations would have been 33.8 percent, excluding this item.

For each of 2003 and 2002, the Company received approximately $1 million of Hawaii tax credits, net of federal tax, from two investments it made in a qualified high-tech business. The 2003 and 2002 benefit is reflected as a reduction in Income Taxes Payable.

In 2003, 2002 and 2001, income tax benefits attributable to employee stock option transactions of $2 million, $1 million and $1 million, respectively, were not included in the tax provision, but were allocated directly to stockholders' equity.

12. STOCK OPTIONS

Employee Stock Option Plans: The Company has two stock option plans under which key employees are granted options to purchase shares of the Company's common stock.

Adopted in 1998, the Company's 1998 Stock Option/Stock Incentive Plan ("1998 Plan") provides for the issuance of non-qualified stock options to employees of the Company. Under the 1998 Plan, option prices may not be less than the fair market value of the Company's common stock on the dates of grant and the options become exercisable over periods determined, at the dates of grant, by the Compensation and Stock Option Committee of the A&B Board of Directors ("Compensation Committee") that administers the plan. Generally options vest ratably over three years and expire ten years from the date of grant. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for such number of shares as is equal to the number surrendered, with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price.

Adopted in 1989, the Company's 1989 Stock Option/Stock Incentive Plan ("1989 Plan") is substantially the same as the 1998 Plan, except that each option is generally exercisable in full one year after the date granted. The 1989 Plan terminated in January 1999, but options granted through 1998 remain exercisable.

The 1998 and 1989 Plans also permit the issuance of shares of the Company's common stock as a reward for past service rendered to the Company or one of its subsidiaries or as an incentive for future service with such entities. The recipients' interest in such shares may be vested fully upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee that administers the plans. No shares were issued during 2002 or 2003. At December 31, 2003, approximately 7,000 shares had been awarded but had not yet vested.

Director Stock Option Plans: The Company has two Directors' stock option plans. Under the 1998 Non-Employee Director Stock Option Plan ("1998 Directors' Plan"), each non-employee Director of the Company, elected at an Annual Meeting of Shareholders, is automatically granted, on the date of each such Annual Meeting, an option to purchase 3,000 shares of the Company's common stock at the fair market value of the shares on the date of grant. Under an amendment to the 1998 Directors' Plan that is being proposed at the 2004 Annual Meeting of Shareholders, the number of options to purchase shares would be increased to a greater number of shares. Each option to purchase shares generally becomes exercisable ratably over three years following the date granted.

The 1989 Non-Employee Directors Stock Option Plan ("1989 Directors' Plan") is substantially the same as the 1998 Directors' Plan, except that each option generally becomes exercisable in-full one year after the date granted. This plan terminated in January 1999, but options granted through termination remain exercisable.

Changes in shares and the weighted average exercise prices for the three years ended December 31, 2003, were as follows (shares in thousands):

	Employee Plans		Directors' Plans			
	1998 Plan	1989 Plan	1998 Directors' Plan	1989 Directors' Plan	Total Shares	Weighted Average Exercise Price
December 31, 2000	1,086	2,407	48	168	3,709	$ 24.52
Granted	590	--	24	--	614	$ 27.23
Exercised	(35)	(244)	--	--	(279)	$ 23.53

Canceled	(14)	(21)	--	(21)	(56)	$ 25.81
December 31, 2001	1,627	2,142	72	147	3,988	$ 24.99
Granted	431	--	24	--	455	$ 26.56
Exercised	(263)	(410)	--	(21)	(694)	$ 23.65
Canceled	(56)	(522)	--	--	(578)	$ 28.67
December 31, 2002	1,739	1,210	96	126	3,171	$ 24.84
Granted	426	--	24	--	450	$ 26.16
Exercised	(274)	(690)	(24)	(27)	(1,015)	$ 24.48
Canceled	(54)	(61)	(3)	(12)	(130)	$ 24.61
December 31, 2003	1,837	459	93	87	2,476	$ 25.23
Exercisable	999	459	48	87	1,593	$ 24.57

As of December 31, 2003, the Company had reserved 1,860,213 and 10,000 shares of its common stock for the issuance of options under the 1998 Plan and 1998 Directors' Plan, respectively. Under the previously noted amendment to the 1998 Directors' Plan that is being proposed at the Company's 2004 Annual Meeting of Shareholders, 350,000 additional shares would be added to the 1998 Directors' Plan share reserve. Additional information about stock options outstanding as of 2003 year-end is summarized below (shares in thousands):

Range of Exercise Price	Shares Outstanding as of 12/31/2003	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Shares Exercisable as of 12/31/2003	Weighted Average Price of Exercisable Options
$ 0.00 - 20.00	7	7.3	$ 0.00	--	--
$20.01 - 22.00	619	4.7	$21.28	619	$21.28
$22.01 - 24.00	191	3.3	$23.21	179	$23.22
$24.01 - 26.00	57	2.3	$24.88	56	$24.87
$26.01 - 28.00	1,086	6.7	$26.50	400	$26.94
$28.01 - 30.00	502	6.0	$28.36	336	$28.39
$30.01 - 32.00	10	8.2	$31.59	--	--
$32.01 - 34.88	4	2.5	$32.56	3	$32.63
$ 0.00 - 34.88	2,476	5.7	$25.23	1,593	$24.57

13. RELATED PARTY TRANSACTIONS, COMMITMENTS, GUARANTEES, AND CONTINGENCIES

Commitments, excluding the operating and capital lease commitments that are described in Note 9, that were in effect at December 31, 2003 and 2002 included the following (in millions):

Arrangement		2003	2002
Appropriations for capital expenditures	(a)	$ 282	$ 104
Vessel purchases	(b)	$ 107	$ 214
Guarantee of Sea Star debt	(c)	$ 27	$ 30
Guarantee of HS&TC debt	(d)	$ 15	$ 15
Guarantee of Hokua debt	(e)	$ 18	--
Standby letters of credit	(f)	$ 20	$ 21
Bonds	(g)	$ 12	$ 14
Benefit plan withdrawal obligations	(h)	$ 50	$ 11

These amounts are not recorded on the Company's balance sheet and, based on the Company's current knowledge and with the exception of items (a) and (b), it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments. The value of guarantees that were entered into or modified subsequent to December 31, 2002 are recorded as obligations as required by Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

(a) At December 31, 2003, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $282 million. These expenditures are primarily for vessel maintenance, real estate developments held for investment purposes, containers and operating equipment and vessel modifications. There are, however, no contractual obligations to spend the entire amount. For 2004, internal cash flows and existing credit lines are expected to be sufficient to finance working capital needs, dividends, capital expenditures, and debt service.

(b) During 2002, Matson entered into an agreement with Kvaerner Philadelphia Shipyard, Inc. to purchase two container ships.

The total project cost for each ship is approximately $107 million. The first ship was delivered in September 2003 and the second ship is expected to be delivered in the third or fourth quarter of 2004. The cost of the second ship is expected to be funded with a combination of cash from the Capital Construction Fund, the issuance of new debt, and operations. No significant payment is required until the acceptance and delivery of each ship. No obligation is recorded on the financial statements because conditions necessary to record either a liability or an asset have not yet been met.

(c) At December 31, 2003, Matson had guaranteed $27 million of the debt of Sea Star and would be required to perform under the guarantee should Sea Star be unable to meet its obligations. It is expected that the guarantee will be further reduced by scheduled repayments of the debt by Sea Star. Certain assets of Sea Star serve as collateral for these borrowings and would reduce Matson's guarantee obligations. Matson has not recorded any liability for its obligations under the guarantee because it believes that the likelihood of making any payments is not probable.

(d) The Company, in the fourth quarter of 2003, guaranteed up to $15 million of HS&TC's $30 million revolving credit line. That credit line is used primarily to fund purchases of raw sugar from the Hawaii growers and is fully secured by the inventory, receivables and transportation assets of the cooperative. The amount that may be drawn by HS&TC under the facility is limited to 95 percent of its inventory value plus up to $15 million of HS&TC's receivables. The Company's guarantee is limited to the lesser of $15 million or the actual amounts drawn. Although the amount drawn by HS&TC on its credit line varies, as of December 31, 2003, the amount drawn was $10 million. The Company has not recorded a liability for its obligation under the guarantee because it believes that the likelihood of making any payment is not probable.

(e) Properties, in the fourth quarter of 2003, guaranteed $3 million of the $12 million component of a $130 million construction loan agreement that was entered into by HDH, LLC, a limited liability company that is owned by Hokua Development Group LLC ("Hokua"), a limited liability company in which the Company is an investor (see Note 5). The $12 million component was used by Hokua to acquire the land that is being developed. The Company would be called upon to honor this guarantee in the event that Hokua is unable to repay the construction loan. Additionally, the Company has a limited guarantee equal to the lesser of $15 million or 15.5 percent of the outstanding loan balance that could be triggered if the purchasers of condominium apartments become entitled to rescind their purchase obligations. This could occur if Hokua breaches covenants contained in its sales contracts or violates the Interstate Land Sales Practices Act, the Hawaii Condominium Act, the Securities Act of 1933 or the Securities Exchange Act of 1934. The fair value of these guarantees was estimated at $345,000 and is recorded as a non-current obligation of the Company.

(f) The Company has arranged for standby letters of credit totaling $20 million. This includes letters of credit, totaling approximately $12 million, which enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of $3 million for workers' compensation claims incurred by C&H employees prior to December 24, 1998 (see Note 5). The letter of credit is for the benefit of the State of California Department of Industrial Relations ("CDIR"). The Company only would be called upon by the CDIR to honor this letter of credit in the event of C&H's non-payment of workers' compensation claims or insolvency. The agreement with C&H to provide this letter of credit expired on December 24, 2003. C&H has advised the Company that it is unable to provide a replacement security deposit. Until C&H meets this contractual obligation, the Company will not be released from this letter of credit. The remaining letters of credit, totaling $5 million, are for insurance-related matters, construction performance guarantees, and other routine operating matters.

(g) Of the $12 million in bonds, $7 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required by either state or county governments to ensure that certain infrastructure work required as part of real-estate development is completed as required. The Company has the financial ability and intention to complete these improvements. Also included in the total are $5 million of customs bonds.

(h) Under special rules approved by the Pension Benefit Guaranty Corporation ("PBGC") and adopted by the Pacific Coast longshore plan in 1984, the Company could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately $50 million as of the most recent valuation dates, based on estimates by plan actuaries. In December 2003, Matson joined the Hawaii Terminals Multiemployer plan. An estimate of that withdrawal

liability is included in the total withdrawal obligation. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

C&H is a party to a sugar supply contract with Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar to C&H. Under the terms of this contract, which expires with the 2008 crop, C&H (an unconsolidated entity in which the Company has a minority ownership equity interest - see Notes 4 and 5) is obligated to purchase, and HS&TC is obligated to sell, all of the raw sugar delivered to HS&TC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. Revenue from raw sugar sold to HS&TC was $71 million, $72 million and $70 million during 2003, 2002 and 2001, respectively.

In January 2004, Matson settled its claim with the State of Hawaii Department of Taxation regarding the applicability of the Public Service Company tax and its successor, the General Excise tax, to a portion of its ocean transportation revenue, for approximately $4.7 million. This amount was accrued as a cost of transportation services on the Consolidated Statement of Income during 2003.

Note 5 contains additional information about transactions with unconsolidated affiliates, which affiliates are also related parties, due to the Company's minority interest investments.

In January 2004, a petition was filed by the Native Hawaiian Legal Corporation, on behalf of four individuals, requesting that the State of Hawaii Board of Land and Natural Resources ("BLNR") declare that the Company has no current legal authority to continue to divert water from streams in East Maui for use in its sugar growing operations, and to order the immediate full restoration of these streams until a legal basis is established to permit the diversions of the streams. The Company has objected to the petition, asked the BLNR to conduct administrative hearings on the matter, and asked that the matter be consolidated with the Company's currently pending application before the BLNR for a long-term water license. If the Company is not permitted to divert stream waters for its use, it would have a significant adverse effect on the Company's sugar operations.

On February 6 and 7, 2004, union workers at Honolulu's two largest concrete manufacturers, which supply most of the concrete on Oahu, went on strike, shutting down both manufacturing operations. This shutdown had the immediate impact of delaying the pouring of the foundation for the Hokua project, but is not expected to have a near-term impact on construction at the Lanikea project. Any prolonged strike will delay the completion of both projects, as well as have wide-spread impact on construction generally on Oahu. Although labor negotiations between union and management are ongoing, it is difficult at this time to predict the likely duration of the strike.

The Company and certain subsidiaries are parties to various legal actions and are contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which, in the opinion of management after consultation with legal counsel, will not have a material adverse effect on the Company's financial position or results of operations.

14. INDUSTRY SEGMENTS

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is made up of the president and lead executives of the Company and each of the Company's segments. The lead executive for each operating segment manages the profitability, cash flows, and assets of his or her respective segment's various product or service lines and businesses. The operating segments are managed separately, because each operating segment represents a strategic business unit that offers different products or services and serves different markets. The Company has five segments that operate in three industries: Transportation, Real Estate and Food Products.

The Transportation industry is comprised of two segments. Ocean Transportation carries freight between various U.S. West Coast, major Hawaii ports, Guam and other Pacific ports; holds investments in ocean transportation entities that are considered integral to its operations and terminal service businesses (see Note 5); and provides terminal, stevedoring and container equipment management services in Hawaii. Logistics Services (formerly Intermodal Systems) provides intermodal and motor carrier services and provides logistics services in North America.

The Property Development and Management industry also is comprised of two segments operating in Hawaii and on the U.S. mainland. Property Leasing owns, operates, and manages commercial properties. Property Development and Sales develops and sells commercial and residential properties.

The Food Products segment grows sugar cane and coffee in Hawaii; produces bulk raw sugar, specialty food-grade sugars, molasses and green coffee; markets and distributes roasted coffee and green coffee; provides sugar and molasses hauling in Hawaii; and generates and sells electricity.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Reportable segments are measured based on operating profit, exclusive of non-operating or unusual transactions, interest expense, general corporate expenses, and income taxes.

Industry segment information for each of the five years ended December 31, 2003 is summarized below (in millions):

For the Year	2003	2002	2001	2000	1999
Revenue:					
Transportation:					
Ocean transportation	$ 776	$ 687	$ 682	$ 715	$ 662
Logistics services	238	195	122	132	119
Property development and management:					
Leasing	80	73	71	62	54
Sales	64	93	89	46	48
Less amounts reported in discontinued Operations1	(38)	(73)	(11)	(11)	(10)
Food products	113	113	106	108	116
Total revenue	$ 1,233	$ 1,088	$ 1,059	$ 1,052	$ 989
Operating Profit:					
Transportation:					
Ocean transportation	$ 93	$ 42	$ 61	$ 94	$ 89
Logistics services	4	3	2	--	(5)
Property development and management:					
Leasing	37	33	34	30	28
Sales	24	19	18	24	17
Less amounts reported in discontinued Operations1	(19)	(19)	(6)	(6)	(6)
Food products	5	14	6	8	11
Total operating profit	144	92	115	150	134
Write-down of long-lived assets2	(8)	--	(29)	--	(15)
Gain on Sale of Investment3	--	--	126	--	--
Dividends and Other	--	--	1	2	3
Interest expense, net	(12)	(12)	(19)	(24)	(18)
General corporate expenses	(15)	(13)	(13)	(12)	(14)
Income from continuing operations before income taxes and accounting changes	$ 109	$ 67	$ 181	$ 116	$ 90
Identifiable Assets:					
Transportation5	$ 982	$ 880	$ 888	$ 911	$ 895
Property development and management6	613	500	476	441	385
Food products	154	163	153	197	173
Other	11	10	27	117	109
Total assets	$ 1,760	$ 1,553	$ 1,544	$ 1,666	$ 1,562
Capital Expenditures:					
Transportation5	$ 133	$ 10	$ 60	$ 40	$ 19
Property development and management4,6	107	84	72	45	67
Food products	13	10	9	22	17
Other	2	1	--	--	--
Total capital expenditures	$ 255	$ 105	$ 141	$ 107	$ 103
Depreciation and Amortization:					
Transportation5	$ 52	$ 51	$ 55	$ 55	$ 56
Property development and management1, 6	12	10	9	7	5
Food products	9	9	9	8	10
Other	--	--	1	--	1
Total depreciation and amortization	$ 73	$ 70	$ 74	$ 70	$ 72

See Note 1 for information regarding changes in presentation for certain revenues and expenses.

1 Prior year amounts restated for amounts treated as discontinued operations. See Notes 1 and 3 for additional information.

2 See Note 4 for discussion of the write-down of long-lived assets and investments in 2003 and 2001. The 1999 charge was for an impairment loss, recorded under SFAS No. 121 for the Company's coffee business.

3 See Note 5 for a discussion of the gain on sale of marketable equity securities that occurred in 2001.

4 Includes tax-deferred property purchases that are considered non-cash transactions in the Consolidated Statements of Cash Flows; excludes capital expenditures for real estate developments held for sale.

5 Includes both Ocean Transportation and Integrated Logistics because the amounts for Integrated Logistics are not material.

6 Includes both Leasing and Development businesses because of a shared asset base.

15. QUARTERLY INFORMATION (Unaudited)

Segment results by quarter for 2003 are listed below (in millions, except per-share amounts):

	2003			
	Q1	Q2	Q3	Q4

Revenue:				
Transportation:				
Ocean transportation	$ 186	$ 199	$ 192	$ 199
Logistics services	51	57	61	69
Property development and management:				
Leasing	19	21	20	20
Sales	16	27	10	11
Less amounts reported in discontinued operations	(14)	(24)	--	--
Food products	15	35	34	29
Total revenue	$ 273	$ 315	$ 317	$ 328
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 12	$ 23	$ 25	$ 33
Logistics services	1	1	1	1
Property development and management:				
Leasing	9	10	9	9
Sales	11	7	4	2
Less amounts reported in discontinued operations	(11)	(7)	--	(1)
Food products	2	2	--	1
Total operating profit	24	36	39	45
Write-down of long-lived assets[1]	--	--	--	(8)
Interest Expense	(3)	(2)	(3)	(4)
General Corporate Expenses	(4)	(4)	(2)	(5)
Income From Continuing Operations before Income Taxes	17	30	34	28
Income taxes	(6)	(11)	(12)	(11)
Income From Continuing Operations	11	19	22	17
Discontinued Operations[2]	7	4	--	1
Net Income	$ 18	$ 23	$ 22	$ 18
Earnings Per Share:				
Basic	$ 0.43	$ 0.56	$ 0.52	$ 0.44
Diluted	$ 0.42	$ 0.56	$ 0.52	$ 0.44

1 See Note 4 for discussion of the write-down of long-lived assets and investments in 2003.

2 See Note 3 for discussion of discontinued operations.

Significant events for the Fourth Quarter of 2003 include the $17 million settlement gain due to Matson's joining the Hawaii Terminals Multiemployer Plan and the $8 million impairment loss related to the Company's investment in C&H.

Segment results by quarter for 2002 are listed below (in millions, except per-share amounts):

	2002			
	Q1	Q2	Q3	Q4
Revenue:				
Transportation:				
Ocean transportation	$ 155	$ 176	$ 181	$ 175
Logistics services	40	48	54	53
Property development and management:				
Leasing	18	17	19	19
Sales	37	17	7	32
Less amounts reported in discontinued operations	(32)	(7)	(3)	(31)
Food products	17	28	35	33
Total revenue	$ 235	$ 279	$ 293	$ 281
Operating Profit (Loss):				
Transportation:				
Ocean transportation	$ 2	$ 14	$ 17	$ 9
Logistics services	--	1	1	1
Property development and management:				
Leasing	9	7	9	8
Sales	9	3	2	5
Less amounts reported in discontinued operations	(8)	(2)	(3)	(6)
Food products	2	1	5	6
Total operating profit	14	24	31	23
Interest Expense	(3)	(3)	(3)	(3)
General Corporate Expenses	(3)	(3)	(3)	(4)
Income From Continuing Operations before Income Taxes	8	18	25	16
Income taxes	(3)	(6)	(9)	(3)
Income From Continuing Operations	5	12	16	13
Discontinued Operations1	5	1	2	4
Net Income	$ 10	$ 13	$ 18	$ 17
Earnings Per Share:				
Basic	$ 0.24	$ 0.32	$ 0.43	$ 0.43
Diluted	$ 0.24	$ 0.32	$ 0.43	$ 0.42

1 See Note 3 for discussion of discontinued operations.

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Set forth below are the unconsolidated condensed financial statements of Alexander & Baldwin, Inc. ("Parent Company"). The significant accounting policies used in preparing these financial statements are substantially the same as those used in the preparation of the consolidated financial statements as described in Note 1, except that, for purposes of the tables presented in this footnote, subsidiaries are carried under the equity method.

The following table presents the Parent Company's condensed Balance Sheets as of December 31, 2003 and 2002 (in millions):

	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ --	$ --
Accounts and notes receivable, net	11	15
Prepaid expenses and other	15	12
Total current assets	26	27
Investments:		
Subsidiaries consolidated, at equity	584	547
Other	--	1
Total investments	584	548
Property, at Cost	378	365
Less accumulated depreciation and amortization	176	166
Property -- net	202	199
Due from Subsidiaries	239	158
Other Assets	29	30
Total	$ 1,080	$ 962
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	$ 13	$ 10
Accounts payable	6	6
Income taxes payable	8	11
Other	16	14
Total current liabilities	43	41
Long-term Debt	147	118
Other Long-term Liabilities	17	18
Deferred Income Taxes	62	61
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	35	34
Additional capital	112	85
Accumulated other comprehensive loss	(8)	(27)
Retained earnings	684	644
Cost of treasury stock	(12)	(12)
Total shareholders' equity	811	724
Total	$ 1,080	$ 962

The following table presents the Parent Company's condensed Statements of Income for the years ended December 31, 2003, 2002 and 2001 (in millions):

	2003	2002	2001
Revenue:			
Food products	$ 90	$ 91	$ 84
Property leasing	21	19	14
Property sales	2	4	15
Interest, dividends and other	13	15	132

Total revenue	126	129	245
Costs and Expenses:			
Cost of agricultural goods and services	87	81	78
Cost of property sales and leasing services	10	11	15
Selling, general and administrative	16	13	13
Interest and other	13	13	21
Income taxes	--	1	42
Total costs and expenses	126	119	169
Income (Loss) from Continuing Operations	--	10	76
Discontinued Operations, net of income taxes	--	2	1
Income Before Equity in Income of Subsidiaries Consolidated	--	12	77
Equity in Income from Continuing Operations of Subsidiaries Consolidated	81	36	40
Equity in Income (Loss) from Discontinued Operations of Subsidiaries Consolidated	--	10	(6)
Net Income	81	58	111
Other Comprehensive Income (Loss), net of income taxes	19	(27)	(62)
Comprehensive Income	$ 100	$ 31	$ 49

The following table presents the Parent Company's condensed Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001 (in millions):

	2003	2002	2001
Cash Flows from Operations	$ 19	$ (35)	$ 6
Cash Flows from Investing Activities:			
Capital expenditures	(14)	(11)	(23)
Proceeds from disposal of property and investments	2	1	138
Dividends received from subsidiaries	40	40	40
Increase in investments	--	--	--
Net cash provided by investing activities	28	30	155
Cash Flows from Financing Activities:			
Increase (decrease) in intercompany payable	(62)	(3)	12
Proceeds from (repayments of) long-term debt, net	32	13	(123)
Proceeds from issuance of capital stock	20	16	5
Repurchases of capital stock	--	--	(2)
Dividends paid	(37)	(37)	(37)
Net cash used in financing activities	(47)	(11)	(145)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	--	(16)	16
Balance, beginning of year	--	16	--
Balance, end of year	$ --	$ --	$ 16
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ (9)	$ (9)	$ (14)
Income taxes paid	(45)	(52)	(21)
Other Non-cash Information:			
Depreciation expense	(11)	(12)	(12)
Tax-deferred property sales	--	27	12
Tax-deferred property purchases	--	(27)	(12)

General Information: The Parent Company is headquartered in Honolulu, Hawaii and is engaged in the operations that are described in Note 14, "Industry Segments." Additional information related to the Parent Company is described in the foregoing notes to the consolidated financial statements.

Long-term Debt: At December 31, 2003 and 2002, long-term debt consisted of the following (in millions):

	2003	2002
Bank variable rate loans, due after 2003, 2003 high 2%, low 1.6%	$ 32	$ 25
Term loans:		
4.10%, payable through 2012	35	--
7.38%, payable through 2007	30	38
7.42%, payable through 2010	20	20
7.43%, payable through 2007	15	15
7.55%, payable through 2009	15	15
7.57%, payable through 2009	13	15
Total	160	128
Less current portion	13	10
Long-term debt	$ 147	$ 118

The Company has a revolving credit and term loan agreement with six commercial banks, whereby it may borrow up to $185 million under revolving loans through November 2004, at market rates of interest. Any revolving loan outstanding on that date may be converted into a term loan that would be payable in four equal quarterly installments. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1 and total debt to earnings before interest, depreciation, amortization, and taxes of 3:1. At December 31, 2003 and 2002, $25 million and $23 million, respectively, were outstanding under this agreement. The amount is included in the five-year maturity schedule for 2005.

The Company has an uncommitted $70 million short-term revolving credit agreement with a commercial bank. The agreement extends through November 2004, but may be canceled by the bank or the Company at any time. The amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced $185 million multi-bank facility, in which it is a participant, and by letters of credit issued under the $70 million uncommitted facility. At December 31, 2003 and 2001, $7 million and $3 million, respectively, were outstanding under this agreement. These amounts were classified as non-current because the Company has the intent and ability to refinance the balances through its $185 million facility. Under the borrowing formula for this facility, the Company could have borrowed an additional $55 million at December 31, 2003. For sensitivity purposes, if the $185 million facility had been drawn fully, the amount that could have been drawn under the borrowing formula at 2003 year-end would have been $17 million.

The Company has a private shelf agreement for $75 million that expires in November 2006. No amount had been drawn on this facility at December 31, 2003. This facility replaced a $50 million facility that would have expired in April 2004 and against which the Company borrowed $35 million in 2003.

At December 31, 2003, maturities and planned prepayments of all long-term debt during the next five years are $13 million in 2004, $50 million in 2005, $18 million 2006 and $17 million in each of 2007 and 2008.

Other Long-term Liabilities: Other Long-term Liabilities at December 31, 2003 and 2002 consisted principally of deferred compensation, executive benefit plans, additional minimum pension liability, and self-insurance liabilities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 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 in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

B. Internal Control over Financial Reporting

There have not been any changes in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. Directors

For information about the directors of A&B, see the section captioned "Election of Directors" in A&B's proxy statement dated March 8, 2004 ("A&B's 2004 Proxy Statement"), which section is incorporated herein by reference.

B. Executive Officers

The name of each executive officer of A&B (in alphabetical order), age (in parentheses) as of March 31, 2004, and present and prior positions with A&B and business experience for the past five years are given below.

Generally, the term of office of executive officers is at the pleasure of the Board of Directors. For a discussion of compliance with Section 16(a) of the Securities Exchange Act of 1934 by A&B's directors and executive officers, see the subsection captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in A&B's 2004 Proxy Statement, which subsection is incorporated herein by reference. For a discussion of severance agreements between A&B and certain of A&B's executive officers, see the subsection captioned "Severance Agreements" in A&B's 2004 Proxy Statement, which subsection is incorporated herein by reference.

James S. Andrasick (60)
Executive Vice President of A&B, 4/02-present; Chief Financial Officer and Treasurer of A&B, 6/00-2/04; President and Chief Executive Officer of Matson, 7/02-present; Senior Vice President of A&B, 6/00-4/02; President and Chief Operating Officer, C. Brewer and Company, Limited, 9/92-3/00.

Christopher J. Benjamin (40)
Vice President and Chief Financial Officer of A&B, 2/04-present; Vice President (Corporate Development & Planning) of A&B, 4/03-2/04; Director (Corporate Development & Planning) of A&B, 8/01-4/03; Vice President, ChannelPoint, Inc., 10/99-6/01; Vice President, AmMed International, LLC, 4/98-10/99.

Meredith J. Ching (47)
Vice President (Government & Community Relations) of A&B, 10/92-present; Vice President (Government & Community Relations) of A&B-Hawaii, Inc. ("ABHI"), 10/92-12/99; first joined A&B or a subsidiary in 1982.

Nelson N. S. Chun (51)
Vice President and General Counsel of A&B, 11/03-present; Partner, Cades Schutte LLP, 10/83-11/03.

Matthew J. Cox (42)
Senior Vice President and Chief Financial Officer of Matson, 6/01-present; Controller of Matson, 6/01-1/03; Executive Vice President and Chief Financial Officer, Distribution Dynamics, Inc., 8/99-6/01; Vice President, American President Lines, Ltd., 12/86-7/99.

Allen Doane (56)
President and Chief Executive Officer of A&B, and Director of A&B and Matson, 10/98-present; Chairman of Matson, 7/02-1/04; Vice Chairman of Matson, 12/98-7/02, 1/04-present; Executive Vice President of A&B, 8/98-10/98; Director of ABHI, 4/97-12/99; Chief Executive Officer of ABHI, 1/97-12/99; President of ABHI, 4/95-12/99; first joined A&B or a subsidiary in 1991.

John F. Gasher (70)
Vice President (Human Resources) of A&B, 12/99-present; Vice President (Human Resources Development) of ABHI, 1/97-12/99; first joined A&B or a subsidiary in 1960.

G. Stephen Holaday (59)
Vice President of A&B, 12/99-present; Senior Vice President of ABHI, 4/89-12/99; Vice President and Controller of A&B, 4/93-1/96; first joined A&B or a subsidiary in 1983.

John B. Kelley (58)
Vice President (Investor Relations) of A&B, 8/01-present; Vice President (Corporate Planning & Investor Relations) of A&B, 10/99-8/01; Vice President (Investor Relations) of A&B, 1/95-10/99; Vice President of ABHI, 9/89-12/99; first joined A&B or a subsidiary in 1979.

Stanley M. Kuriyama (50)
Vice President (Properties Group) of A&B, 2/99-present; Chief Executive Officer and Vice Chairman of A & B Properties, Inc., 12/99-present; Executive Vice President of ABHI, 2/99-12/99; first joined A&B or a subsidiary in 1992.

Alyson J. Nakamura (38)
Secretary of A&B, 2/99-present; Assistant Secretary of A&B, 6/94-1/99; Secretary of ABHI, 6/94-12/99; first joined A&B or a subsidiary in 1994.

Thomas A. Wellman (45)
Vice President of A&B, 2/04-present; Controller of A&B, 1/96-present; Assistant Treasurer of A&B, 1/96-12/99, 6/00-2/04; Treasurer of A&B, 1/00-5/00, 2/04-present; Vice President of ABHI, 1/96-12/99; Controller of ABHI,

11/91-12/99; first joined A&B or a subsidiary in 1989.

C. Audit Committee Financial Expert

For information about the Audit Committee Financial Expert, see the section captioned "Audit Committee Report" in A&B's 2004 Proxy Statement, which section is incorporated herein by reference.

D. Code of Ethics

For information about A&B's Code of Ethics, see the subsection captioned "Code of Ethics" in A&B's 2004 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" in A&B's 2004 Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See the section captioned "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" in A&B's 2004 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the subsection captioned "Certain Relationships and Transactions" in A&B's 2004 Proxy Statement, which subsection is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services appears in the section captioned "Ratification of Appointment of Independent Auditors" in A&B's 2004 Proxy Statement, which section is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. Financial Statements

The financial statements are set forth in Item 8 of Part II above.

B. Financial Statement Schedules

All schedules are omitted because of the absence of the conditions under which they are required or because the information called for is included in the financial statements or notes thereto.

C. Exhibits Required by Item 601 of Regulation S-K

Exhibits not filed herewith are incorporated by reference to the exhibit number and previous filing shown in parentheses. All previous exhibits were filed with the Securities and Exchange Commission in Washington, D.C. Exhibits filed pursuant to the Securities Exchange Act of 1934 were filed under file number 0-565. Shareholders may obtain copies of exhibits for a copying and handling charge of $0.15 per page by writing to Alyson J. Nakamura, Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawaii 96801.

3. Articles of incorporation and bylaws.

3.a. Restated Articles of Association of Alexander & Baldwin, Inc., as restated effective May 5, 1986, together with Amendments dated April 28, 1988 and April 26, 1990 (Exhibits 3.a.(iii) and (iv) to A&B's Form 10-Q for the quarter ended March 31, 1990).

3.b. Revised Bylaws of Alexander & Baldwin, Inc. (as Amended Effective February 22, 2001) (Exhibit 3.b.(i) to A&B's Form 10-K for the year ended December 31, 2000).

4. Instruments defining rights of security holders, including indentures.

4.a. Equity.

4.a. Rights Agreement, dated as of June 25, 1998 between Alexander & Baldwin, Inc. and Chase Mellon Shareholder Services, L.L.C. and Press Release of Alexander & Baldwin, Inc. (Exhibits 4 and 99 to A&B's Form 8-K dated June 25, 1998).

4.b. Debt.

4.b. Third Amended and Restated Revolving Credit and Term Loan Agreement, dated November 19, 2001, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent (Exhibit 4.b. to A&B's Form 10-K for the year

ended December 31, 2001).

10. Material contracts.

10.a. (i) Issuing and Paying Agent Agreement between Matson Navigation Company, Inc. and U.S. Bank National Association, as successor-in-interest to Security Pacific National Trust (New York), with respect to Matson Navigation Company, Inc.'s $150 million commercial paper program dated September 18, 1992 (Exhibit 10.b.1.(xxviii) to A&B's Form 10-Q for the quarter ended September 30, 1992).

(ii) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xiii) to A&B's Form 8-K dated June 4, 1993).

(iii) Amendment dated as of May 20, 1994 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xviv) to A&B's Form 10-Q for the quarter ended June 30, 1994).

(iv) Amendment dated as of June 30, 1995 to the Note Agreement, among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(v) Amendment dated as of November 29, 1995 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1995).

(vi) Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xx) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(vii) Amendment dated August 31, 1994 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank dated December 30, 1993 (Exhibit 10.a.(xxi) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(viii) Second Amendment dated March 29, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xxiii) to A&B's Form 10-Q for the quarter ended March 31, 1995).

(ix) Third Amendment dated November 30, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1996).

(x) Fourth Amendment dated November 25, 1996 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 1996).

(xi) Fifth Amendment dated November 28, 1997 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xix) to A&B's Form 10-K for the year ended December 31, 1997).

(xii) Sixth Amendment dated November 30, 1998 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xiv) to A&B's Form 10-K for the year ended December 31, 1998).

(xiii) Seventh Amendment dated November 23, 1999 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xv) to A&B's Form 10-K for the year ended December 31, 1999).

(xiv) Eighth Amendment dated May 3, 2000 to the Revolving Credit Agreement ("Agreement") between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (A&B-Hawaii, Inc., an original party to the Agreement, was merged into Alexander & Baldwin, Inc. effective December 31, 1999) (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 2000).

(xv) Ninth Amendment dated November 16, 2000 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 2000).

(xvi) Tenth Amendment dated November 30, 2001 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 2001).

(xvii) Eleventh Amendment dated November 21, 2002 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xix) to A&B's Form 10-K for the year ended December 31, 2002).

(xviii) Twelfth Amendment dated November 12, 2003 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993.

(xix) Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xxxiii) to A&B's Form 10-Q for the quarter ended September 30, 1996).

(xx) First Amendment, dated as of February 5, 1999, to the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).

(xxi) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001 (Exhibit 10.a.(xlvii) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxii) Amendment, dated as of April 25, 2001, to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993, and the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xlviii) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxiii) Private Shelf Agreement between Matson Navigation Company, Inc. and Prudential Insurance Company of America, dated as of June 29, 2001 (Exhibit 10.a.(xlix) to A&B's Form 10-Q for the quarter ended June 30, 2001).

(xxiv) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Investment Management, Inc., dated as of November 25, 2003.

(xxv) Letter Amendment dated as of November 25, 2003 to the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996, and the Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001, among The Prudential Insurance Company of America, Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey and Alexander & Baldwin, Inc.

(xxvi) Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporation (without exhibits or schedules) (Exhibit 10.a.1.(xxxvi) to A&B's Form 8-K dated December 24, 1998).

(xxvii) Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (without exhibits) (Exhibit 10.a.1.(xxxvii) to A&B's Form 8-K dated December 24, 1998).

(xxviii) Pro forma financial information relative to the Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporation, and the Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (Exhibit 10.a.1.(xxxviii) to A&B's Form 8-K dated December 24, 1998).

(xxix) Vessel Construction Contract between Matson Navigation Company, Inc. and Kvaerner Philadelphia Shipyard Inc., dated May 29, 2002 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 2002).

(xxx) Vessel Purchase and Sale Agreement between Matson Navigation Company, Inc. and Kvaerner Shipholding, Inc., dated May 29, 2002 (Exhibit 10.a.(xxviii) to A&B's Form 10-Q for the quarter ended June 30, 2002).

(xxxi) Waiver of Cancellation Provisions Vessel Construction Contracts among Matson Navigation Company, Inc., Kvaerner Philadelphia Shipyard Inc. and Kvaerner Shipholding Inc., dated December 30, 2002 (Exhibit 10.a.(xxx) to A&B's Form 10-K for the year ended December 31, 2002).

*10.b.1. (i) Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.c.1.(ix) to A&B's Form 10-K for the year ended December 31, 1988).

(ii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxvi) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(iii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(iv) to A&B's Form 10-Q for the quarter ended March 31, 1994).

(iv) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 1994).

(v) Amendment No. 4 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(v) to A&B's Form 10-K for the year ended December 31, 2000).

(vi) Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option

Plan (Exhibit 10.c.1.(x) to A&B's Form 10-K for the year ended December 31, 1988).

(vii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxiv) to A&B's Form 10-K for the year ended December 31, 1991).

(viii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(ix) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 2000).

(x) Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxxii) to A&B's Form 10-Q for the quarter ended March 31, 1998).

(xi) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 2000).

(xii) Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-Q for the quarter ended March 31, 1998).

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*All exhibits listed under 10.b.1. are management contracts or compensatory plans or arrangements.

(xiii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xiii) to A&B's Form 10-K for the year ended December 31, 2000).

(xiv) Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxiv) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xv) Amendment No. 1 to Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, effective December 9, 1999 (Exhibit 10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 1999).

(xvi) Settlement Agreement and General Release of Claims among C. Bradley Mulholland, Matson Navigation Company, Inc. and Alexander & Baldwin, Inc. dated December 31, 2003.

(xvii) A&B Deferred Compensation Plan for Outside Directors (Exhibit 10.c.1.(xviii) to A&B's Form 10-K for the year ended December 31, 1985).

(xviii) Amendment No. 1 to A&B Deferred Compensation Plan for Outside Directors, effective October 27, 1988 (Exhibit 10.c.1.(xxix) to A&B's Form 10-Q for the quarter ended September 30, 1988).

(xix) A&B Life Insurance Plan for Outside Directors (Exhibit 10.c.1.(xix) to A&B's Form 10-K for the year ended December 31, 1985).

(xx) A&B Excess Benefits Plan, Amended and Restated effective February 1, 1995 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1994).

(xxi) Amendment No. 1 to the A&B Excess Benefits Plan, dated June 26, 1997 (Exhibit 10.b.1.(xxxi) to A&B's Form 10-Q for the quarter ended June 30, 1997).

(xxii) Amendment No. 2 to the A&B Excess Benefits Plan, dated December 10, 1997 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1997).

(xxiii) Amendment No. 3 to the A&B Excess Benefits Plan, dated April 23, 1998 (Exhibit 10.b.1.(xxxv) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xxiv) Amendment No. 4 to the A&B Excess Benefits Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xxv) Amendment No. 5 to the A&B Excess Benefits Plan, dated December 9, 1998 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).

(xxvi) Amendment No. 6 to the A&B Excess Benefits Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxviii) to A&B's Form 10-K for the year ended December 31, 2000).

(xxvii) Amendment No. 7 to the A&B Excess Benefits Plan, dated October 22, 2003.

(xxviii) Restatement of the A&B Executive Survivor/Retirement Benefit Plan, effective February 1, 1995 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1994).

(xxix) Amendment No. 1 to the A&B Executive Survivor/Retirement Benefit Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxx) to A&B's Form 10-K for the year ended December 31, 2000).

(xxx) Restatement of the A&B 1985 Supplemental Executive Retirement Plan, effective February 1, 1995 (Exhibit 10.b.1.(xxiv) to A&B's Form 10-K for the year ended December 31, 1994).

(xxxi) Amendment No. 1 to the A&B 1985 Supplemental Executive Retirement Plan, dated August 27, 1998 (Exhibit 10.b.1.(xliii) to A&B's Form 10-Q for the quarter ended September 30, 1998).

(xxxii) Amendment No. 2 to the A&B 1985 Supplemental Executive Retirement Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-K for the year ended December 31, 2000).

(xxxiii) Restatement of the A&B Retirement Plan for Outside Directors, effective February 1, 1995 (Exhibit 10.b.1.(xxvi) to A&B's Form 10-K for the year ended December 31, 1994).

(xxxiv) Amendment No. 1 to the A&B Retirement Plan for Outside Directors, dated August 27, 1998 (Exhibit 10.b.1.(xlii) to A&B's Form 10-Q for the quarter ended September 30, 1998).

(xxxv) Amendment No. 2 to the A&B Retirement Plan for Outside Directors, dated October 25, 2000 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-K for the year ended December 31, 2000).

(xxxvi) Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 24, 2000 (Exhibit 10.b.1.(xli) to A&B's Form 10-Q for the quarter ended September 30, 2000).

(xxxvii) Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, as restated effective October 22, 1992 (Exhibit 10.b.1.(xxi) to A&B's Form 10-K for the year ended December 31, 1992).

(xxxviii) Amendment No. 1 to the Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, dated December 13, 2001 (Exhibit 10.b.1.(xxxvii) to A&B's Form 10-K for the year ended December 31, 2001).

(xxxix) Alexander & Baldwin, Inc. Three-Year Performance Improvement Incentive Plan, as restated effective October 22, 1992 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1992).

(xl) Alexander & Baldwin, Inc. Deferred Compensation Plan effective August 25, 1994 (Exhibit 10.b.1.(xxv) to A&B's Form 10-Q for the quarter ended September 30, 1994).

(xli) Amendment No. 1 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, effective July 1, 1997 (Exhibit 10.b.1.(xxxii) to A&B's Form 10-Q for the quarter ended June 30, 1997).

(xlii) Amendment No. 2 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvii) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xliii) Amendment No. 3 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated October 25, 2000 (Exhibit 10.b.1.(xliii) to A&B's Form 10-K for the year ended December 31, 2000).

(xliv) Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, as restated effective April 28, 1988 (Exhibit 10.c.1.(xi) to A&B's Form 10-Q for the quarter ended June 30, 1988).

(xlv) Amendment No. 1 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, effective December 11, 1997 (Exhibit 10.b.1.(ii) to A&B's Form 10-K for the year ended December 31, 1997).

(xlvi) Amendment No. 2 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxviii) to A&B's Form 10-Q for the quarter ended June 30, 1998).

(xlvii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xlvi) to A&B's Form 10-Q for the quarter ended March 31, 2002).

21. Subsidiaries.

21. Alexander & Baldwin, Inc. Subsidiaries as of February 19, 2004.

23. Consent of Deloitte & Touche LLP dated March 8, 2004 (included as the last page of A&B's Form 10-K for the year ended December 31, 2003).

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32. Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

D. Reports on Form 8-K

During the quarter ended December 31, 2003, A&B furnished a Current Report on Form 8-K dated October 23, 2003 pursuant to Item 12 that attached a press release announcing A&B's financial results for the quarter ended September 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ALEXANDER & BALDWIN, INC.
(Registrant)

Date: March 8, 2004

By /s/ Allen Doane

Allen Doane, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Allen Doane Allen Doane	President and Chief Executive Officer and Director	March 8, 2004
/s/ Christopher J. Benjamin Christopher J. Benjamin	Vice President and Chief Financial Officer	March 8, 2004
/s/ Thomas A. Wellman Thomas A. Wellman	Vice President, Controller and Treasurer	March 8, 2004
/s/ Charles M. Stockholm Charles M. Stockholm	Chairman of the Board and Director	March 8, 2004
/s/ Michael J. Chun Michael J. Chun	Director	March 8, 2004
/s/ Leo E. Denlea, Jr. Leo E. Denlea, Jr.	Director	March 8, 2004
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Director	March 8, 2004
/s/ Charles G. King Charles G. King	Director	March 8, 2004
/s/ Carson R. McKissick Carson R. McKissick	Director	March 8, 2004
/s/ Maryanna G. Shaw Maryanna G. Shaw	Director	March 8, 2004
/s/ Jeffrey N. Watanabe Jeffrey N. Watanabe	Director	March 8, 2004

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements 33-31922, 33-31923, 33-54825, and 333-69197 of Alexander & Baldwin, Inc. and subsidiaries on Form S-8 of our report dated February 6, 2004, appearing in this Annual Report on Form 10-K of Alexander & Baldwin, Inc. and subsidiaries for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Honolulu, Hawaii

A&B EXCESS BENEFITS PLAN

Amendment No. 7

The A&B Excess Benefits Plan (the "Plan"), as amended and restated effective February 1, 1995, is hereby amended, effective as of January 1, 2002, as follows:

1. Section 3.02 is hereby amended by replacing the first sentence thereof with the following sentence: "Participants in this Plan shall be any eligible employees who have been assigned at least three hundred and fifty (350) accountability points under A&B's job evaluation program."

2. Except as modified by this Amendment, all terms and provisions of the A&B Excess Benefits Plan shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Amendment to be executed on its behalf by its duly authorized officers on this 22nd day of October, 2003.

ALEXANDER & BALDWIN, INC.

By /s/ John F. Gasher
Its Vice President

By /s/ Alyson J. Nakamura
Its Secretary

TWELFTH AMENDMENT TO GRID NOTE

THIS TWELFTH AMENDMENT TO GRID NOTE is made on November 12, 2003, and effective as of November 30, 2003, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation, hereinafter called the "Maker", and FIRST HAWAIIAN BANK, a Hawaii corporation, hereinafter called the "Bank";

WITNESSETH THAT;

WHEREAS, the Bank extended to the Maker that certain uncommitted line of credit facility in the principal amount not to exceed FORTY MILLION AND NO/100 DOLLARS ($40,000,000.00) which line of credit is evidenced by that certain Grid Note (the "Note") dated December 30, 1993, with a final maturity of said Note being November 30, 1994; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Amendment to Grid Note dated August 31, 1994, whereby the Note was increased to SIXTY-FIVE MILLION AND NO/100 DOLLARS ($65,000,000.00), Section 4 of the Note, "Limitation" was deleted in its entirety and replaced, and the Note was extended to November 30, 1995; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Second Amendment to Grid Note dated March 29, 1995, whereby the Note was decreased to FORTY-FIVE MILLION AND NO/100 DOLLARS ($45,000,000.00), and Section 4 of the Note, entitled "Limitation" was deleted in its entirety and replaced, and

WHEREAS, the Maker and the Bank subsequently entered into that certain Third Amendment to Grid Note dated November 17, 1995, that certain Fourth Amendment to Grid Note dated November 25, 1996, that certain Fifth Amendment to Grid Note dated November 28, 1997, and that certain Sixth Amendment to Grid Note dated November 30, 1998, all to extend the Maturity Date of the Note, the latest of which extended such Maturity Date to November 30, 1999; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Seventh Amendment to Grid Note dated November 23, 1999, whereby the Note was extended to November 30, 2000, and with the merger of A&B-Hawaii, Inc. into Alexander & Baldwin, Inc., with Alexander & Baldwin, Inc. being the surviving corporation, the obligations of A&B-Hawaii, Inc. under the Note were terminated, with all references in the Note to the Maker deemed to be references to Alexander & Baldwin, Inc.; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Eighth Amendment to Grid Note dated May 3, 2000, whereby the Note was increased to SEVENTY MILLION AND NO/100 DOLLARS ($70,000,000.00), and Section 4 of the Note, "Limitation" was deleted in its entirety and replaced; and

WHEREAS, the Maker and the Bank subsequently entered into that certain Ninth Amendment to Grid Note dated November 30, 2000, that certain Tenth Amendment to Grid Note dated November 30, 2001, and that certain Eleventh Amendment to Grid Note dated November 21, 2002, the latest of which extended the Maturity Date of the Note to November 30, 2003, and amended Section 4 of the Note, entitled "Limitation," which was deleted and replaced in its entirety; and

WHEREAS, the Maker and the Bank desire to further amend the Note as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Maker and the Bank agree as follows:

1. The Maturity Date of the Note, as previously amended, shall be and hereby is further amended to provide that all unpaid principal and accrued but unpaid interest shall be due and payable on November 30, 2004, unless sooner due as otherwise provided in the Note.

2. In all other respects, the Note, as herein amended, shall remain unmodified and in full force and effect, and the Maker hereby reaffirms all of its obligations under the Note, as previously amended, and as amended hereby. Without limiting the generality of the foregoing, the Maker hereby expressly acknowledges and agrees that, as of the date of this TWELFTH AMENDMENT TO GRID NOTE, the Maker has no offsets, claims or defenses whatsoever against the Bank or against any of the Maker's obligations under the Note, as previously amended, and as amended hereby, and that if any such claims, defenses or offsets exist, they are hereby irrevocably waived and released.

IN WITNESS WHEREOF, this Twelfth Amendment to Grid Note is executed by the undersigned parties on the date first above written.

FIRST HAWAIIAN BANK

By /s/ Alan H. Arizumi

Its: Vice President

"Bank"

ALEXANDER & BALDWIN, INC.

By: /s/ Thomas A. Wellman

Its: Controller & Assistant Treasurer

By: /s/ John B. Kelley

Its: Vice President

"Maker"

ALEXANDER & BALDWIN, INC.

$75,000,000

PRIVATE SHELF AGREEMENT

November 25, 2003

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ALEXANDER & BALDWIN, INC.
822 Bishop Street
Honolulu, Hawaii 96801

As of November 25, 2003

Prudential Investment Management, Inc. ("Prudential")
Each Prudential Affiliate(as hereinafter
defined) which becomes bound by certain
provisions of this Agreement as hereinafter
provided (together with Prudential,
the "Purchasers")
c/o Prudential Capital Group
Four Embarcadero Center
Suite 2700
San Francisco, CA 94111

Ladies and Gentlemen:

The undersigned, Alexander & Baldwin, Inc. (the "Company") hereby agrees with you as follows:

1. AUTHORIZATION OF ISSUE OF NOTES. The Company has authorized the issue of its senior promissory notes in the aggregate principal amount of $75,000,000, to be dated the date of issue thereof, to mature, in the case of each Note so issued, no more than twenty years from the date of original issuance, to have an average life, in the case of each Note so issued, of no more than fifteen years, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Note so issued, in the Confirmation of Acceptance with respect to such Note delivered pursuant to paragraph 2B(5), and to be substantially in the form of Exhibit A attached hereto. The terms "Note" and "Notes" as used herein shall include each Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same principal prepayment dates, (iii) the same principal prepayment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same date of issuance (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a "Series" of Notes.

2A. Intentionally Omitted.

2B. PURCHASE AND SALE OF NOTES.

2B(1). Facility. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential and Prudential Affiliates from time to time, the purchase of Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Notes is herein called the "Facility". At any time, the aggregate principal amount of Notes stated in paragraph 1, minus the aggregate principal amount of Notes purchased and sold pursuant to this Agreement prior to such time, minus the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, is herein called the "Available Facility Amount" at such time. NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF NOTES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.

2B(2). Issuance Period. Notes may be issued and sold pursuant to this Agreement until the earlier of (i) the third anniversary of the date of this Agreement (or if such anniversary is not a Business Day, the Business Day next preceding such anniversary) and (ii) the thirtieth day after Prudential shall have given to a Company, or a Company shall have given to Prudential, a written notice stating that it elects to terminate the issuance and sale of Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Notes may be issued and sold pursuant to this Agreement is herein called the "Issuance Period".

2B(3). Request for Purchase. The Company may from time to time during the Issuance Period make requests for purchases of Notes (each such request being herein called a "Request for Purchase"). Each Request for Purchase shall be made to Prudential by telefacsimile or overnight delivery service, and shall (i) specify the aggregate principal amount of Notes covered thereby, which shall not be less than $5,000,000 and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (ii) specify the principal amounts, final maturities, principal prepayment dates and amounts and interest payment periods (quarterly or semiannual in arrears) of the Notes covered thereby, (iii) specify the use of proceeds of such Notes, (iv) specify the proposed day for the closing of the purchase and sale of such Notes, which shall be a Business Day during the Issuance Period not less than 5 Business Days and not more than 30 Business Days after the making of such Request for Purchase, (v) specify the number of the account and the name and address of the depository institution to which the purchase price of such Notes is to be transferred on the Closing Day for such purchase and sale, (vi) certify that the representations and warranties contained in paragraph 8 are true on and as of the date of such Request for Purchase and that there exists on the date of such Request for Purchase no Event of Default or Default, (vii) specify the Designated Spread for such Notes and (viii) be substantially in the form of Exhibit B attached hereto. Each Request for Purchase shall be in writing and shall be deemed made when received by Prudential.

2B(4). Rate Quotes. Not later than five Business Days after the Company shall have given Prudential a Request for Purchase pursuant to paragraph 2B(3), Prudential may, but shall be under no obligation to, provide to the Company by telephone or telefacsimile, in each case between 9:30 A.M. and 2:00 P.M. New York City local time (or such later time as Prudential may elect) interest rate quotes for the several principal amounts, maturities, principal prepayment schedules, and interest payment periods of Notes specified in such Request for Purchase. Each quote shall represent the interest rate per annum payable on the outstanding principal balance of such Notes at which Prudential or a Prudential Affiliate would be willing to purchase such Notes at 100% of the principal amount thereof.

2B(5). Acceptance. Within five minutes after Prudential shall have provided any interest rate quotes pursuant to paragraph 2B(4), or such shorter period as Prudential may specify to the Company (such period herein called the "Acceptance Window"), the Company may, subject to paragraph 2B(6), elect to

accept such interest rate quotes as to not less than $5,000,000 aggregate principal amount of the Notes specified in the related Request for Purchase. Such election shall be made by an Authorized Officer of the Company notifying Prudential by telephone or telefacsimile within the Acceptance Window that the Company elects to accept such interest rate quotes, specifying the Notes (each such Note being herein called an "Accepted Note") as to which such acceptance (herein called an "Acceptance") relates. The day the Company notifies an Acceptance with respect to any Accepted Notes is herein called the "Acceptance Day" for such Accepted Notes. Any interest rate quotes as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Notes hereunder shall be made based on such expired interest rate quotes. Subject to paragraph 2B(6) and the other terms and conditions hereof, the Company agrees to sell to Prudential or a Prudential Affiliate, and Prudential agrees to purchase, or to cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Notes. As soon as practicable following the Acceptance Day, the Company, Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit C attached hereto (herein called a "Confirmation of Acceptance"). If the Company should fail to execute and return to Prudential within three Business Days following receipt thereof a Confirmation of Acceptance with respect to any Accepted Notes, Prudential may at its election at any time prior to its receipt thereof cancel the closing with respect to such Accepted Notes by so notifying the Company in writing.

2B(6). Market Disruption. Notwithstanding the provisions of paragraph 2B(5), if Prudential shall have provided interest rate quotes pursuant to paragraph 2B(4) and thereafter prior to the time an Acceptance with respect to such quotes shall have been notified to Prudential in accordance with paragraph 2B(5) the domestic market for U.S. Treasury securities or derivatives shall have closed or there shall have occurred a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the domestic market for U.S. Treasury securities or derivatives, then such interest rate quotes shall expire, and no purchase or sale of Notes hereunder shall be made based on such expired interest rate quotes. If the Company thereafter notifies Prudential of the Acceptance of any such interest rate quotes, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this paragraph 2B(6) are applicable with respect to such Acceptance.

2B(7). Facility Closings. Not later than 1:30 P.M. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Prudential Capital Group the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the account specified by the Company in the Request for Purchase of such Notes. If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in this paragraph 2B(7), or any of the conditions specified in paragraph 3 shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 2:30 P.M., New York City local time, on such scheduled Closing Day notify Prudential (which notification shall be deemed received by each Purchaser) in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 10 Business Days after such scheduled Closing Day (the "Rescheduled Closing Day") and certify to Prudential (which certification shall be for the benefit of each Purchaser) that the Company reasonably believes that it will be able to comply with the conditions set forth in paragraph 3 on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with paragraph 2B(8)(iii) or (ii) such closing is to be canceled. In the event that the Company shall fail to give such notice referred to in the preceding sentence, Prudential (on behalf of each Purchaser) may at its election, at any time after 2:30 P.M., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled. Notwithstanding anything to the contrary appearing in this Agreement, the Company may not elect to reschedule a closing with respect to any given Accepted Notes on more than one occasion, unless Prudential shall have otherwise consented in writing.

2B(8). Fees.

2B(8)(i). Structuring Fee. In consideration for the time, effort and expense involved in the preparation, negotiation and execution of this Agreement, at the time of the execution and delivery of this Agreement by the Company and Prudential, the Company shall pay to Prudential in immediately available funds the $37,500 unpaid balance of a fee (herein called the "Structuring Fee") in the aggregate amount of $112,500; provided that if at least $15,000,000 of Notes are issued concurrently with the execution and delivery of this Agreement the Structuring Fee shall be $75,000.

2B(8)(ii). Issuance Fee. The Company agrees to pay to each Purchaser in immediately available funds a fee (herein called the "Issuance Fee") on each Closing Day in an amount equal to 0.10% of the aggregate principal amount of Notes sold to such Purchaser on such Closing Day.

2B(8)(iii). Delayed Delivery Fee. If the closing of the purchase and sale of any Accepted Note is delayed for any reason beyond the original Closing Day for such Accepted Note, the Company agrees to pay to Prudential (a) on the Cancellation Date or actual closing date of such purchase and sale and (b) if earlier, the next Business Day following 90 days after the Acceptance Day for such Accepted Note and on each Business Day following 90 days after the prior payment hereunder, a fee (herein called the "Delayed Delivery Fee") calculated

as follows:

(BEY - MMY) X DTS/360 X PA

where "BEY" means Bond Equivalent Yield, i.e., the bond equivalent yield per annum of such Accepted Note, "MMY" means Money Market Yield, i.e., the yield per annum on a commercial paper investment of the highest quality selected by Prudential on the date Prudential receives notice of the delay in the closing for such Accepted Note having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day or Rescheduled Closing Days (a new alternative investment being selected by Prudential each time such closing is delayed); "DTS" means Days to Settlement, i.e., the number of actual days elapsed from and including the original Closing Day with respect to such Accepted Note (in the case of the first such payment with respect to such Accepted Note) or from and including the date of the next preceding payment (in the case of any subsequent delayed delivery fee payment with respect to such Accepted Note) to but excluding the date of such payment; and "PA" means Principal Amount, i.e., the principal amount of the Accepted Note for which such calculation is being made. In no case shall the Delayed Delivery Fee be less than zero. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with paragraph 2B(7).

2B(8)(iv). Cancellation Fee. If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential notifies the Company in writing under the circumstances set forth in the last sentence of paragraph 2B(5) or the penultimate sentence of paragraph 2B(7) that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being herein called the "Cancellation Date"), the Company agrees to pay to Prudential in immediately available funds an amount (the "Cancellation Fee") calculated as follows:

PI X PA

where "PI" means Price Increase, i.e., the quotient (expressed in decimals) obtained by dividing (a) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Notes(s) on the Acceptance Day for such Accepted Note by (b) such bid price; and "PA" has the meaning ascribed to it in paragraph 2B(8)(iii). The foregoing bid and ask prices shall be as reported by such publicly available source of such market data as is then customarily utilized by Prudential. Each price shall be based on a U.S. Treasury security having a par value of $100.00 and shall be rounded to the second decimal place. In no case shall the Cancellation Fee be less than zero.

3. CONDITIONS OF CLOSING. On or before the date on which this Agreement is executed and delivered the Company shall (a) pay to Prudential the balance (if any) of the Structuring Fee referenced in paragraph 2B(8)(i) and (b) deliver to Prudential a document in form and content satisfactory to Prudential pursuant to which it is acknowledged that no new notes issuances shall be made under the Private Shelf Agreement dated as of April 25, 2001. The obligation of any Purchaser to purchase and pay for any Notes is subject to the satisfaction, on or before the Closing Day for such Notes, of the following conditions:

3A. Certain Documents. Such Purchaser shall have received the following, each dated the date of the applicable Closing Day:

(i) The Note(s) to be purchased by such Purchaser.

(ii) Certified copies of the resolutions of the Board of Directors of the Company authorizing the execution and delivery of this Agreement and the issuance of the Notes, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary and one other officer of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder.

(iv) Certified copies of the Certificate of Incorporation and By-laws of the Company.

(v) A favorable opinion of Cades Schutte A Limited Liability Law Partnership LLP, special counsel to the Company (or such other counsel designated by the Company and acceptable to the Purchaser(s)) satisfactory to such Purchaser and substantially in the form of Exhibit D attached hereto and as to such other matters as such Purchaser may reasonably request. The Company hereby directs such counsel to deliver such opinion, agrees that the issuance and sale of any Notes will constitute a reconfirmation of such direction, and understands and agrees that each Purchaser receiving such an opinion will and is hereby authorized to rely on such opinion.

(vi) A good standing certificate for the Company from the secretary of state of Hawaii and, if different, from the Company's jurisdiction of incorporation, in each case dated as of a recent date and such other evidence of the status of the Company as such Purchaser may reasonably request.

(vii) Additional documents or certificates with respect to legal matters or corporate or other proceedings related to the transactions contemplated hereby as may be reasonably requested by such

Purchaser.

3B. Representations and Warranties; No Default. The representations and warranties contained in paragraph 8 shall be true on and as of such Closing Day, except to the extent of changes caused by the transactions herein contemplated; there shall exist on such Closing Day no Event of Default or Default; and the Company shall have delivered to such Purchaser an Officer's Certificate, dated such Closing Day, to both such effects.

3C. Purchase Permitted by Applicable Laws. The purchase of and payment for the Notes to be purchased by such Purchaser on the terms and conditions herein provided (including the use of the proceeds of such Notes by the Company) shall not violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation T, U or X of the Board of Governors of the Federal Reserve System) and shall not subject such Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or governmental regulation, and such Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition. This paragraph 3C is a closing condition and shall not be construed as a tax indemnity.

3D. Payment of Fees. The Company shall have paid to Prudential and any other Purchaser any fees due it pursuant to or in connection with this Agreement, including the Structuring Fee due pursuant to paragraph 2B(8)(i), any Issuance Fee due pursuant to paragraph 2B(8)(ii) and any Delayed Delivery Fee due pursuant to paragraph 2B(8)(iii).

4. PREPAYMENTS. The Notes shall be subject to required prepayment as and to the extent provided in paragraph 4A. The Notes shall also be subject to prepayment under the circumstances set forth in paragraph 4B. Any prepayment made by the Company pursuant to any other provision of this paragraph 4 shall not reduce or otherwise affect their obligation to make any required prepayment as specified in paragraph 4A.

4A. Required Prepayments of Notes. Each Series of Notes shall be subject to required prepayments, if any, set forth in the Notes of such Series.

4B. Optional Prepayment With Yield-Maintenance Amount. The Notes of each Series shall be subject to prepayment, in whole at any time or from time to time in part (in integral multiples of $100,000 and in a minimum amount of $1,000,000), at the option of the Company, at 100% of the principal amount so prepaid plus interest thereon to the prepayment date and the Yield-Maintenance Amount, if any, with respect to each such Note. Any partial prepayment of a Series of the Notes pursuant to this paragraph 4B shall be applied in satisfaction of required payments of principal in inverse order of their scheduled due dates.

4C. Notice of Optional Prepayment. The Company shall give the holder of each Note of a Series to be prepaid pursuant to paragraph 4B irrevocable written notice of such prepayment not less than 10 Business Days prior to the prepayment date, specifying such prepayment date, the aggregate principal amount of the Notes of such Series to be prepaid on such date, the principal amount of the Notes of such Series held by such holder to be prepaid on that date and that such prepayment is to be made pursuant to paragraph 4B. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the prepayment date and together with the Yield-Maintenance Amount, if any, herein provided, shall become due and payable on such prepayment date. The Company shall, on or before the day on which it gives written notice of any prepayment pursuant to paragraph 4B, give telephonic notice of the principal amount of the Notes to be prepaid and the prepayment date to each Significant Holder which shall have designated a recipient for such notices in the purchaser schedule attached to the applicable Confirmation of Acceptance or by notice in writing to the Company.

4D. Application of Prepayments. In the case of each prepayment of less than the entire unpaid principal amount of all outstanding Notes of any Series pursuant to paragraph 4A or 4B, the amount to be prepaid shall be applied pro rata to all outstanding Notes of such Series (including, for the purpose of this paragraph 4D only, all Notes prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Subsidiaries or Affiliates other than by prepayment pursuant to paragraph 4A or 4B) according to the respective unpaid principal amounts thereof.

4E. Retirement of Notes. The Company shall not, and shall not permit any of its Subsidiaries or Affiliates to, prepay or otherwise retire in whole or in part prior to their stated final maturity (other than by prepayment pursuant to paragraphs 4A or 4B, or upon acceleration of such final maturity pursuant to paragraph 7A), or purchase or otherwise acquire, directly or indirectly, Notes of any Series held by any holder unless the Company or such Subsidiary or Affiliate shall have offered to prepay or otherwise retire or purchase or otherwise acquire, as the case may be, the same proportion of the aggregate principal amount of Notes of such Series held by each other holder of Notes of such Series at the time outstanding upon the same terms and conditions. Any Notes so prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Subsidiaries or Affiliates shall not be deemed to be outstanding for any purpose under this Agreement, except as provided in paragraph 4D.

5. AFFIRMATIVE COVENANTS. During the Issuance Period and so long thereafter as any Note is outstanding and unpaid, the Company covenants as follows:

5A. Financial Statements. The Company covenants that it will deliver to each holder of the Notes in duplicate:

(i) as soon as practicable and in any event within the earlier to occur of 60 days after the end of each quarterly period (other than

the last quarterly period) in each fiscal year or the date on which another creditor of the Company first receives such information, consolidated statements of income and cash flows of the Company and its Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject only to changes resulting from year-end adjustments;

(ii) as soon as practicable and in any event within the earlier to occur of 120 days after the end of each fiscal year or the date on which another creditor of the Company first receives such information, consolidated statements of income and cash flows of the Company and its Subsidiaries for such year and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and reasonably satisfactory in scope to the Required Holder(s) and certified by independent public accountants of recognized standing whose opinion shall be unqualified and otherwise satisfactory in scope and substance to the Required Holder(s), provided that such opinion shall be deemed otherwise satisfactory if prepared and rendered in accordance with GAAP and generally accepted auditing standards;

(iii) promptly upon transmission thereof, copies of all such financial, proxy and information statements, notices and other reports as are sent to the Company's stockholders and copies of all registration statements (with such exhibits as any holder reasonably requests) and all reports which are filed with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission);

(iv) promptly upon receipt thereof, a copy of each other report submitted to the Company or any of its Subsidiaries by independent accountants in connection with any material annual, interim or special audit made by them of the books of such Company or such Subsidiary pursuant to a request by the Company's Board of Directors;

(v) promptly after the furnishing thereof, copies of any certificate, statement or report furnished to any other holder of the securities of the Company pursuant to the terms of any indenture, loan, credit or similar agreement or instrument and not otherwise required to be furnished to the holders of the Notes pursuant to any other clause of this paragraph 5; and

(vi) with reasonable promptness, such other financial data (including without limitation the information specified in paragraph 5E(ii)) as any holder of Notes may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to each holder of Notes an Officers' Certificate (a) setting forth the aggregate amount of Restricted Payments made during such fiscal period and computations showing (non)compliance with the covenants in paragraphs 6A(1), 6A(2), 6A(3), 6B(1)(iv), 6B(2)(iv), 6B(3)(iv), 6B(4) and 6B(6)(ii); and (b) stating that there exists no Default or Event of Default, or if any such Default or Event of Default exists, specifying the nature and period of existence thereof and what action the Company proposes to take with respect thereto.

Together with each delivery of financial statements required by clause (ii) above, the Company will deliver to each holder of Notes a certificate of such accountants substantially in the form of Schedule 5A stating whether they have obtained knowledge of any Event of Default or Default and, if so, specifying the nature and period of existence thereof.

The Company also covenants that forthwith upon a Principal Officer obtaining actual knowledge of an Event of Default or Default, it will deliver to each holder of Notes an Officers' Certificate specifying the nature and period of existence thereof and what action the Company proposes to take with respect thereto.

5B. Inspection of Property. The Company covenants that it will permit any employees or designated representatives of Prudential, any Prudential Affiliate or any other holder of Notes in an original principal amount in excess of $5,000,000, at such Person's expense, to visit and inspect any of the properties of the Company and its Subsidiaries, to examine their books and financial records and to make copies thereof or extracts therefrom and to discuss their affairs, finances and accounts with the Principal Officers and the Company's independent certified public accountants, all at such times as the Company and such Person reasonably agree and as often as such Person may reasonably request.

5C. Covenant to Secure Note Equally. The Company covenants that, if it or any of its Subsidiaries shall create, assume or otherwise incur any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of paragraph 6B(1) (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to paragraph 11C), it will make or cause to be made effective provision whereby the Notes will be secured by such Lien equally and ratably with any and all other Debt thereby secured so long as any such other Debt shall be so secured.

5D. Information Required by Rule 144A. The Company covenants that it will, upon the request of the holder of any Note, provide such holder, and any

qualified institutional buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to and in compliance with the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this paragraph 5D, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

5E. Maintenance of Properties; Insurance. The Company covenants that it and each Subsidiary will (i) maintain or cause to be maintained in good repair, working order and condition all properties used or useful at that time in its business and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof and (ii) maintain insurance with reputable and financially sound insurers in such amounts and against such liabilities and hazards as is customarily maintained by other companies operating similar businesses and together with each delivery of financial statements under clause (ii) of paragraph 5A, upon the request of any Significant Holder of Notes, deliver certificates of insurance to the foregoing effect to such Significant Holder.

5F. Environmental and Safety Laws. (i) The Company covenants that it will deliver promptly to each Significant Holder notice of (a) any material enforcement, cleanup, removal or other material governmental or regulatory action instituted or, to the Company's best knowledge, threatened against the Company or any Subsidiary pursuant to any Environmental and Safety Laws, (b) all material Environmental Liabilities and Costs against or in respect of the Property, the Company or any Subsidiary and (c) the Company's or any Subsidiary's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that the Company or such Subsidiary has reason to believe could cause the Property or any material part thereof to be subject to any material restrictions on its ownership, occupancy, transferability or use under any Environmental and Safety Laws.

(ii) The Company covenants that it will, and will cause each of the Subsidiaries to, keep and maintain the Property and conduct its and their operations in compliance in all material respects with all applicable Environmental and Safety Laws.

6. NEGATIVE COVENANTS. During the Issuance Period and so long thereafter as any Note or amount due hereunder is outstanding and unpaid, the Company covenants as follows:

6A. Financial Covenants. The Company will not permit:

6A(1). Minimum Net Worth. Consolidated Tangible Net Worth at any time to be less than the sum of (a) $530,000,000 plus (b) to the extent positive, 25% of Consolidated Cumulative Net Income for each fiscal quarter ended after December 31, 2000 (such required minimum net worth not to be reduced by any consolidated net loss during any such fiscal quarter).

6A(2). Debt to EBITDA Ratio. The Debt to EBITDA Ratio at any time to exceed 300%; or

6A(3). Interest Coverage Ratio. The Interest Coverage Ratio for any fiscal quarter (measured at the end of such fiscal quarter) to be less than 200%.

6B. Lien and Other Restrictions. The Company will not, and will not permit any Subsidiary to:

6B(1). Liens. Create, assume or suffer to exist at any time any Lien on or with respect to any of its property or assets, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of paragraph 5C hereof), except:

> (i) Liens for taxes not yet due or which are being actively contested in good faith by appropriate proceedings and for which adequate reserves have been established;
>
> (ii) Liens incidental to the conduct of its business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances of credit, or the guarantee, maintenance, extension or renewal of the same, and which do not in the aggregate materially detract from the value of its property or assets, taken as a whole, or materially impair the use thereof in the operation of its business;
>
> (iii)(A) Liens on the vessels owned or to be owned or chartered, or any shoreside facilities or equipment owned, leased or to be owned or leased by Matson or its Subsidiaries and (B) Liens securing Debt between Subsidiaries or owing to the Company by a Subsidiary;
>
> (iv) the giving, simultaneously with or within ninety (90) days after the acquisition or construction of real property or tangible personal property, of any purchase money lien (including vendor's rights under purchase contracts under an agreement whereby title is retained for the purpose of securing the purchase price thereof) on real property or tangible personal property acquired or constructed after December 31, 2000 and not theretofore owned by the Company or any of its Subsidiaries, or the acquiring after December 31, 2000 of real property or personal tangible property not theretofore owned by the Company or any of its Subsidiaries subject to any then existing Lien (whether or not assumed); *provided, however*, that notwithstanding the foregoing, non-Matson Subsidiaries may grant Liens on real property owned on December 31, 2000 or thereafter acquired for development in

the ordinary course of Property Development Activities so long as the aggregate amount of Debt secured by all such Liens does not, at any time, exceed the sum of (A) $85,000,000 and (B) $5,000,000 for each completed calendar year, commencing with the calendar year completed December 31, 2001; and provided further, that in each such case (including Liens granted pursuant to the foregoing proviso) (x) such Lien is limited to such real or tangible personal property, and (y) the principal amounts of the Debt secured by each such Lien, together (without duplication) with the principal amount of all other Debt secured by Liens on such property, shall not exceed 100% of the cost (which shall be deemed to include the amount of Debt secured by Liens, including existing Liens, on such property) of such property to the Company or any of its Subsidiaries;

(v) Liens (other than as specified in clauses (i) - (iv) above) of the Company and Subsidiaries in existence on April 25, 2001 as set forth in Schedule 6B(1); and

(vi) subject to compliance with paragraph 6B(4), Liens securing Debt other than as set forth in the foregoing clauses (i) - (v); provided that there shall not exist any Lien of any kind on the shares of the Voting Stock of any Subsidiary, unless the Company and Subsidiaries continue to own shares of Voting Stock of such Subsidiary which are not subject to any Lien and which represent a majority of the Voting Stock of such Subsidiary;

6B(2). Loans and Advances. Make or permit to remain outstanding at any time any loan or advance to any Person, except that the Company and its Subsidiaries may:

(i) subject to paragraph 6B(4), make or permit to remain outstanding loans and advances to the Company and Subsidiaries;

(ii)make or permit to remain outstanding travel and other like advances and customary employee benefits in reasonable amounts to employees in the ordinary course of business;

(iii) make or permit to remain outstanding third party loans and advances on standard arm's-length terms, all such loans and advances not to exceed an aggregate of $50,000,000 at any time outstanding; and

(iv) make or permit to remain outstanding purchase money loans to Persons to whom it sells real property in the ordinary course of its Property Development Activities, provided that the aggregate amount of all such purchase money loans may not exceed at any one time an amount equal to 10% of Consolidated Total Assets at the end of the fiscal quarter most recently-ended as of any date of determination;

6B(3). Merger and Sale of Assets. Merge with or into or consolidate with any other Person or sell, lease, transfer or otherwise dispose of assets (other than in the ordinary course of business), except that:

(i) any Subsidiary may merge with the Company, so long as the Company is the surviving corporation;

(ii) any Subsidiary may merge with another Subsidiary, or sell, lease, transfer or otherwise dispose of its assets to another Subsidiary or to the Company; provided, however, that no Subsidiary (other than Matson and Matson Subsidiaries) may merge into or sell, lease, transfer or otherwise dispose of any assets to any Matson Subsidiary;

(iii) (A) Property Subs may sell, lease, transfer, exchange or otherwise dispose of their real property to the extent that such sales or other dispositions are made in the ordinary course of their Property Development Activities, and (B) the Company may sell, lease, transfer, exchange or otherwise dispose of the real property it owned as of December 31, 2000 in the ordinary course of business;

(iv) the Company or any Subsidiary may sell, lease, transfer or otherwise dispose of assets to third parties so long as (A) the fair market value thereof on the date sold or otherwise disposed of, together with the fair market value of all other assets sold or otherwise disposed of to third parties (1) within the prior 12 months, does not represent more than 15% of Consolidated Total Assets and (2) since the date of this Agreement, does not represent more than 40% of Consolidated Total Assets and (B) such assets, together with all other assets sold or otherwise disposed of to third parties since the beginning of the most recently ended fiscal year, did not contribute more than 15% of Consolidated Net Income during the Company's most recently ended fiscal year; provided that, notwithstanding the 15% limitation appearing clause (A), above, sales or dispositions in excess thereof in a twelve month period may be made if the proceeds of such sale or disposition are fully utilized in the acquisition of Permitted Assets and/or applied to the repayment of Permitted Debt, in each case within 365 days from the date of sale or disposition; and

(v) the Company may merge or consolidate with another corporation or other Person if (A) it will be the continuing or surviving entity and (B) no Default or Event of Default would exist immediately after giving effect to such merger or consolidation;

6B(4). Priority Debt. Permit the aggregate amount of Priority Debt to exceed the Priority Debt Limit;

6B(5). Sale or Discount of Receivables. Sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable (other than sales of accounts receivable the collection of which is doubtful in accordance with GAAP);

6B(6). Sale-Leasebacks. Enter into any arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or such Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or rental obligations of the Company or a Subsidiary; *provided, however*, that such sale-leaseback transactions may be entered into by:

(i) Matson and Matson Subsidiaries without limitation; and

(ii) the Company and its non-Matson Subsidiaries so long as the aggregate sales price of all assets sold or otherwise transferred after December 20, 1990 pursuant to such transactions does not exceed 5% of Consolidated Tangible Net Worth (measured as at the end of the fiscal quarter immediately preceding the date of such sale-leaseback);

6B(7). Transactions with Holders of Partnership or Other Equity Interests. Directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise deal with, in the ordinary course of business or otherwise (i) any Affiliate (other than in the capacity of an employee), or (ii) any Person owning, beneficially or of record, directly or indirectly, 5% or more of the outstanding voting stock of the Company or any executive officer (as such term is defined under the Securities Exchange Act of 1934, as amended) of the Company (other than in such Person's capacity as an employee); *provided, however*, that such acts and transactions may be performed or engaged in if they are entered into upon terms no less favorable to the Company or such Subsidiary than if no such relationship described in clauses (i) or (ii) above existed and such acts or transactions are otherwise permitted by this Agreement;

6B(8). Transfer of Assets to Subsidiaries. Transfer (other than in the ordinary course of business) any assets to a Subsidiary for the principal purpose of improving the credit position of such Subsidiary in order to enable it to borrow money;

6B(9). Sale of Stock and Debt of Subsidiaries. Sell or otherwise dispose of, or part with control of, any shares of stock (or similar equity securities) or Debt or other obligations of any Subsidiary, or permit any Subsidiary to issue shares of its stock (or similar equity securities), to any Person other than to a Company or another Subsidiary (except that non-Matson Subsidiaries may not issue shares of capital stock to Matson or a Matson Subsidiary), and except that (i) the Property Subs may sell or otherwise dispose or part with control of all shares of stock (or similar equity securities) of special purpose Subsidiaries (i.e., Subsidiaries established to hold and develop real property only for specific development projects) if such sale or disposition is made in the ordinary course of their Property Development Activities and (ii) all shares of stock (or similar equity securities) and Debt or other obligations of any Subsidiary at the time owned by or owed to the Company and any Subsidiary may be sold as an entirety to any third party for a consideration which represents fair value (as determined in good faith by its Board of Directors) at the time of such sale; *provided, however*, that the securities or other obligations so sold shall constitute assets subject to the limitations and other provisions of paragraph 6B(3); and *provided, further*, that, at the time of such sale, such Subsidiary shall not own, directly or indirectly, any shares of stock or Debt or other obligations of any other Subsidiary or of the Company (unless all of the shares of stock and Debt or other obligations of such other Subsidiary owned, directly or indirectly, by the Company and all Subsidiaries are simultaneously being sold as permitted by this paragraph 6B(9));

6C. Restricted Payments. The Company covenants that it will not declare or pay any dividend or other distribution on any class of its capital stock or other equity interests, redeem or repurchase any such interests or make any other distribution on account of any such interests (all of the foregoing being "Restricted Payments") except that the Company may make a Restricted Payment in any amount so long as (i) no Default or Event of Default shall then exist or would exist after giving effect to any such Restricted Payment and (ii) any such Restricted Payment will not violate any applicable law or regulation.

7. EVENTS OF DEFAULT.

7A. Acceleration. If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of, or interest or Yield-Maintenance Amount on, any Note, for more than five Business Days after the same shall become due, either by the terms thereof or otherwise as herein provided; or

(ii) the Company or any Subsidiary defaults in any payment of principal of, or premium or interest on, any obligation for money

borrowed (or of any obligation under conditional sale or other title retention agreement or of any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or of any obligation under notes payable or drafts accepted representing extensions of credit) other than the Notes beyond any period of grace provided with respect thereto, or the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained in any agreement (or any other event thereunder or under any such agreement occurs and is continuing) and the effect of such default, failure or other event is to cause, or permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due (or to be repurchased by the Company or any Subsidiary) prior to any stated maturity; provided that the aggregate amount of all obligations as to which such a payment default shall occur or such a failure or other event causing or permitting acceleration (or resale to a Company or any Subsidiary) shall occur and be continuing exceeds $10,000,000; or

(iii) any representation or warranty made by the Company herein or by the Company or any of its officers in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(iv) the Company fails to perform or observe any agreement contained in paragraphs 5C or 6 hereof; or

(v) the Company or any Subsidiary fails to perform or observe any other agreement, term or condition contained herein and such failure shall not be remedied within 30 days after any Principal Officer obtains actual knowledge thereof; or

(vi) the Company or any Significant Subsidiary makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(vii) any decree or order for relief in respect of the Company or any Significant Subsidiary is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, liquidation or similar law, whether now or hereafter in effect (herein called the "Bankruptcy Law"), of any jurisdiction; or

(viii) the Company or any Significant Subsidiary petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the Company or any such Significant Subsidiary, or of any substantial part of the assets of the Company or any such Significant Subsidiary, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Significant Subsidiary) relating to the Company or any Significant Subsidiary under the Bankruptcy Law of any other jurisdiction; or

(ix) any petition or application of the type described in clause (viii) of this paragraph 7A is filed, or any such proceedings are commenced, against the Company or any Significant Subsidiary and the Company or such Significant Subsidiary by any act indicates its approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(x) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing the dissolution of such Company or such Significant Subsidiary and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) any order, judgment or decree is entered in any proceedings against the Company or any Significant Subsidiary decreeing a split-up of the Company or such Significant Subsidiary which requires the divestiture of (A) assets representing a substantial part, or the stock of, or other ownership interest in, a Significant Subsidiary whose assets represent a substantial part of Consolidated Total Assets or (B) assets or the stock of or other ownership interest in a Significant Subsidiary that has contributed a substantial part of Consolidated Cumulative Net Income for any of the three fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xii) (a) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (b) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBCG or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of such proceedings, (c) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $15,000,000, (d) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV or ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (e) the Company or any ERISA Affiliate withdraws from any Multiemployer

Plan, or (f) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (a) through (f) above, either individually or together with any other such event or events, could reasonably be expected to have a material adverse effect on the business or condition (financial or otherwise) of the Company; or

(xiii) any judgment or decree in the amount of $10,000,000 or more shall be entered against the Company or any of its Subsidiaries that is not paid or fully covered (beyond any applicable deductibles) by insurance and such judgment or decree shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof;

then (a) if such event is an Event of Default specified in clause (i) of this paragraph 7A, the holder of any Note (other than a Company or any of its Subsidiaries or Affiliates) may at its option, by notice in writing to the Company, declare such Note to be, and such Note shall thereupon be and become, immediately due and payable at par together with interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in clause (vii), (viii) or (ix) of this paragraph 7A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and the Yield-Maintenance Amount with respect thereto, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, and (c) with respect to any event constituting an Event of Default, the Required Holder(s) of any Series of Notes may at its or their option, by notice in writing to the Company, declare all of the Notes of such Series to be, and all of the Notes of such Series shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note of such Series, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

7B. Rescission of Acceleration. At any time after any or all of the Notes of a Series shall have been declared immediately due and payable pursuant to paragraph 7A, the Required Holder(s) of such Series may, by notice in writing to the Company, rescind and annul such declaration and its consequences if (i) the Company shall have paid all overdue interest on the Notes of such Series, the principal of and Yield-Maintenance Amount, if any, payable with respect to any Notes of such Series which have become due otherwise than by reason of such declaration, and interest on such overdue interest and overdue principal and Yield-Maintenance Amount at the rate specified in the Notes of such Series, (ii) the Company shall not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non-payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to paragraph 11C, and (iv) no judgment or decree shall have been entered for the payment of any amounts due pursuant to the Notes of such Series or this Agreement (as this Agreement pertains to the Notes of such Series). No such rescission or annulment shall extend to or affect any subsequent Event of Default or Default or impair any right arising therefrom.

7C. Notice of Acceleration or Rescission. Whenever any Note shall be declared immediately due and payable pursuant to paragraph 7A or any such declaration shall be rescinded and annulled pursuant to paragraph 7B, the Company shall forthwith give written notice thereof to the holder of each Note at the time outstanding.

7D. Other Remedies. If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

8. REPRESENTATIONS, COVENANTS AND WARRANTIES. The Company represents, covenants and warrants as follows:

8A. Organization. The Company and each Subsidiary with a tangible net worth in excess of $500,000 is duly organized, validly existing and in good standing under the laws of the state of its organization. The Company and each Significant Subsidiary has the full power and authority to own its properties and to carry on its business as now being conducted, and is duly qualified in every state where the nature of its business requires that it do so, and is in good standing under the laws of every jurisdiction outside the state of its incorporation in which it owns or leases property or conducts business and in which the failure to so qualify would have a material adverse effect upon its business or property taken as a whole. The Company and each Significant Subsidiary has complied in all material respects with (or is exempt from the application of) all material federal, state and local laws, regulations and orders that are, or in the absence of any exemption could be, applicable to the operations of its business, including public utility, bank holding company, state agricultural and Environmental and Safety Laws. The Company has full power, authority and right to execute and deliver, and to perform and observe, the provisions of this Agreement and the Notes and to carry out the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Notes to be issued hereunder by the Company has been authorized by all necessary corporate and other action, and, when duly executed

and delivered, will be the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms.

8B. Financial Statements. The Company has furnished each Purchaser of any Accepted Notes with the following financial statements, identified by a principal financial officer of the Company: (i) consolidated balance sheets of the Company and its Subsidiaries as of the last day in each of the five fiscal years of the Company most recently completed prior to the date as of which this representation is made or repeated (other than fiscal years completed within 120 days prior to such date for which audited financial statements have not been released) and consolidated statements of income, shareholders' equity and cash flows of the Company and its Subsidiaries for each such year, certified by Deloitte & Touche (or such other accounting firm as may be reasonably acceptable to Prudential); and (ii) consolidated balance sheets of the Company and its Subsidiaries as at the end of the quarterly period (if any) most recently completed prior to such date and after the end of such fiscal year (other than quarterly periods completed within 60 days prior to such date for which financial statements have not been released) and the comparable quarterly period in the preceding fiscal year and consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries for the periods from the beginning of the fiscal years in which such quarterly periods are included to the end of such quarterly periods, in each case prepared by the Company. Such financial statements (including any related schedules and/or notes) are true and correct in all material respects (subject, as to interim statements, to changes resulting from audits and year-end adjustments), have been prepared in accordance with GAAP consistently followed throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and the statements of income, shareholders' equity and cash flows fairly present the results of the operations and cash flows of the Company and its Subsidiaries for the periods indicated. There has been no material adverse change in the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole since the end of the most recent fiscal year for which such audited financial statements have been furnished.

8C. Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary or any properties or rights of the Company or any Subsidiary, by or before any court, arbitrator or administrative or governmental body which could reasonably be expected to result in any material adverse change in the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole.

8D. Outstanding Debt. Neither the Company nor any Subsidiary has any Debt outstanding except as permitted by paragraph 6A(2), 6A(3) and 6B(4). There exists no default under the provisions of any instrument evidencing any such Debt or of any agreement relating thereto.

8E. Title to Properties. The Company and each Significant Subsidiary has such title to its properties and assets as is appropriate and sufficient for the conduct of the business which such Company or Significant Subsidiary presently undertakes or contemplates undertaking. There are no Liens on such properties and assets that (i) materially restrict such Company's or Significant Subsidiary's intended use and enjoyment thereof in the ordinary course of business or (ii) are not permitted by paragraph 6B(1). There is no material default, nor any event that, with notice or lapse of time or both, would constitute such a material default under any material lease to which either the Company or any such Significant Subsidiary is a lessee, lessor, sublessee or sublessor.

8F. Taxes. The Company and each Subsidiary with a tangible net worth in excess of $500,000 has filed all Federal, state and other income tax and informational returns which are required to be filed by it. The Company and each such Subsidiary has paid all taxes as shown on its returns and on all assessments received to the extent that such taxes have become due, except such assessments as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP.

8G. Conflicting Agreements and Other Matters. Neither the execution nor delivery of this Agreement or the Notes, nor the offering, issuance and sale of the Notes, nor fulfillment of nor compliance with the terms and provisions of this Agreement or the Notes will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary pursuant to, their respective articles or incorporation or bylaws (or other comparable governing documents, as applicable), any award of any arbitrator or any agreement, instrument, order, judgment, decree, and, after due investigation and to the Company's best knowledge, any statute, law, rule or regulation to which the Company or any Subsidiary is subject. Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing any of their respective Debt, any agreement relating thereto or any other contract or agreement which restricts or otherwise limits the incurring of Debt pursuant hereto, except as set forth on Schedule 8G hereto.

8H. Offering of the Notes. Neither the Company nor any agent acting on its behalf has, directly or indirectly, offered the Notes or any similar security of the Company for sale to, or solicited any offers to buy the Notes or any similar security of the Company from, or otherwise approached or negotiated with respect thereto with, any Person or Persons other than Prudential and the Purchasers, and neither the Company nor any agent acting on its behalf has taken or will take any action which would subject the issuance or sale of the Notes to the provisions of Section 5 of the Securities Act or to the provisions of any securities or blue sky law of any applicable jurisdiction.

8I. Regulation U, etc. The amount of all securities that the Company and its Subsidiaries together own that constitute "margin stock" (as defined in Regulation G (12 CFR Part 221) of the Board of Governors of the Federal Reserve System (herein called "margin stock")) does not exceed 25% of Consolidated Total Assets. None of the proceeds of the Notes will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock or for the purpose of maintaining, reducing or retiring any indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation U, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

8J. ERISA. No accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the Company or any ERISA Affiliate to be incurred with respect to any Plan (other than a Multiemployer Plan) by the Company, any Subsidiary or any ERISA Affiliate which is or would be materially adverse to the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole. Neither the Company, any of its Subsidiaries or any ERISA Affiliate has incurred or presently expects to incur any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan which is or would be materially adverse to the Company and its Subsidiaries taken as a whole. The execution and delivery of this Agreement and the issuance and sale of the Notes will be exempt from, or will not involve any transaction which is subject to the prohibitions of, section 406 of ERISA and will not involve any transaction in connection with which a penalty could be imposed under section 502(i) of ERISA or a tax could be imposed pursuant to section 4975 of the Code. The representation by the Company in the next preceding sentence is made in reliance upon and subject to the accuracy of each Purchaser's representation in paragraph 9B.

8K. Governmental Consent. Neither the nature of the Company or any of its Subsidiaries, nor any of their respective businesses or properties, nor any relationship between the Company or a Subsidiary and any other Person, nor any circumstance in connection with the offering, issuance, sale or delivery of the Notes is such as to require any authorization, consent, approval, exemption or other action by, notice to or filing with any court, administrative or governmental body (other than routine filings after the date of closing with the Securities and Exchange Commission and/or state blue sky authorities) in connection with (i) the execution and delivery of this Agreement, (ii) the offering, issuance, sale or delivery of the Notes or (iii) fulfillment of or compliance with the terms and provisions of this Agreement and the Notes.

8L. Utility Company Status. The Company is not a public utility within the meaning of the Federal Power Act, as amended. The Company is not subject to regulation under the Public Utility Holding Company Act of 1935, as amended.

8M. Investment Company Status. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or an "investment adviser" within the meaning of the Investment Advisers Act of 1940, as amended.

8N. Bank Holding Company Status. Neither the Company nor any Subsidiary is a "bank holding company" within the meaning of the Federal Deposit Insurance Act (12 U.S.C. Section 1811, et. seq.), as amended.

8O. Real Property Matters. The Company and each Significant Subsidiary has, for the real property which it owns or uses, such authorizations, consents, approvals, licenses and permissions (collectively, "Consents") that the Company or such Significant Subsidiary believes or has been advised by counsel to be now necessary for it to own, hold, develop, use or operate such real property in its current or intended manner, all in material compliance with applicable laws and regulations. Neither the Company nor any Significant Subsidiary has received any notice that any such Consent is necessary which has not been obtained, other than applications for the same that have been timely filed and are being diligently pursued with the appropriate governmental authorities and agencies.

8P. Possession of Franchises, Licenses, etc. The Company and its Subsidiaries possess all material franchises, certificates, licenses, development and other permits and other authorizations from governmental political subdivisions or regulatory authorities and all patents, trademarks, service marks, trade names, copyrights, licenses, easements, rights of way and other rights (collectively, "Material Rights"), free from burdensome restriction, that are necessary in the judgment of the Company in any material respect for the ownership, maintenance and operation of their business, properties and assets, and neither the Company nor any of its Subsidiaries is in violation of any Material Rights in any material respect. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such Material Rights, or materially and adversely affect the rights of the Company or its Subsidiaries thereunder.

8Q. Environmental and Safety Matters. The Company and its Subsidiaries and all of their respective properties and facilities have complied at all times and in all respects with all Environmental and Safety Laws except where failure to comply would not result in a material adverse effect on the business, condition (financial or otherwise) or operations of the Company and its Subsidiaries taken as a whole.

8R. Hostile Tender Offers. None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

8S. Employee Relations. Neither the Company nor any Subsidiary is the

subject of (i) any material strike, work slowdown or stoppage, union organizing drive or other similar activity or (ii) any material action, suit, investigation or other proceeding involving alleged employment discrimination, unfair termination, employee safety or similar matters or, to the best knowledge of the Company, is any such event imminent or likely to occur.

8T. Regulations and Legislation. To the best knowledge of the Company, no law, regulation, interpretation or legislation has been enacted or issued or is likely to be enacted or issued, that would reasonably be expected to have a material adverse effect on the operations or financial condition of the Company and its Subsidiaries taken as a whole.

8U. Disclosure. Neither this Agreement nor any other document, certificate or statement furnished to any Purchaser by or on behalf of the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Company or any Subsidiary which materially adversely affects, or in the future may (so far as the Company can now foresee) materially adversely affect, the consolidated business, property, assets, prospects or financial condition of the Company and the Subsidiaries and which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to each Purchaser by or on behalf of the Company prior to the date this representation is made or confirmed in connection with the transactions contemplated hereby.

9. REPRESENTATIONS OF THE PURCHASERS.

Each Purchaser represents as follows:

9A. Nature of Purchase. Such Purchaser is acquiring the Notes purchased by it hereunder for the purpose of investment and not with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, provided that the disposition of such Purchaser's property shall at all times be and remain within its control. Such Purchaser understands that the Notes have not been registered under the Securities Act and may be exchanged, offered, transferred or resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, and that the Company is not required to register the Notes.

9B. Source of Funds. At least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(i) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(ii) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amount payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(iii) the Source is either (a) an insurance company pooled separate account, within the meaning of PTE 90-1 or (b) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (iii), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(iv) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefits plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (a) the identity of such QPAM and (b) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (iv); or

(v) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV or PTE 96-23 (the "INHAM Exemption")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (a) the identity of

such INHAM and (b) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (v); or

(vi) the Source is a governmental plan; or

(vii) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (vii); or

(viii) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this paragraph 9B, the terms "employee benefit plan," "governmental plan," and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

10. DEFINITIONS; ACCOUNTING MATTERS. For the purpose of this Agreement, the terms defined in paragraphs 10A and 10B (or within the text of any other paragraph) shall have the respective meanings specified therein and all accounting matters shall be subject to determination as provided in paragraph 10C.

10A. Yield-Maintenance Terms.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York City, San Francisco, California or Honolulu, Hawaii are required or authorized to be closed.

"Called Principal" shall mean, with respect to any Note, the principal of such Note that (i) is to be prepaid pursuant to paragraph 4B or (ii) is declared to be immediately due and payable pursuant to paragraph 7A, as the context requires.

"Designated Spread" shall mean 0 in the case of each Note of any Series unless the Confirmation of Acceptance with respect to the Notes of such Series specifies a different Designated Spread in which case it shall mean, with respect to each Note of such Series, the Designated Spread so specified.

"Discounted Value" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (converted to reflect the periodic basis on which interest on such Note is payable, if payable other than on a semiannual basis) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" shall mean, with respect to the Called Principal of any Note, the Designated Spread over the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York City local time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date on the Treasury Yield Monitor page of Standard & Poor's MMS - Treasury Market Insight (or, if Standard & Poor's shall cease to report such yields in MMS - Treasury Market Insight or shall cease to be Prudential's customary source of information for calculating yield-maintenance amounts on privately placed notes, then such source as is then PIM's customary source of such information), or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities. The Reinvestment Yield shall be rounded to that number of decimal places as appears in the coupon for the applicable Note.

"Remaining Average Life" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"Settlement Date" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal (i) is to be prepaid pursuant to paragraph 4B or (ii) is declared to be immediately due and payable pursuant to paragraph 7A, as the context requires.

"Yield-Maintenance Amount" shall mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii)

interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Amount shall in no event be less than zero.

10B. Other Terms.

"Acceptance" shall have the meaning specified in paragraph 2B(5).

"Acceptance Day" shall have the meaning specified in paragraph 2B(5).

"Acceptance Window" shall have the meaning specified in paragraph 2B(5).

"Accepted Note" shall have the meaning specified in paragraph 2B(5).

"Accumulated Funding Deficiency" shall mean a funding deficiency described in section 302 of ERISA and section 412 of the Code.

"Affiliate" shall mean, without duplication, any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the Company, except a Subsidiary. A Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall have the meaning specified in paragraph 11C.

"Authorized Officer" shall mean (i) in the case of the Company, any officer of the Company designated as an "Authorized Officer" in the Information Schedule or any officer of the Company designated as an "Authorized Officer" for the purpose of this Agreement in a certificate executed by one of the Company's Authorized Officers and (ii) in the case of Prudential, any officer of Prudential designated as its "Authorized Officer" in the Information Schedule or any officer of Prudential designated as its "Authorized Officer" for the purpose of this Agreement in a certificate executed by one of its Authorized Officers. Any action taken under this Agreement on behalf of the Company by any individual who on or after the date of this Agreement shall have been an Authorized Officer of the Company and whom Prudential in good faith believes to be an Authorized Officer of the Company at the time of such action shall be binding on the Company even though such individual shall have ceased to be an Authorized Officer of the Company, and any action taken under this Agreement on behalf of Prudential by any individual who on or after the date of this Agreement shall have been an Authorized Officer of Prudential, and whom the Company in good faith believe to be an Authorized Officer of Prudential at the time of such action shall be binding on Prudential even though such individual shall have ceased to be an Authorized Officer of Prudential.

"Available Facility Amount" shall have the meaning specified in paragraph 2B(1).

"Bankruptcy Law" shall have the meaning specified in clause (vii) of paragraph 7A.

"Business Day" shall have the meaning specified in paragraph 10A.

"Cancellation Date" shall have the meaning specified in paragraph 2B(8)(iv).

"Cancellation Fee" shall have the meaning specified in paragraph 2B(8)(iv).

"Capitalized Lease Obligation" shall mean, with respect to any Person, any rental obligation of such Person which, under GAAP, is or will be required to be capitalized on the books of such Person, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et. seq.), as amended, and the regulations promulgated thereunder.

"Closing Day" shall mean, with respect to any Accepted Note, the Business Day specified for the closing of the purchase and sale of such Accepted Note in the Request for Purchase of such Accepted Note, <u>provided that</u> (i) if the Company and the Purchaser which is obligated to purchase such Accepted Note agree on an earlier Business Day for such closing, the "Closing Day" for such Accepted Note shall be such earlier Business Day, and (ii) if the closing of the purchase and sale of such Accepted Note is rescheduled pursuant to paragraph 2B(7), the Closing Day for such Accepted Note, for all purposes of this Agreement except references to "original Closing Day" in paragraph 2B(8)(iii), shall mean the Rescheduled Closing Day with respect to such Accepted Note.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Confirmation of Acceptance" shall have the meaning specified in paragraph 2B(5).

"Consolidated Cumulative Net Income" shall mean the aggregate Consolidated Net Income for the fiscal period(s) in question.

"Consolidated Interest Expense" shall mean the sum of all amounts that would, in accordance with GAAP, be deducted in computing Consolidated Net Income for the fiscal periods in question on account of interest, including without limitation, imputed interest in respect of Capitalized Lease Obligations, fees in respect of letters of credit and bankers' acceptance financing and

amortization of debt discount and expense.

"Consolidated Net Income" shall mean the consolidated gross revenues of the Company and Subsidiaries for the period in question, less all operating and non-operating expenses, including all charges of a proper character (including current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenues any (i) gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion, exchange or other disposition of capital assets (i.e., assets other than current assets) other than real property sold for cash, cash equivalents or other property or tangible assets by the Property Subs in the ordinary course of their Property Development Activities, (ii) gains resulting from the write-up of assets, (iii) equity in the unremitted earnings of any other Person (other than of Subsidiaries) or (iv) net income, gain or loss during such period from any change in accounting, from any Discontinued Operations or the disposition thereof, from any extraordinary events or from any prior period adjustments, all determined in accordance with GAAP.

"Consolidated Net Income Before Taxes" shall mean Consolidated Net Income for the period in question plus the sum of all deferred and current Federal, state, local and foreign taxes that are deducted in accordance with GAAP in computing Consolidated Net Income for such period.

"Consolidated Tangible Net Worth" shall mean, at any time of determination thereof, the consolidated net worth of the Company and Subsidiaries, determined in accordance with GAAP, less all Intangibles.

"Consolidated Total Assets" shall mean, at any time of determination thereof, the consolidated total assets of the Company and Subsidiaries determined in accordance with GAAP.

"Debt" shall mean, as to any Person at the time of determination thereof without duplication, (i) any indebtedness of such Person (A) for borrowed money, including commercial paper and revolving credit lines, (B) evidenced by bonds, debentures or notes or otherwise representing extensions of credit, whether or not representing obligations for borrowed money or (C) for the payment of the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, regardless of when such liability or other obligation is due and payable, (ii) Capitalized Lease Obligations of such Person, (iii) Guarantees, assumptions and endorsements by such Person (other than endorsements of negotiable instruments for collection in the ordinary course of business) of Debt of another Person, and (iv) Debt of another Person secured by Liens on the property or other assets of such Person. "Debt" shall not include a reimbursement obligation under either a standby letter of credit or a performance bond to the extent such reimbursement obligation is contingent or (ii) in the case of the Company, a Guarantee of up to $15,000,000 of revolving debt of Hawaii Sugar & Transportation Cooperative.

"Debt to EBITDA Ratio" shall mean, as at any time of determination thereof, the ratio (expressed as a percentage) of (i) all Debt of the Company and Subsidiaries on a consolidated basis to (ii) EBITDA for the four consecutive fiscal quarter period then most recently ended.

"Delayed Delivery Fee" shall have the meaning specified in paragraph 2B(8)(iii).

"Discontinued Operations" shall have the meaning provided pursuant to GAAP, provided that any sale or condemnation of real estate which is treated as a discontinued operation pursuant to GAAP shall be treated as a sale of a continuing operation to the extent the net proceeds of such sale or condemnation have been reinvested in real estate within twelve months from the date of sale or condemnation.

"EBITDA" shall mean, for any period, Consolidated Net Income Before Taxes for such period plus, to the extent deducted in the calculation thereof, Consolidated Interest Expense, depreciation and amortization.

"Environmental and Safety Laws" shall mean all Federal, state and local laws, regulations and ordinances, relating to the discharge, handling, disposition or treatment of Hazardous Materials and other substances or the protection of the environment or of employee health and safety, including, without limitation, CERCLA, the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et. seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et. seq.), the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et. seq.), the Clean Air Act (42 U.S.C. Section 7401 et. seq.), the Toxic Substances Control Act (15 U.S.C. Section 2601 et. seq.), the Occupational Safety and Health Act (29 U.S.C. Section 651 et. seq.) and the Emergency Planning and Community Right-To-Know Act (42 U.S.C. Section 11001 et. seq.), each as the same may be amended and supplemented.

"Environmental Liabilities and Costs" shall mean, as to any Person, all liabilities, obligations, responsibilities, remedial actions, losses, damages, punitive damages, consequential damages, treble damages, contribution, cost recovery, costs and expenses (including all fees, disbursements and expenses of counsel, expert and consulting fees, and costs of investigation and feasibility studies), fines, penalties, sanctions and interest incurred as a result of any claim or demand, by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, permit, order or agreement with any Federal, state or local governmental authority or other Person, arising from environmental, health or safety conditions, or the release or threatened release of a contaminant, pollutant or Hazardous Material into the environment, resulting from the operations of such Person or its subsidiaries, or breach of any Environmental and Safety Law or for which such Person or its subsidiaries is otherwise liable or responsible.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974,

as amended.

"ERISA Affiliate" shall mean any corporation which is a member of the same controlled group of corporations as the Company within the meaning of section 414(b) of the Code, or any trade or business which is under common control with the Company within the meaning of section 414(c) of the Code.

"Event of Default" shall mean any of the events specified in paragraph 7A, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Facility" shall have the meaning specified in paragraph 2B(1).

"Facility Fee " shall have the meaning specified in paragraph 2B(8)(i).

"FASB" shall mean the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, or any successor body.

"GAAP" shall have the meaning provided in paragraph 10C.

"Guarantee" shall mean, without duplication, any obligation, contingent or otherwise, of any Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation of any other Person (the primary obligor) in any manner, directly or indirectly, and including any obligation:

(i) to make any loan, advance or capital contribution, or for the purchase of any property from, any Person, in each case for the purpose of enabling such Person to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses except for advances, deposits and initial payments made in the usual and ordinary course of business for the purchase or acquisition of property or services; or

(ii) to purchase materials, supplies or other property or services if such obligation requires that payment for such materials, supplies or other property or services be made regardless of whether or not delivery of such materials, supplies or other property or services is ever made or tendered; or

(iii) to rent or lease (as lessee) any real or personal property (except for leases in effect on August 2, 1996) if such obligation is absolute and unconditional under conditions not customarily found in commercial leases then in general use; or

(iv) of any partnership or joint venture in which such Person is a general partner or joint venturer if such obligation is not expressly non-recourse to such Person.

"Hazardous Materials" shall mean (a) any material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances" or any other formulations intended to define, list or classify substances by reason of their deleterious properties, (b) any oil, petroleum or petroleum derived substance, (c) any flammable substances or explosives, (d) any radioactive materials, (e) asbestos in any form, (f) electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million, (g) pesticides or (h) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental agency or authority or which may or could pose a hazard to the health and safety of persons in the vicinity thereof.

"Hedge Treasury Note(s)" shall mean, with respect to any Accepted Note, the United States Treasury Note or Notes whose duration (as determined by Prudential) most closely matches the duration of such Accepted Note.

"Hostile Tender Offer" shall mean, with respect to the use of proceeds of any Note, any offer to purchase, or any purchase of, shares of capital stock of any corporation or equity interests in any other entity, or securities convertible into or representing the beneficial ownership of, or rights to acquire, any such shares or equity interests, if such shares, equity interests, securities or rights are of a class which is publicly traded on any securities exchange or in any over-the-counter market, other than purchases for portfolio investment purposes of such shares, equity interests, securities or rights which, together with any shares, equity interests, securities or rights then owned, represent less than 5% of the equity interests or beneficial ownership of such corporation or other entity, and such offer or purchase has not been duly approved by the board of directors of such corporation or the equivalent governing body of such other entity prior to the date on which the Company makes the Request for Purchase of such Note.

"including" shall mean, unless the context clearly requires otherwise, "including without limitation".

"Institutional Investor" shall mean an insurance company, bank, pension fund, investment company, "qualified institutional buyer" (as such term is defined under Rule 144A promulgated under the Securities Act, or any successor law, rule or regulation), "accredited investor" (as such term is defined under Regulation D promulgated under the Securities Act, or any successor law, rule or regulation) or other Person with assets in excess of $50,000,000 that invests in securities for its own account or as a dealer.

"Intangibles" shall mean any Intellectual Properties, goodwill

(including any amounts, however designated, representing the cost of acquisition of business and investments in excess of underlying tangible assets), unamortized debt discount and expense, deferred research and development costs, any write-up of asset value after December 31, 1989 and other assets treated as intangible assets under GAAP.

"Intellectual Properties" shall mean inventions, patents, copyrights, trade secrets, trade names and trademarks, technologies, methods, design drawings, software (including documentation and source code listings) processes, applications for the same and other proprietary properties or information.

"Interest Coverage Ratio" shall mean, at any time of determination thereof, (a) the sum of (i) Consolidated Net Income Before Taxes for the period of four consecutive fiscal quarters then most recently ended and (ii) Consolidated Interest Expense for such four fiscal quarter period, divided by (b) Consolidated Interest Expense for such four fiscal quarter period.

"Issuance Period" shall have the meaning specified in paragraph 2B(2).

"Lien" shall mean any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any purchase money mortgage, conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement (exclusive of filings for precautionary purposes only) under the Uniform Commercial Code of any jurisdiction).

"margin stock" shall have the meaning specified in paragraph 8I.

"Material Rights" shall have the meaning specified in paragraph 8P.

"Matson" shall mean Matson Navigation Company, Inc., a wholly owned subsidiary of the Company.

"Matson Subsidiary" shall mean any Subsidiary a majority of the Voting Stock of which is owned by Matson, either directly or through Matson Subsidiaries.

"Multiemployer Plan" shall mean any Plan which is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Notes" shall have the meaning specified in paragraph 1.

"Officer's Certificate" shall mean a certificate signed in the name of the Company by an Authorized Officer of the Company.

"PBGC" shall mean the Pension Benefit Guaranty Corporation, or any successor or replacement entity thereto under ERISA.

"Permitted Assets" shall mean (i) where any Property Sub or any assets of a Property Sub or of the Company (other than capital stock of Matson) have been sold or otherwise transferred, assets to be used by the Company or any Property Sub in conducting Property Development Activities, the Property Management Business or the food products business and (ii) in all other instances, assets to be used in conducting Property Development Activities, the Property Management Business, the food products business or the ocean transportation business.

"Permitted Debt" shall mean (i) any unsecured Debt of the Company or a Subsidiary (exclusive of Debt owed to the Company or a Subsidiary) selected by the Company, so long as the aggregate amount of all proceeds applications from sales or other dispositions which are made after December 31, 2000 pursuant to the proviso appearing in clause (iv) of paragraph 6B(3) do not exceed $100,000,000 and (ii) after the $100,000,000 basket in clause (i) has been fully utilized, all unsecured Debt of the Company and Subsidiaries (exclusive of any Debt owed to the Company or a Subsidiary thereof) on a pro rata basis.

"Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, a limited liability company, an unincorporated organization and a government or any department or agency thereof.

"Plan" shall mean any "employee pension benefit plan" (as such term is defined in section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or any ERISA Affiliate.

"Principal Officer" shall mean the Treasurer, Chief Financial Officer and General Counsel of the Company and any other officer of the Company whose responsibilities include monitoring the Company's compliance with the provisions of this Agreement.

"Priority Debt" shall mean, at any time of determination, the sum of (i) Debt secured by Liens incurred pursuant to paragraph 6B(1)(vi), (ii) Debt of the Company or any non-Matson Subsidiary to Matson or a Matson Subsidiary (other than for cash management purposes in accordance with the Company's standard cash management policies) and (iii) Debt of Subsidiaries, other than (a) Guarantees of Debt of the Company so long as each such Subsidiary has guaranteed the Notes and the Required Holders have confirmed in writing that they are satisfied that such Guarantee does not subject the holders of the Notes to potentially adverse fraudulent conveyance treatment vis-a-vis any other recipient of a Guarantee from such Subsidiary, (b) Guarantees by Matson and Matson Subsidiaries of Debt of Matson, Matson Subsidiaries and third parties and (c) Debt of a non-Matson Subsidiary to Matson or a Matson Subsidiary described in the parenthetical in clause (ii) of this definition and (d) Debt of Matson and Matson Subsidiaries (1) of the type specified in paragraph 6B(1)(iii) or (2) that is unsecured.

"Priority Debt Limit" shall mean, at any time of determination, the sum of (i) $20,000,000 and (ii) an amount equal to 10% of Consolidated Tangible Net Worth at such time.

"Prohibited Transaction" shall mean any transaction described in section 406 of ERISA which is not exempt by reason of section 408 of ERISA or the transitional rules set forth in section 414(c) of ERISA and any transaction described in section 4975(c) of the Code which is not exempt by reason of section 4975(c) (2) or section 4975(d) of the Code, or the transitional rules of section 2003(c) of ERISA.

"Property" shall mean all real property owned or leased by the Company or any of its Subsidiaries, and all personal property including without limitation ocean transportation vessels and hauling trucks, located thereon or used or consumed in the operation of the business conducted thereat.

"Property Development Activities" shall mean land acquisition and development activities of the Property Subs, the principal objective of which is to acquire and develop real property for sale or other disposition.

"Property Management Business" shall mean the managing, leasing, selling and purchasing of real property.

"Property Subs" shall mean A&B Properties, Inc., Kukui'ula Development Company, Inc., South Shore Resources, Inc., South Shore Community Services, Inc., and East Maui Irrigation Company Limited, all Hawaii corporations, and A&B Development Company, a California corporation, all of which are wholly owned Subsidiaries of the Company, and other non-Matson Subsidiaries that are formed or acquired principally to engage in real property development activities.

"Prudential" shall mean Prudential Investment Management, Inc.

"Prudential Affiliate" shall mean (i) any corporation or other entity controlling, controlled by, or under common control with, Prudential and (ii) any managed account or investment fund which is managed by Prudential or a Prudential Affiliate described in clause (i) of this definition. For purposes of this definition the terms "control", "controlling" and "controlled" shall mean the ownership, directly or through subsidiaries, of a majority of a corporation's or other Person's Voting Stock or equivalent voting securities or interests.

"Purchasers" shall mean, with respect to any Accepted Notes, Prudential and/or the Prudential Affiliate(s) which are purchasing such Accepted Notes.

"Request for Purchase" shall have the meaning specified in paragraph 2B(3).

"Required Holder(s)" shall mean the holder or holders of at least 66 2/3% of the aggregate principal amount of the Notes or of a Series of Notes, as the context may require, from time to time outstanding and, if no Notes are outstanding, shall mean Prudential.

"Rescheduled Closing Day" shall have the meaning specified in paragraph 2B(7).

"Restricted Payments" shall have the meaning specified in paragraph 6D.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Series" shall have the meaning specified in paragraph 1.

"Significant Holder" shall mean (i) Prudential or any Prudential Affiliate, so long as Prudential or any Prudential Affiliate shall hold any Note or the Issuance Period has not terminated or (ii) any other holder of at least 10% of the aggregate principal amount of the Notes of any Series from time to time outstanding.

"Significant Subsidiary" shall mean any direct or indirect Subsidiary of the Company, the net worth of which is, on the date of determination, 5% or more of Consolidated Tangible Net Worth.

"Subsidiary" shall mean, as to the Company, any company, whether operating as a corporation, joint venture, partnership, limited liability company or other entity, which is consolidated with the Company in accordance with GAAP.

"third party" shall mean any Person other than Company and its Subsidiaries.

"Transferee" shall mean any Institutional Investor that is the direct or indirect transferee of all or any part of any Note purchased under this Agreement.

"Voting Stock" shall mean any shares of stock (or comparable equity securities) whose holders are entitled under ordinary circumstances to vote for the election of directors (or comparable persons), irrespective of whether at the time stock (or comparable equity securities) of any other class or classes shall have or might have voting power by reason of the happening of any contingency.

10C. Accounting Principles, Terms and Determinations. All references in this Agreement to "generally accepted accounting principles" and "GAAP" shall be deemed to refer to generally accepted accounting principles in effect in the United States at the time of application thereof. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and

all unaudited financial statements and certificates and reports as to financial matters required to be furnished hereunder shall be prepared, in accordance with generally accepted accounting principles, applied on a basis consistent with the most recent audited consolidated financial statements of the Company and its Subsidiaries delivered pursuant to clause (ii) of paragraph 5A or, if no such statements have been so delivered, the most recent audited financial statements referred to in clause (i) of paragraph 8B.

11. MISCELLANEOUS.

11A. Note Payments. The Company agrees that, so long as any Purchaser shall hold any Note, it will make payments of principal of, interest on, and any Yield-Maintenance Amount payable with respect to, such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit on the date due to the account or accounts of such Purchaser specified in the purchaser schedule attached to the applicable Confirmation of Acceptance with respect to such Note or such other account or accounts in the United States as such Purchaser may from time to time designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. Each Purchaser agrees that, before disposing of any Note, it will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this paragraph 11A to any Transferee which shall have made the same agreement as the Purchasers have made in this paragraph 11A.

11B. Expenses. The Company agrees, whether or not the transactions contemplated hereby shall be consummated, to pay, and save Prudential, each Purchaser and any Transferee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with such transactions, including (i) all document production and duplication charges and the fees and expenses of any special counsel engaged by the Purchasers or any Transferee in connection with this Agreement, the transactions contemplated hereby and any subsequent proposed modification of, or proposed consent under, this Agreement, whether or not such proposed modification shall be effected or proposed consent granted, and (ii) the reasonable costs and expenses, including attorneys' fees, incurred by any Purchaser or any Transferee in enforcing any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the transactions contemplated hereby or by reason of any Purchaser's or any Transferee's having acquired any Note, including without limitation costs and expenses incurred in any bankruptcy case. The obligations of the Company under this paragraph 11B shall survive the transfer of any Note or portion thereof or interest therein by any Purchaser or any Transferee and the payment of any Note.

11C. Consent to Amendments. This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act, of the Required Holder(s) of the Notes of each Series except that, (i) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended or the provisions thereof waived to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Yield-Maintenance Amount payable with respect to the Notes of such Series, (ii) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to or waiver of the provisions of this Agreement shall change or affect the provisions of paragraph 7A or this paragraph 11C insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (iii) with the written consent of Prudential (and not without the written consent of Prudential) the provisions of paragraph 2B may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (iv) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of paragraphs 2B and 3 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this paragraph 11C, whether or not such Note shall have been marked to indicate such consent, but any Notes issued thereafter may bear a notation referring to any such consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein and in the Notes, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

11D. Form, Registration, Transfer and Exchange of Notes; Transfer Restriction. The Notes are issuable as registered notes without coupons in denominations of at least $2,500,000, except as may be necessary to reflect any principal amount not evenly divisible by $2,500,000. The Company shall keep at its principal office a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the principal office of the Company, the Company shall, at its expense, execute and deliver one or more new Notes of like tenor and of a like aggregate principal amount, registered in the name of such transferee or transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of like tenor and of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal office of the Company. Whenever any Notes are

so surrendered for exchange, the Company shall, at its expense, execute and deliver the Notes which the holder making the exchange is entitled to receive. Each prepayment of principal payable on each prepayment date upon each new Note issued upon any such transfer or exchange shall be in the same proportion to the unpaid principal amount of such new Note as the prepayment of principal payable on such date on the Note surrendered for registration of transfer or exchange bore to the unpaid principal amount of such Note. No reference need be made in any such new Note to any prepayment or prepayments of principal previously due and paid upon the Note surrendered for registration of transfer or exchange. Every Note surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or such holder's attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange. Upon receipt of written notice from the holder of any Note of the loss, theft, destruction or mutilation of such Note and, in the case of any such loss, theft or destruction, upon receipt of such holder's unsecured indemnity agreement, or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note. Notwithstanding anything to the contrary herein, each Purchaser agrees, and each subsequent holder of a Note or purchaser of a participation in a Note by its acceptance of an interest in a Note agrees, that no Note shall be transferred to any Person which is not an Institutional Investor without the prior consent of the Company, such consent not to be unreasonably withheld.

11E. Persons Deemed Owners; Participations. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and premium, if any, and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the holder of any Note may from time to time grant participations in all or any part of such Note to any Institutional Investor on such terms and conditions as may be determined by such holder in its sole and absolute discretion.

11F. Survival of Representations and Warranties; Entire Agreement. All representations and warranties contained herein or made in writing by or on behalf of the Company in connection herewith shall survive the execution and delivery of this Agreement and the Notes, the transfer of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of any Purchaser or Transferee. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to the subject matter hereof.

11G. Successors and Assigns. All covenants and other agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including, without limitation, any Transferee) whether so expressed or not.

11H. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is prohibited by any one of such covenants, the fact that it would be permitted by an exception to, or otherwise be in compliance within the limitations of, another covenant shall not (i) avoid the occurrence of a Default or Event of Default if such action is taken or such condition exists or (ii) in any way prejudice an attempt by the holder of any Note to prohibit, through equitable action or otherwise the taking of any action by the Company or any Subsidiary which would result in a Default or Event of Default.

11I. Notices. All written communications provided for hereunder (other than communications provided for under paragraph 2B) shall be sent by first class mail or nationwide overnight delivery service (with charges prepaid) and (i) if to any Purchaser, addressed as specified for such communications in the purchaser schedule attached to the applicable Confirmation of Acceptance or at such other address as any such Purchaser shall have specified to the Company in writing, (ii) if to any other holder of any Note, addressed to it at such address as it shall have specified in writing to the Company or, if any such holder shall not have so specified an address, then addressed to such holder in care of the last holder of such Note which shall have so specified an address to the Company and (iii) if to the Company, addressed to it at 822 Bishop Street, Honolulu, Hawaii 96813, Attention: Chief Financial Officer (with a copy to General Counsel) or at such other address as the Company shall have specified to each holder of a Note in writing, provided, however, that any such communication to the Company may also, at the option of the Person sending such communication, be delivered by any other means either to the Company at its address specified above or to any Authorized Officer of the Company. Any communication pursuant to paragraph 2B shall be made by the method specified for such communication in paragraph 2B, and shall be effective to create any rights or obligations under this Agreement only if, in the case of a telephone communication, an Authorized Officer of the party conveying the information and of the party receiving the information are parties to the telephone call, and in the case of a telefacsimile communication, the communication is signed by an Authorized Officer of the party conveying the information, addressed to the attention of an Authorized Officer of the party receiving the information, and in fact received at the telefacsimile terminal the number of which is listed for the party receiving the communication in the Information Schedule or at such other telefacsimile terminal as the party receiving the information shall have specified in writing to the party sending such information.

11J. Descriptive Headings. The descriptive headings of the several

paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11K. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is, by the terms of this Agreement, required to be satisfactory to Prudential, any Purchaser or the Required Holder(s), the determination of such satisfaction shall be made by Prudential, such Purchaser or the Required Holder(s), as the case may be, in the sole and exclusive judgment (exercised in good faith) of the Person(s) making such determination.

11L. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of California.

11M. Change in Accounting Principles. Notwithstanding any changes in accounting principles from those used in the preparation of the financial statements referred to in paragraph 5B(i) and (ii) hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by FASB, the method of calculating or determining financial covenants, standards or terms found in paragraphs 6 and 10 hereof shall, at the request of the Required Holders of the Notes, remain the same as if such changes had not been promulgated.

11N. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest, or Yield-Maintenance Amount payable with respect to, any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day, without interest for the period of extension.

11O. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11P. Severalty of Obligations. The sales of Notes to the Purchasers are to be several sales, and the obligations of Prudential and the Purchasers under this Agreement are several obligations. No failure by Prudential or any Purchaser to perform its obligations under this Agreement shall relieve any other Purchaser or the Company of any of its obligations hereunder, and neither Prudential nor any Purchaser shall be responsible for the obligations of, or any action taken or omitted by, any other such Person hereunder.

11Q. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

11R. Binding Agreement. When this Agreement is executed and delivered by the Company and Prudential, it shall become a binding agreement between the Company and Prudential. This Agreement shall also inure to the benefit of each Purchaser which shall have executed and delivered a Confirmation of Acceptance, and each such Purchaser shall be bound by this Agreement to the extent provided in such Confirmation of Acceptance.

ALEXANDER & BALDWIN, INC.,
a Hawaii corporation

By: /s/ Thomas A. Wellman
Its: Controller & Asst. Treasurer

By: /s/ W. Allen Doane
Its: President & Chief Executive Officer

The foregoing Agreement is hereby accepted as of the date first above written.

PRUDENTIAL INVESMENT MANAGEMENT, INC.

By /s/ J. Y. Alouf
Vice President

INFORMATION SCHEDULE

Authorized Officers for Prudential

Iris Krause Vice President PRUDENTIAL CAPITAL GROUP	Stephen J. DeMartini Managing Director PRUDENTIAL CAPITAL GROUP

Four Embarcadero Center
Suite 2700
San Francisco, California 94111
Telephone: (415) 291-5060
Facsimile: (415) 421-6233

Four Embarcadero Center
Suite 2700
San Francisco, California 94111
Telephone: (415) 291-5058
Facsimile: (415) 421-6233

Joseph Y. Alouf
Senior Vice President
PRUDENTIAL CAPITAL GROUP
Four Embarcadero Center
Suite 2700
San Francisco, California 94111
Telephone: (415) 291-5056
Facsimile: (415) 421-6233

Mitchell W. Reed
Vice President
PRUDENTIAL CAPITAL GROUP
Four Embarcadero Center
Suite 2700
San Francisco, California 94111
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Facsimile: (415) 421-6233

Charlie J. Senner
Director
PRUDENTIAL CAPITAL GROUP
100 Mulberry Street
Gateway Center Four, 7th Floor
Newark, New Jersey 07102
Telephone: (973) 802-6660
Facsimile: (973) 624-6432

Jim J. McCrane
Investment Vice President
PRUDENTIAL CAPITAL GROUP
100 Mulberry Street
Gateway Center Four, 7th Floor
Newark, New Jersey 07102
Telephone: (973) 802-4222
Facsimile: (973) 624-6432

Authorized Officers for the Companies

James Andrasick
Executive Vice President, Chief Financial Officer &Treasurer
ALEXANDER & BALDWIN, INC.
822 Bishop Street
P.O. Box 3440
Honolulu, Hawaii 96801-3440
Telephone: (808) 525-8404
Facsimile: (808) 525-6651

Thomas Wellman
Controller & Assistant Treasurer
ALEXANDER & BALDWIN, INC.
822 Bishop Street
P.O. Box 3440
Honolulu, Hawaii 96801-3440
Telephone: (808) 525-6646
Facsimile: (808) 525-6651

EXHIBIT A

ALEXANDER & BALDWIN, INC.

SERIES ___ SENIOR NOTE

No.
ORIGINAL PRINCIPAL AMOUNT:
ORIGINAL ISSUE DATE:
INTEREST RATE:
INTEREST PAYMENT DATES:
FINAL MATURITY DATE:
PRINCIPAL PREPAYMENT DATES AND AMOUNTS:

FOR VALUE RECEIVED, the undersigned, ALEXANDER & BALDWIN, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Hawaii, hereby promises to pay to _______________, or registered assigns, the principal sum of ________________ DOLLARS payable [on the Principal Prepayment Dates and in the amounts specified above, and] on the Final Maturity Date specified above [in an amount equal to the unpaid balance of the principal amount hereof,] with interest (computed on the basis of a 360-day year--30-day month) (a) on the unpaid balance thereof at the Interest Rate per annum specified above, on each Interest Payment Date specified above and on the Final Maturity Date specified above, commencing with the Interest Payment Date next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) on any overdue payment (including any overdue prepayment) of principal, any overdue payment of Yield-Maintenance Amount and any overdue payment of interest, payable on each Interest Payment Date as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 2% over the Interest Rate specified above or (ii) 2% over the rate of interest publicly announced by The Bank of New York from time to time in New York City as its Prime Rate.

Payments of principal, Yield-Maintenance Amount, if any, and interest are to be made at the main office of Bank of New York in New York City or at such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to a Private Shelf Agreement, dated as of November 25, 2003 (herein called the "Agreement"), between the Company, on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate (as defined in the Agreement) which becomes party thereto, on the other hand, and is entitled to the benefits thereof.

This Note is subject to optional prepayment, in whole or from time to time in part, on the terms specified in the Agreement.

This Note is a registered Note and, as provided in the Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for the then outstanding principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company shall not be affected by any notice to the contrary.

In case an Event of Default shall occur and be continuing, the principal of this Note may be declared or otherwise become due and payable in the manner and with the effect provided in the Agreement.

Capitalized terms used and not otherwise defined herein shall have the meanings (if any) provided in the Agreement.

This Note shall be construed and enforced in accordance with the internal law of the State of California.

ALEXANDER & BALDWIN, INC.

By: ______________________________________

Title: ___________________________________

By: ______________________________________

Title: ___________________________________

EXHIBIT B

[FORM OF REQUEST FOR PURCHASE]

ALEXANDER & BALDWIN, INC.

Reference is made to the Private Shelf Agreement (the "Agreement"), dated as of November 25, 2003 between Alexander & Baldwin, Inc. (the "Company"), on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate which becomes party thereto, on the other hand. Capitalized terms used and not otherwise defined herein shall have the respective meanings specified in the Agreement.

Pursuant to paragraph 2B(3) of the Agreement, the Company hereby makes the following Request for Purchase:

1. Aggregate principal amount of the Notes covered hereby (the "Notes")............................$ ____________________

2. Individual specifications of the Notes:

Principal Amount[1]	Final Maturity Date[2]	Principal Prepayment Dates and Amounts[2]	Interest Payment Period

3. Use of proceeds of the Notes:

4. Proposed day for the closing of the purchase and sale of the Notes:

---

1 Minimum principal amount of $5,000,000.

2 Maturity of not more than twenty years and average life of not more than fifteen years.

5. The purchase price of the Notes is to be transferred to:

Name, Address and ABA Routing Number of Bank	Number of Account

6. The Company certifies (a) that the representations and warranties contained in paragraph 8 of the Agreement are true on and as of the date of this Request for Purchase and (b) that there exists on the date of this Request for Purchase no Event of Default or Default.

7. In connection with any rate quotes it may provide, Prudential should assume a Designated Spread of ___.

Dated:

ALEXANDER & BALDWIN, INC.

By: ___________________________
Authorized Officer

Title: ___________________________

By: ___________________________
Authorized Officer

Title: ___________________________

EXHIBIT C

[FORM OF CONFIRMATION OF ACCEPTANCE]

ALEXANDER & BALDWIN, INC.

Reference is made to the Private Shelf Agreement (the "Agreement"), dated as of November 25, 2003 between Alexander & Baldwin, Inc. (the "Company"), on the one hand, and Prudential Investment Management, Inc. ("Prudential") and each Prudential Affiliate which becomes party thereto, on the other hand. All terms used herein that are defined in the Agreement have the respective meanings specified in the Agreement.

Prudential or the Prudential Affiliate which is named below as a Purchaser of Notes hereby confirms the representations as to such Notes set forth in paragraph 9 of the Agreement, and agrees to be bound by the provisions of paragraphs 2B(5) and 2B(7) of the Agreement relating to the purchase and sale of such Notes and by the provisions of the penultimate sentence of paragraph 11A of the Agreement.

Pursuant to paragraph 2B(5) of the Agreement, an Acceptance with respect to the following Accepted Notes is hereby confirmed:

I. Accepted Notes: Aggregate principal amount $________________

(A) (a) Name of Purchaser:
(b) Principal amount:
(c) Final maturity date:
(d) Principal prepayment dates and amounts:
(e) Interest rate:
(f) Interest payment period:
(g) Payment and notice instructions: As set forth on attached Purchaser Schedule
(h) Designated Spread: ___%

(B) (a) Name of Purchaser:
(b) Principal amount:
(c) Final maturity date:
(d) Principal prepayment dates and amounts:
(e) Interest rate:
(f) Interest payment period:
(g) Payment and notice instructions: As set forth on attached Purchaser Schedule
(h) Designated Spread: ___%

[(C), (D)... same information as above.]

II. Closing Day:

Dated:

ALEXANDER & BALDWIN, INC.

By: --------------------------
Title: -----------------------

By: --------------------------
Title: -----------------------

PRUDENTIAL INVESTMENT MANAGEMENT, INC.

By: ---------------------------
Vice President

[PRUDENTIAL AFFILIATE]

EXHIBIT D

[FORM OF OPINION OF COMPANIES' SPECIAL COUNSEL]

[Date of Closing]

[Each Purchaser]
c/o Prudential Capital Group
Four Embarcadero Center
Suite 2700
San Francisco, California 94111

Ladies and Gentlemen:

As special counsel to Alexander & Baldwin, Inc., a Hawaii corporation (the "Company"), we are familiar with the Private Shelf Agreement, dated as of November 25, 2003, between the Company, on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate which may become bound thereby, on the other hand (the "Agreement"), pursuant to which the Company has issued to you today its ___% Series ___ Senior Notes in the aggregate principal amount of $________ (the "Notes"). All capitalized terms used herein that are defined in the Agreement shall have, unless otherwise defined herein, the respective meanings specified in the Agreement. This letter is being delivered to you in satisfaction of the condition set forth in clause (v) of paragraph 3A of the Agreement and with the understanding that you are purchasing the Notes in reliance on the opinions expressed herein.

In this connection, we have examined such certificates of public officials, certificates of officers of the Company and copies certified to our satisfaction of documents and records of the Company, and have made such other investigations, as we have deemed relevant and necessary as a basis for our opinion hereinafter set forth. We have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein which we have not independently established. With respect to the opinion expressed in paragraph 3 below, we have also relied upon the representation made by [each of] you in paragraph 9 of the Agreement.

Based on the foregoing, it is our opinion that:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of the State of Hawaii, with the corporate power, authority and legal right to conduct its business as presently conducted.

2. The Company has the full corporate power, authority and legal right to execute and deliver the Agreement and the Notes and to perform and observe its obligations thereunder.

3. The Agreement and the Notes have been duly authorized by all requisite corporate action on the part of the Company and have been duly executed and delivered by authorized officers of the Company and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforceability may be (A) limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and (B) subject to the application of general principles of equity.

4. The execution and delivery of the Agreement and the Notes by the Company do not, and the performance and observance of the terms thereof will not, breach, conflict with or contravene any provisions in the articles of incorporation or by-laws of the Company or any provision of any material law or regulation applicable to the Company or its properties or other assets.

5. The execution and delivery of the Agreement and the Notes do not, and the performance and observance of the terms thereof will not, (A) conflict with, (B) result in any breach of the terms, conditions or provisions of, (C) constitute a default under or violation of, or (D) result in or permit the creation or imposition of any Liens upon any of the properties or other assets of the Company pursuant to, any material order, judgment, decree, indenture, mortgage or any other material agreement or instrument, known to us from our examination of the certificates of officers referred to hereinabove, to which the Company is a party, or by which any of its properties or other assets are bound.

6. The issuance, sale and delivery of the Notes to you is an exempt transaction under the Securities Act of 1933, as amended, and does not require the registration of the Notes under such Act, nor is qualification of an indenture in respect thereof required under the Trust Indenture Act of 1939, as amended.

7. The Company is not (A) an "investment company" within the meaning of the Investment Company Act of 1940, as amended or (B) a "public utility" within the meaning of the Federal Power Act, as amended.

8. The Company is not subject to regulation under the Public Utility Holding Company Act of 1935, as amended.

9. The extension, arranging and obtaining of the credit represented by the Notes does not result in any violation of Regulation U or X of the Board of Governors of the Federal Reserve System.

We render no opinion as to matters involving the laws of any jurisdiction other than the State of Hawaii, the Federal laws of the United States of America and judicial interpretations thereof. We have assumed, for the purposes of this opinion, that Hawaii law would be the same in all material respects as California law, the governing law selected in the Agreement, and we are not aware of any differences between California and Hawaii law that would materially affect the opinions contained herein.

This opinion is rendered solely for your benefit, and may not be relied upon by any other Person without our prior written consent, except that you may provide this opinion to regulatory authorities for review should they so request or in connection with their normal examinations or to a prospective Transferee for review but such Person may not rely upon this opinion without our prior written consent.

Very truly yours,

Schedule 5A

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alexander & Baldwin, Inc.

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Alexander & Baldwin, Inc. and its subsidiaries (the "Companies") for the year ended _____________, and have issued our report thereon dated _______________________.

In connection with our audit, nothing came to our attention that caused us to believe that the Companies were not in compliance with the terms, covenants, provisions, or conditions of paragraphs 6 and 7 of the Private Shelf Agreement dated as of November 25, 2003, with Prudential Investment Management, Inc., insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information, benefit and use of (i) the board of directors and management of Alexander & Baldwin, Inc., (ii) The Prudential Insurance Company of America and (iii) other holders of notes issued under the above-referenced Private Shelf Agreement, the Private Shelf Agreement dated April 25, 2001 and the Private Shelf Agreement dated August 2, 1996, and should not be used for any other purpose.

[DATE]

SCHEDULE 6B(1)

(Liens in existence other than those specified in paragraphs 6B(1) (i) - 6B(1) (iv))

1. Claims by native Hawaiians or others (excluding lenders to the Company or its Subsidiaries) to lands owned by the Company or its Subsidiaries in the State of Hawaii, or to rights in such lands.

2. _Kuleanas_ that may be present in respect of lands owned in whole or in part by the Company or its Subsidiaries in the State of Hawaii.

The foregoing are not expected to have any material adverse effect on the ownership or use by the Company and its Subsidiaries of their properties.

SCHEDULE 8G

1. Third Amended and Restated Revolving Credit and Term Loan Agreement, effective as of November 30, 2001, among Alexander & Baldwin, Inc., First Hawaiian Bank, and the other Banks party thereto.

2. Revolving Credit Agreement between Alexander & Baldwin, Inc. A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993, as amended annually from 1994 through 2003.

3. Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001, as amended.

4. Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and Prudential Insurance Company of America, dated as of August 2, 1996, as amended.

5. Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993, as amended.

November 25, 2003

ALEXANDER & BALDWIN, INC.
822 Bishop Street
Honolulu, Hawaii 96801

Gentlemen:

Reference is made to (i) the Private Shelf Agreement (the "1996 Agreement"), dated as of August 2, 1996, by and between Alexander & Baldwin, Inc. (the "Company"), on the one hand, and The Prudential Insurance Company of America ("Prudential") and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand, (ii) the Private Shelf Agreement (the "2001 Agreement") dated as of April 25, 2001, by and between the Company, on the one hand, and Prudential and each Prudential Affiliate (as defined therein) that has become bound by certain provisions thereof, on the other hand and (iii) the Private Shelf Agreement (the "2003 Agreement") dated as of November 25, 2003 by and between the Company, on the one hand, and Prudential Investment Management, Inc. and each Prudential Affiliate (as defined therein) that may become bound by certain provisions thereof, on the other hand.

Pursuant to paragraph 11C of each of the 1996 Agreement an the 2001 Agreement, the undersigned and the Company agree that:

(a) the Company shall be deemed to be in compliance with or in default under (as the case may be) paragraph 6 of each of the 1996 Agreement and the 2001 Agreement by being in compliance with or in default under (as the case may be) paragraph 6 of the 2003 Agreement as the same may be amended or otherwise modified from time to time; and

(b) no termination of the 2003 Agreement in whole or in part shall effect the continued application hereunder of paragraph 6 thereof and, upon the written request of the Company or any of the undersigned then party to the 1996 Agreement or the 2001 Agreement (as applicable), paragraph 6 of the 1996 Agreement and/or the 2001 Agreement shall be amended to restate such paragraph in substantially the same form as then existing in paragraph 6 of the 2003 Agreement.

Pursuant to Paragraph 11C of the 2001 Agreement, the Company and Prudential agree that the Issuance Period in the 2001 Agreement shall terminate effective the date hereof.

If you are in agreement with the foregoing, please execute each of the enclosed counterparts of this letter agreement in the space indicated below and return them to Prudential Capital Group at: Four Embarcadero Center, Suite 2700, San Francisco, CA 94111, Attention: James F. Evert. This letter agreement shall not be effective until executed by each signatory hereto.

Sincerely,

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: /s/ Joseph Y. Alouf

Title: Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ Joseph Y. Alouf

Title: Vice President

PRUCO LIFE INSURANCE COMPANY
OF NEW JERSEY

By: /s/ Joseph Y. Alouf

Title: Vice President

Acknowledged and agreed:

ALEXANDER & BALDWIN, INC.

By: /s/ Thomas A. Wellman

Title: Controller & Assistant Treasurer

By: W. Allen Doane

Title: President & Chief Executive Officer

SETTLEMENT AGREEMENT AND GENERAL RELEASE OF CLAIMS

This Settlement Agreement and General Release of Claims ("Release") is entered into by and among C. Bradley Mulholland, an individual ("Mulholland"), Matson Navigation Company, Inc., a corporation ("Matson"), and Alexander & Baldwin, Inc., a corporation ("A&B") (hereafter collectively referred to as the "parties"), and is based upon the following:

RECITALS

A. Mulholland has been employed by Matson for approximately 39 years. In furtherance of a Succession Plan that was established in mid-2001 and refined in the summer of 2002, Mulholland moved from his position as President and Chief Executive Officer of Matson to Vice Chairman of the Matson Board of Directors. Mulholland is also an Executive Vice President of Matson's parent company, A&B, and is also a member of the A&B Board of Directors.

B. As an outgrowth of the aforementioned Succession Plan, several issues have arisen among the parties, including a difference of opinion as to the applicability of Matson's personnel policy relating to severance pay. Mulholland has asserted that he is entitled to receive compensation under the terms of Matson's severance pay policy (the "severance claim"); Matson and A&B dispute the severance claim, and believe that Mulholland is not entitled to receive any compensation under the terms of the severance policy.

C. Mulholland, Matson and A&B desire to settle fully and finally any and all differences existing among them with respect to the severance claim, and any other claim or dispute relating to Mulholland's employment with Matson and A&B, the termination thereof, and any other matter or event occurring up to the date of this Release, and the parties wish to avoid the prospect and expense of litigation.

NOW THEREFORE, it is understood and agreed by and among each of the parties to this Release that in full, sufficient and complete consideration of the mutual promises and covenants contained herein, Mulholland, Matson and A&B agree as follows:

AGREEMENT

1. No Admission of Liability. Matson and A&B enter into this Release for two basic reasons: first, in recognition and appreciation of Mulholland's many years of service to Matson and A&B in various executive capacities, and their desire that the aforementioned Succession Plan be implemented; and second, in order to avoid the time, distraction and expense involved in potential litigation. Therefore, this Release shall in no way be construed as an admission by Matson, A&B, or any of the Releasees (as defined in paragraph 5 below), of any wrongful conduct with respect to Mulholland, or that Mulholland has any rights whatsoever against Matson, A&B or any of the Releasees. Matson and A&B specifically disclaim any liability to or wrongful acts against Mulholland on the part of Matson, A&B or any of the Releasees.

2. Payment. Matson agrees that when its counsel of record receives the fully executed original of this Release, as well as copies of the resignation letters referred to in paragraph 4 below, then, upon expiration of the revocation period described in paragraph 21 below, Matson shall transmit to Mulholland's attorney of record, William E. Adams, Esq., a check in the gross amount of Two Hundred Sixty-One Thousand Five Hundred Dollars ($261,500.00), less customary employee withholdings, made payable to C. Bradley Mulholland. This check is intended as payment in full for Mulholland's Release of the severance claim, as well as any and all claims relating to Mulholland's employment with Matson and A&B, the termination thereof, or any other matter or event occurring up to the date of this Release. Mulholland acknowledges that upon receipt of the settlement check, Matson, A&B and the Releasees will have no further obligations of any kind to him apart from the benefits referred to in paragraph 3 below.

3. Benefits Upon Mulholland's Retirement. Mulholland, Matson and A&B agree that Mulholland is entitled to receive the benefits resulting from his retirement, as specifically set forth in the December 4, 2003 Interoffice Correspondence from John Gasher to Mulholland, a true and correct copy of which is attached hereto as Exhibit A and by this reference incorporated fully herein. Regarding the Performance Improvement Incentive Plan ("PIIP") referred to in Exhibit A, there will be no direct or indirect offset in Mulholland's award under such PIIP based on the settlement amount in paragraph 2.

4. Retirement and Resignation from Boards. Mulholland agrees that he will retire from Matson and A&B effective January 1, 2004, and that he will resign from the Matson and A&B Boards of Directors effective December 31, 2003. To that end, Mulholland agrees that on or before December 31, 2003, he will submit two letters of resignation, one confirming his resignation as Vice Chairman of the Board of Matson and as a member of the Matson Board of Directors, and his retirement from Matson, and the other confirming his resignation as Executive Vice President of A&B and as a member of the A&B Board of Directors, and his retirement from A&B. True and correct copies of the forms of resignation letters are attached hereto as Exhibits B and C, respectively, and by this reference incorporated fully herein. The parties further agree that Mulholland will be given an opportunity to review and comment on any internal or external announcement of his retirement.

5. Release. As a material inducement to Matson and A&B to enter into this Release, Mulholland hereby irrevocably and unconditionally releases,

acquits and forever discharges Matson, A&B, and all of Matson's and A&B's respective subsidiaries, affiliates, divisions, successors, predecessors, related corporate entities, assigns, and current and former employees, officers, directors, shareholders, agents, representatives and attorneys, and all persons acting by, through, under or in concert with any of them (hereafter collectively the "Releasees"), from any and all causes of action, judgments, liens, indebtedness, costs, damages, obligations, attorneys' fees, losses, claims, liabilities and demands of whatever kind and character arising out of or in any way relating to Mulholland's employment with Matson and A&B, the termination thereof, or any other matter or event occurring up to the date of this Release.

Without limiting the generality of the foregoing, Mulholland releases Releasees from any and all claims and disputes arising out of any federal or state (including, without limitation, California and Hawaii) statute or regulation, municipal ordinance, or common law, including without limitation claims for wrongful termination based on public policy, claims under state or federal wage and hour laws; claims under ERISA; claims for discrimination under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, and comparable state statutes and regulations, including without limitation, the California Fair Employment and Housing Act, the Hawaii Employment Practices Act and Hawaii Civil Rights Act; and any and all other claims whatsoever based on contract, quasi-contract, implied contract, tort, breach of the covenant of good faith and fair dealing, defamation, libel, slander, conspiracy, infliction of emotional distress, discrimination on any basis prohibited by statute or public policy, fraud, negligent misrepresentation, negligence or interference with business opportunity or with contract, or any claims for bonus or severance pay. This Release extends to any current or former Matson and A&B officer, director, employee, consultant, agent and attorney, whether or not acting in his/her representative, individual or other capacity. However, this Release shall not release Matson and A&B from any obligation to indemnify Mulholland under applicable law or under Matson's or A&B's bylaws or Directors and Officers liability coverage.

6. <u>Return of Company Property</u>. Mulholland agrees that on or before December 31, 2003, he will have returned to Matson any personal property in his possession or control that belongs to or was issued by Matson and A&B, including, without limitation, company-issued credit cards and company-issued computer and software, as well as all papers, files, documents, data and information, whether in paper, electronic, or other format, belonging or relating to Matson and A&B, or any of the other Releasees.

7. <u>Covenant Not to Sue</u>. Mulholland represents that he presently has no charges, claims or lawsuits of any kind pending against Matson, A&B or any of the Releasees, arising out of or in any way related to his employment with Matson and A&B, the termination thereof, or any other matter or event occurring up to the date of this Release. Mulholland represents and agrees that he will not pursue, initiate or cause to be instituted at any time in the future any charge, claim or lawsuit against Matson, A&B or any of the Releasees, before any state or federal court, or any state or federal agency or other governmental entity arising out of or related to his employment with Matson and A&B, the termination thereof, or any other matter or event occurring up to the date of this Release.

8. <u>No Future Employment</u>. Mulholland agrees that he will not seek employment or consulting work with Matson, A&B or any of the other Releasees at any time in the future, nor will he file any charge, claim or lawsuit against Matson or any of the Releasees which relates in any way to any failure or refusal by Matson or any of the Releasees to employ Mulholland as an employee, consultant or contractor at any time in the future.

9. <u>Waiver of All Claims</u>. Mulholland hereby expressly waives any and all rights under Section 1542 of the California Civil Code, which reads as follows:

> <u>Section 1542</u>. A general Release does not extend to claims which the creditor does not know or suspect to exist in her favor at the time of executing the Release, which if known by him, must have materially affected her settlement with the debtor.

Mulholland acknowledges that Matson and A&B have separately bargained for the foregoing waiver of unknown claims, and that he has had an opportunity to review this provision with attorney Adams, and that he specifically acknowledges that this waiver of unknown claims is a material term of this Release.

10. <u>Confidentiality</u>. Subject to the exceptions set forth below, Mulholland agrees that he will keep the terms of this Release completely confidential and that he will not disclose to anyone the terms of this Release; provided, however, that Mulholland may disclose the terms of this Release to his spouse, or if required to do so by law, or as may be needed to obtain legal and/or tax advice.

11. <u>Obligations to Protect Proprietary Information</u>. Mulholland acknowledges and agrees that he will preserve and protect, and that he will not use or disclose to any third party, any trade secrets, sensitive or confidential information proprietary to Matson and to A&B.

12. <u>No Transfer</u>. Mulholland represents that he has not heretofore

assigned or transferred any claim, or any portion thereof, which he has or claims to have, against Matson, A&B, or the Releasees, and Mulholland further agrees to indemnify, defend and hold Matson, A&B and Releasees harmless from and against any and all claims based on or arising out of any such assignment or transfer, or purported assignment or transfer of any such claim or any portion thereof or interest therein.

13. Product of Negotiation. The parties acknowledge that this Release embodies the terms of a settlement arrived at through negotiation between the parties' respective counsel of record. As such, the language of all parts of this Release shall be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. It is agreed that this Release shall be construed with the understanding that all parties were responsible for drafting it.

14. Binding On Parties and Representatives. This Release shall be binding upon Mulholland and upon his spouse, heirs, administrators, representatives, executors, successors and assigns, and shall inure to the benefit of Matson, A&B, and the Releasees and each of them, and their administrators, representatives, executors, successors and assigns.

15. California Law. This Release is made and entered into in the State of California and shall in all respects be interpreted, enforced and governed under the laws of the State of California.

16. Entire Agreement. This Release sets forth the entire agreement among the parties hereto and fully supercedes any and all prior agreements or understandings between the parties hereto pertaining to the subject matter hereof.

17. Attorneys' Fees and Costs. The parties to this Release understand that each party is responsible for bearing its own costs and attorneys' fees incurred in connection with the preparation and negotiation of this Release, and all matters or events up to the time of this Release.

18. Amendments. This Release can be amended, modified or terminated only by a writing executed by Mulholland and authorized agents of Matson and A&B.

19. Invalid Provisions. If any provision of this Release is determined to be invalid or unenforceable, all of the other provisions shall remain valid and enforceable notwithstanding, unless the provision found to be unenforceable is of such material effect that the Release cannot be performed in accordance with the intent of the parties in the absence thereof.

20. Attorney Review. The parties hereto state that they were represented by counsel of their choosing in the negotiations and preparation of this Release. Mulholland represents and acknowledges that in executing this Release, he does not rely and has not relied upon any representation or statement not set forth herein made by any of the Releasees or by any of the Releasees' agents, representatives or attorneys with regard to the subject matter, basis or effect of this Release or otherwise. Mulholland further represents and agrees that he fully understands his right to continue to discuss all aspects of this Release with attorney Adams, that he has availed and will continue to avail himself of that right, as he deems appropriate, and that he has carefully read and fully understands all of the provisions of this Release, and is voluntarily entering into this Release.

21. Facsimile. The parties agree that this Release may be executed using facsimile signatures and that such signatures shall be deemed to be as valid as original signatures.

22. Revocation Right. Mulholland understands that he is waiving rights under the Age Discrimination in Employment Act, among other rights, that he has the right to consult, and has consulted with his attorney, William E. Adams, before executing this Release, and that he has twenty-one (21) days within which to consider the terms of this Release before signing it, although he is not required to wait the entire twenty-one (21) days before signing. Mulholland further understands and acknowledges that within seven (7) days of the date of this Release, he shall have the right to revoke it, in which case the entire Release shall be deemed voided. If he wishes to revoke the Release, he must do so in writing addressed to Nelson N.S. Chun, Esq., General Counsel, Alexander & Baldwin, Inc., P.O. Box 344, Honolulu, Hawaii 96801.

PLEASE READ CAREFULLY. THIS SETTLEMENT AGREEMENT AND GENERAL RELEASE OF CLAIMS INCLUDES A RELEASE OF ALL KNOWN OR UNKNOWN CLAIMS. THE PARTIES HAVE READ THIS RELEASE, UNDERSTAND AND ACCEPT EACH OF ITS TERMS, AND AGREE TO BE FULLY BOUND HEREUNDER.

Dated: December 29, 2003 By /s/ C. Bradley Mulholland

C. BRADLEY MULHOLLAND

MATSON NAVIGATION COMPANY

Dated: December 31, 2003 By /s/ W. Allen Doane

ALEXANDER & BALDWIN, INC.

Dated: December 31, 2003 By /s/ John F. Gasher

APPROVED AS TO FORM AND CONTENT

FITZGERALD, ABBOT & BEARDSLEY, LLP

Dated: December 29, 2003 By /s/ William E. Adams

William E. Adams
Attorneys for C. Bradley Mulholland

GIBSON, DUNN & CRUTCHER

Dated: January 5, 2004

By /s/ Christopher J. Martin

Christopher J. Martin
Attorneys for Matson Navigation Company
and Alexander & Baldwin, Inc.

EXHIBIT A

[ALEXANDER & BALDWIN INTER-OFFICE CORRESPONDENCE]

December 4, 2003

MEMO TO: C. B. Mulholland

FROM: J. F. Gasher

SUBJECT: Benefits Program Status
At Retirement (01/01/2004)

Due to your retirement on January 1, 2004, we describe below the status of your benefits as a retiree.

ACCIDENTIAL DEATH & DISMEMBERMENT, BUSINESS TRAVEL, DENTAL, LONG TERM DISABILITY, AND VISION INSURANCE PLANS: Your coverages in these captioned plans will be terminated at your retirement.

EMPLOYEE LIFE INSURANCE PLAN: Your group life insurance as a retired employee will be $50,000.

MEDICAL BENEFITS PLAN: At your retirement, your present CIGNA PPO coverage for yourself and your family will be cancelled.

You may elect to enroll in either the CIGNA PPO or KAISER HMO Plans for retired employees. Enclosed is a Mainland Medical Plan Comparison Chart of the two Plans.

Medical coverage, through age 64 - Based on your age and service [62 years, 7 months / 38 years, 6 months], your FIXED DOLLAR AMOUNT (the maximum amount the Company will pay) for the health care coverage will be calculated as follows:

FIXED DOLLAR AMOUNT FOR RETIREES UNDER AGE 65:	$324.69
(factor based on age and service)	x 1.00
Your FIXED DOLLAR AMOUNT:	$324.69

Your share of the coverage cost will be the difference between the premium amount charged by the insurance carrier and the $324.69. Since the 2004 monthly premium for retirees below age 65 are $831.15 for CIGNA and $298.83 for KAISER, your share of the current premium will be either $506.46 for CIGNA or $0.00 for KAISER per month. As you know, medical premium rates are subject to periodic changes.

Medical coverage, age 65 and beyond - Your FIXED DOLLAR AMOUNT and your share of your Company medical coverage will change when you attain age 65, based on the following calculation:

FIXED DOLLAR AMOUNT FOR RETIREES AGE 65 and beyond	$134.92
(factor based on age and service)	x 1.00
Your FIXED DOLLAR AMOUNT:	$134.92

Your share of the coverage cost from age 65 will be the difference between the applicable premium amount charged by the insurance carrier and the $134.92.

Medical coverage for spouse - If you wish, you may enroll your spouse in the Health Care Plan. The premium for her coverage must be paid entirely by you. The monthly dues for her coverage will be $831.15 for CIGNA or $298.83 for Kaiser in 2004.

Medical coverage for son - His health care coverage will terminate at your retirement and he will be eligible for continued coverage under COBRA.

Important Details - A retiree (or spouse) electing not to enroll in the health care insurance portion of the Alexander & Baldwin, Inc. Retiree Health and Welfare Benefit Plan at retirement cannot enroll later. The only exception to this rule is if a retiree or spouse is covered by another group plan, such as one provided by the spouse's employer. In such a case, the retiree or spouse may waive participation in the A&B plan while covered by the other group plan and may enroll later, if: (1) the coverage under that other plan terminates, (2) the termination is not voluntary on the part of the retiree or spouse, and (3) the application for enrollment in the A&B plan is made immediately upon termination of the other coverage.

Payment of the monthly dues for the coverages can be conveniently accomplished via an authorized deduction from your monthly pension payment (see enclosed authorization form), or paid directly by you to the Company on a monthly or quarterly basis.

A condition of participation in the Retiree Health Care Plan is that each plan member must enroll in and pay for Medicare Part A and B coverages when eligible. Also, if the KAISER plan is chosen, enrollment in the "Senior Advamtage Plan" at age 65 is required. As previously noted, a different FIXED DOLLAR AMOUNT is applicable for retirees over age 65.

A&B RETIREMENT PLAN FOR SALARIED EMPLOYEES: As of January 1, 2004, you will be entitled to a monthly pension benefit which you may choose to receive under one of the following payment methods.

1. 50% JOINT & SURVIVOR ANNUITY: As a married participant, your pension will be payable under the 50% Joint & Survivor Annuity. Under this payment method, you would receive an actuarially reduced monthly pension of $8,778.77 during your lifetime and, if you predecease your spouse, a monthly pension of $4,389.39 will be provided for her lifetime.

If your spouse consents (required in writing), you may elect one of the following payment methods instead of the 50% Joint & Survivor Annuity:

2. STRAIGHT LIFE ANNUITY: Under this payment method, you would receive a monthly pension of $10,112.63 for your lifetime. Mrs. Mulholland would receive no payments in the event of your death.

3. 66-2/3% JOINT & LAST SURVIVOR OPTION: Under this payment method, you would receive a reduced monthly pension of $8,607.87 while both you and your spouse are alive and; after the death of either party, 2/3 of that amount is paid to the survivor for the rest of his or her life.

4. JOINT 100% TO CONTINGENT ANNUITANT OPTION: Under this payment method, you would receive a reduced monthly pension of $7,756.39 for your lifetime and, after your death the same amount is paid to your Designated Annuitant for his or her lifetime.

5. JOINT 50% TO CONTINGENT ANNUITANT OPTION: Under this payment method, you would receive a reduced monthly pension of $8,778.77 for your your lifetime and, after your death, 50% of that amount is paid to your Designated Annuitant for his or her lifetime.

NOTE: The amounts shown for the Contingent Annuitant Options (4. & 5.) assume your contingent annuitant is your spouse. Please let us know if you wish to have benefit amounts based on different assumptions.

PROFIT SHARING RETIREMENT AND INDIVIDUAL DEFERRED COMPENSATION PLANS (PSR/IDC): You may request to have your PSR, IDC, and TCESOP account balances distributed or choose to leave the funds in the your accounts to a future date (no later than 60 days following the close of the 2006 Plan Year.

If you elect to receive distribution of your account values, the payout will be made by FIDELITY INVESTMENTS and will be valued at the time of your distribution (on or after January 31, 2004). If you do not want to wait the thirty days and wish to accelerate your distributions, you may do so by completing the enclosed forms.

You will also be eligible for a share, determined according to Plan provisions, of any company contribution to the PSR Plan for the 2003 Plan Year. Distribution will be made as soon as reasonable after the company contribution is made.

FIDELITY INVESTMENTS has provided the enclosed brochure entitled "Deciding what to do with your retirement plan savings". It contains some helpful information on such issues as rollovers, distribution options, tax consequences, and income

options. If you decide you wish to rollover your plan proceeds into a FIDELITY IRA, the application form should be completed and returned with your PSR and IDC Payout Forms.

A&B EXCESS BENEFITS PLAN: Based on the pension payment method you choose under the A&B Retirement Plan For Salaried Employees, you will also be entitled to a benefit payable in the form of a lump sum payment. The Mandatory Lump Sum Equivalents are as follows:

	Life Annuity	50% Joint & Survivor	100% Joint & Survivor	66-2/3% Last Survivor
Monthly Benefit				
To Participant	$32,673.96	$28,364.27	$25,060.92	$27,812.08
To Spouse (upon Participant's death)	$ 0.00	$14,182.13	$25,060.92	$18,541.39
Mandatory Lump Sum Equivalent	$5,855,788	$5,769,293	$5,703,394	$5,677,402

In regard to your excess Profit Sharing, as of December 3, 2003, you had 8,372.751 share-equivalent units credited to your account. These share-equivalent units will be updated for any subsequent dividend-equivalent units earned prior to your retirement and valued based on the fair market value of A&B common stock as of your retirement date and paid to you in a lump sum as soon as practicable. As of December 3, 2003, the value of these share-equivalent units is $263,155.55.

A&B EXECUTIVE SURVIVOR/RETIREMENT BENEFIT PLAN: You may elect to continue the survivor benefit or elect a Supplemental Retirement Income Benefit of 26% of your final base compensation of $11,331.67 per month for 10 years. An election for the Supplemental Retirement Income Benefit will be subject to approval by the Compensation and Stock Option Committee. See attached "Considerations in Making Elections and Beneficiary Designations" and "Election for Post-Retirement Benefits".

VACATION: The value of any unused vacation days will be paid to you in a lump sum at retirement.

PERFORMANCE IMPROVEMENT INCENTIVE PLANS (PIIP): Your award under the One-Year PIIP for the 2003 plan cycle and under the Three-Year PIIP for the 2001-2003 plan cycle will be paid to you following the meeting of the Compensation and Stock Option Committee in January 2004. A pro-rata award under the Three-Year PIIP for the 2002-2004 and 2003-2005 plan cycles will be paid to you following completion of each respective cycle.

In order for us to process your retirement benefits, we have enclosed the following forms for you to complete and return.

1. Authorization To Deduct From Group Annuity Payments. Please complete the form if you wish to have the medical dues deducted from your pension payments.

2. Election Form for the Retirement Plan.

3. Spousal Consent (Page 4 of Retirement Election Form). If you elect a payment option other than the 50% Joint & Survivor, please have the form completed by your spouse and notarized.

4. Notice To Effect An Annuity. Please complete the appropriate Notice.

5. Election Form For Withholding Of Federal Income Tax

6. Enrollment Form For Direct Deposit of Pension Payments.

7. SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS. Because of the withholding and rollover regulations, it is important that the notice be read before you complete the Payout Forms.

8. PSR Payout Form and Election To Accelerate Plan Distribution.

9. IDC Payout Form and Election To Accelerate Plan Distribution.

10. Election for Post-Retirement Benefits (A&B Executive/Survivor Plan)

Please provide us with a copy of your birth certificate for verification of your age.

We will also need a copy of Mrs. Mulholland's birth certificate if you elect a payment method other than the Straight Life Annuity.

In regard to your Employee Life Insurance, you may convert the coverage to an individual life policy, if you wish. You would not be required to submit any evidence of insurability if the application and the first premium payment for the individual policy are submitted to the John Hancock Mutual Life Insurance Company within 31 days from December 31, 2003. If you are interested in converting your life insurance, please let us know.

You will be advised of your right to "continued health care coverages at your expense" as required by law in a separate letter.

If you have any questions, please call me.

/s/ J. F. Gasher
J. F. Gasher

Enclosures

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NOTE: Although the Company expects to maintain the A&B Retiree Health and Welfare Benefit Plan ("Plan"), the Company expressly reserves the right to amend or terminate the Plan or any part thereof at any time.

- --

EXHIBIT B

[MULHOLLAND LETTERHEAD]

[Date]

Chairman of the Board of Directors
Matson Navigation Company
555 12th Street
Oakland, CA 94607

Re: Retirement And Resignation From Board Of Directors

Dear Mr. Doane:

This will confirm that in view of my retirement from Matson Navigation Company ("Matson"), which becomes effective January 1, 2004, I hereby resign my position as Vice Chairman of the Board of Matson as well as my position on the Matson Board of Directors, effective December 31, 2003.

Very truly yours,

C. Bradley Mulholland

EXHIBIT C

[MULHOLLAND LETTERHEAD]

[Date]

Chairman of the Board of Directors
Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 96813

Re: Retirement And Resignation From Board Of Directors

Dear Mr. Stockholm:

This will confirm that in view of my retirement from Alexander & Baldwin, Inc. ("A&B"), which becomes effective January 1, 2004, I hereby resign my position as Executive Vice President of A&B as well as my position on the A&B Board of Directors, effective December 31, 2003.

Very truly yours,

C. Bradley Mulholland

EXHIBIT 31.1

CERTIFICATIONS

I, Allen Doane, certify that:

1. I have reviewed this annual report on Form 10-K of Alexander & Baldwin, 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)) 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) 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

(c) 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 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/ Allen Doane
Allen Doane, President and
Chief Executive Officer

Date: March 8, 2004

EXHIBIT 31.2

CERTIFICATIONS

I, Christopher J. Benjamin, certify that:

1. I have reviewed this annual report on Form 10-K of Alexander & Baldwin, 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)) 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) 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

(c) 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 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/ Christopher J. Benjamin
Christopher J. Benjamin, Vice President
and Chief Financial Officer

Date: March 8, 2004

EXHIBIT 32

Certification of Chief Executive Officer and
Chief Financial Officer Pursuant to
18 U.S.C. Section 1350, As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Alexander & Baldwin, Inc. (the "Company") for the fiscal year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Allen Doane, as Chief Executive Officer of the Company, and Christopher J. Benjamin, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

/s/ Allen Doane
Name: Allen Doane
Title: Chief Executive Officer
Date: March 8, 2004

/s/ Christopher J. Benjamin
Name: Christopher J. Benjamin
Title: Chief Financial Officer
Date: March 8, 2004

ALEXANDER & BALDWIN, INC.
Subsidiaries as of February 19, 2004

Name of Subsidiary	State or Other Jurisdiction UnderWhich Organized
A&B Development Company (California)	California
A & B Properties, Inc.	Hawaii
ABHI-Crockett, Inc.	Hawaii
East Maui Irrigation Company, Limited	Hawaii
Kahului Trucking & Storage, Inc.	Hawaii
Kauai Commercial Company, Incorporated	Hawaii
Kukui'Ula Development Company, Inc.	Hawaii
Subsidiary:	
South Shore Community Services LLC	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Integrated Logistics, Inc.	Hawaii
Matson Logistics Solutions, Inc.	Hawaii
Matson Terminals, Inc.	Hawaii
McBryde Sugar Company, Limited	Hawaii
Subsidiary:	
Kauai Coffee Company, Inc.	Hawaii
WDCI, Inc.	Hawaii

NOTE: Certain A&B subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, have been omitted.