

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 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.)

P. O. Box 3440, Honolulu, Hawaii  
822 Bishop Street, Honolulu, Hawaii

96801  
96813

(Address of principal executive offices) (Zip Code)

(808) 525-6611

(Registrant's telephone number, including area code)

N/A

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

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

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

Number of shares of common stock outstanding as of  
September 30, 2003: 41,815,093

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed financial statements and notes for the third quarter and first  
nine months of 2003 are presented below, with comparative figures from the 2002  
financial statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Statements of Income  
(In millions, except per-share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	----	----	----	----
	(unaudited)		(unaudited)	
Revenue:				
Operating revenue	\$ 315.1	\$ 290.2	\$ 900.0	\$ 799.5
Interest and other	1.6	2.3	4.8	6.6
Total revenue	316.7	292.5	904.8	806.1
Costs and Expenses:				
Costs of goods sold, services and rentals	253.5	238.3	730.1	667.0
Selling, general and administrative	26.6	26.1	86.5	79.5
Interest	3.1	3.0	8.1	9.0
Total costs and expenses	283.2	267.4	824.7	755.5

Income Before Taxes	33.5	25.1	80.1	50.6
Income taxes	11.8	9.0	28.9	18.1
	-----	-----	-----	-----
Income From Continuing Operations	21.7	16.1	51.2	32.5
Discontinued Operations (net of income taxes):				
Properties	--	1.7	11.3	8.3
	-----	-----	-----	-----
Net Income	\$ 21.7	\$ 17.8	\$ 62.5	\$ 40.8
	=====	=====	=====	=====
Basic Earnings Per Share:				
Continuing operations	\$ 0.52	\$ 0.39	\$ 1.23	\$ 0.80
Discontinued operations	--	0.04	0.28	0.20
	-----	-----	-----	-----
Net income	\$ 0.52	\$ 0.43	\$ 1.51	\$ 1.00
	=====	=====	=====	=====
Diluted Earnings Per Share:				
Continuing operations	\$ 0.52	\$ 0.39	\$ 1.23	\$ 0.79
Discontinued operations	--	0.04	0.27	0.20
	-----	-----	-----	-----
Net income	\$ 0.52	\$ 0.43	\$ 1.50	\$ 0.99
	=====	=====	=====	=====
Dividends Per Share	\$ 0.225	\$ 0.225	\$ 0.675	\$ 0.675
Average Number of Shares Outstanding	41.6	41.2	41.5	40.9

See Financial Notes

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Industry Segment Data, Net Income  
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003 ----	2002 ----	2003 ----	2002 ----
	(unaudited)		(unaudited)	
<b>Revenue:</b>				
Transportation:				
Ocean transportation	\$ 191.6	\$ 181.2	\$ 577.0	\$ 512.2
Logistics services	60.8	53.8	169.2	142.7
Property Development and Management:				
Leasing	20.3	18.8	60.0	54.0
Sales	10.4	7.3	53.5	61.2
Less amounts reported in discontinued operations	--	(3.6)	(38.5)	(43.2)
Food Products	33.6	35.0	83.6	79.2
Total revenue	<u>\$ 316.7</u>	<u>\$ 292.5</u>	<u>\$ 904.8</u>	<u>\$ 806.1</u>
<b>Operating Profit, Net Income:</b>				
Transportation:				
Ocean transportation	\$ 25.1	\$ 16.9	\$ 60.4	\$ 33.2
Logistics services	1.4	1.4	3.3	2.4
Property Development and Management:				
Leasing	9.1	8.6	27.2	24.5
Sales	2.6	2.4	21.1	14.2
Less amounts reported in discontinued operations	--	(2.8)	(18.2)	(13.2)
Food Products	0.4	4.9	4.6	8.0
Total operating profit	<u>38.6</u>	<u>31.4</u>	<u>98.4</u>	<u>69.1</u>
Interest Expense	(3.1)	(3.0)	(8.1)	(9.0)
General Corporate Expenses	(2.0)	(3.3)	(10.2)	(9.5)
Income From Continuing Operations Before Income Taxes	33.5	25.1	80.1	50.6
Income Taxes	(11.8)	(9.0)	(28.9)	(18.1)
Income From Continuing Operations	<u>21.7</u>	<u>16.1</u>	<u>51.2</u>	<u>32.5</u>
Discontinued Operations (net of income taxes):				
Properties	--	1.7	11.3	8.3
Net Income	<u>\$ 21.7</u>	<u>\$ 17.8</u>	<u>\$ 62.5</u>	<u>\$ 40.8</u>

See Financial Notes

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Balance Sheets  
(In millions)

	September 30, 2003 ---- (unaudited)	December 31, 2002 ----
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 24.8	\$ 0.6
Accounts and notes receivable, net	155.8	155.5
Inventories	17.7	15.0
Real estate and other assets held for sale	20.9	33.4
Deferred income taxes	11.6	12.0
Prepaid expenses and other assets	19.4	17.2
	-----	-----
Total current assets	250.2	233.7
	-----	-----
Investments	63.3	32.9
	-----	-----
Real Estate Developments	24.8	42.0
	-----	-----
Property, at cost	1,892.5	1,764.1
Less accumulated depreciation and amortization	830.4	821.5
	-----	-----
Property - net	1,062.1	942.6
	-----	-----
Capital Construction Fund	170.0	208.4
	-----	-----
Other Assets	204.3	138.0
	-----	-----
Total	\$ 1,774.7	\$ 1,597.6
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$ 11.8	\$ 9.6
Accounts payable	92.7	80.9
Other	76.7	60.6
	-----	-----
Total current liabilities	181.2	151.1
	-----	-----
Long-term Liabilities:		
Long-term debt	365.6	247.8
Deferred income taxes	340.3	337.8
Post-retirement benefit obligations	43.3	42.6
Other	80.6	94.6
	-----	-----
Total long-term liabilities	829.8	722.8
	-----	-----
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	34.2	33.8
Additional capital	100.0	84.8
Accumulated other comprehensive loss	(34.0)	(26.8)
Retained earnings	675.1	643.6
Cost of treasury stock	(11.6)	(11.7)
	-----	-----
Total shareholders' equity	763.7	723.7
	-----	-----
Total	\$ 1,774.7	\$ 1,597.6
	=====	=====

See Financial Notes

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES  
Condensed Statements of Cash Flows  
(In millions)

	2003 ----	Nine Months Ended September 30, 2002 ----- (unaudited)
Cash Flows from Operating Activities	\$ 115.1	\$ 43.2
	-----	-----
Cash Flows from Investing Activities:		
Capital expenditures	(130.4)	(33.0)
Proceeds from disposal of property and other assets	6.3	19.2
Capital Construction Fund, net	38.4	(52.1)
Deposit in escrow for property purchase	(76.9)	--
Other	(4.8)	(6.3)
	-----	-----
Net cash used in investing activities	(167.4)	(72.2)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	225.9	73.0
Payments of long-term debt	(132.7)	(29.0)
Net payments of short-term debt	-	(12.4)
Proceeds from issuances of capital stock	11.3	14.7
Dividends paid	(28.0)	(27.6)
	-----	-----
Net cash from (used in) financing activities	76.5	18.7
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 24.2	\$ (10.3)
	=====	=====
Other Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ (8.0)	\$ (8.9)
Income taxes paid, net of refunds	(22.6)	(43.9)
Other Non-cash Information:		
Accrued deposit to Capital Construction Fund, net	--	(4.0)
Depreciation expense	(52.3)	(52.9)
Tax-deferred property sales	33.9	40.3
Tax-deferred property purchases	(29.9)	(38.6)
Debt assumed in real estate acquisition	14.6	--
Assets conveyed to joint venture	27.7	--

See Financial Notes

Financial Notes  
(Unaudited)

- (1) The Condensed Balance Sheet as of September 30, 2003, the Condensed Statements of Income for the nine months ended September 30, 2003 and 2002, and the Condensed Statements of Cash Flows for the nine months ended September 30, 2003 and 2002 are unaudited. Because of the nature of the Company's operations, the results for interim periods are not necessarily indicative of results to be expected for the year. In the opinion of management, all material adjustments necessary for the fair presentation of interim period results have been included in the interim financial statements.
- (2) The 2003 estimated effective income tax rate differs from the statutory rate, due primarily to tax credits and life insurance. The 2002 estimated effective annual income tax rate differs from the statutory rate, due primarily to the favorable settlement of prior years' federal and state tax audits and tax credits.
- (3) Accounting for and Classification of Discontinued Operations: As required by Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the sales of certain income-producing assets are classified as discontinued operations if the operations and cash flows of the assets can be clearly distinguished from the remaining assets of the Company, if the cash flows that are specific to the assets sold 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. Depreciation on these assets is discontinued upon reclassification. Land, residential houses, and office condominium units are generally considered inventory and the sales of these assets are not included in discontinued operations.
- (4) Commitments, excluding operating lease commitments, that were in effect at September 30, 2003, included the following (in millions):

Vessel purchase	(a)	\$	107.0
Guarantee of Sea Star debt	(b)	\$	28.0
Guarantee of HS&TC debt	(c)	\$	15.0
Standby letters of credit	(d)	\$	18.6
Bonds	(e)	\$	13.7
Benefit plan withdrawal obligations	(f)	\$	29.1

These amounts are not recorded on the Company's balance sheet and, based on the Company's current knowledge and with the exception of item (a), it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments.

- (a) During 2002, Matson Navigation Company, Inc. ("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 quarter of 2004. No payment for the second ship is required until acceptance and delivery. The Company has not recorded an obligation for the second ship because conditions necessary to record either a liability or an asset have not been met. The financing for the acquisitions is discussed in Management's Discussion and Analysis in this Form 10-Q.
- (b) Matson has guaranteed \$28.0 million of the debt of Sea Star Line, LLC ("Sea Star," a business in which Matson holds a minority interest investment) 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 reduced, over time by the required assumption of a specified portion by the majority partner in Sea Star, and by scheduled repayments of the debt by Sea Star. The Company has not recorded any liability for its obligations under the guarantee because it believes that the probability of making any payments is low.
- (c) The Company guarantees up to \$15 million of a \$30 million revolving credit line of Hawaiian Sugar & Transportation Cooperative ("HS&TC," a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar and of which the Company is a member). 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 September 30, 2003, the amount drawn was \$21 million. The Company has not recorded any liability for its obligation under the guarantee because it believes that the likelihood of making any payment is not probable.

- (d) The Company has arranged for standby letters of credit totaling \$18.6 million. This includes letters of credit, totaling approximately \$12.6 million that 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 \$3.2 million for workers' compensation claims incurred by California & Hawaiian Sugar Company, Inc. ("C&H," an unconsolidated entity in which the Company has a minority ownership equity interest) employees, under a now-closed self-insurance plan, prior to December 24, 1998. The Company only would be called upon to honor this letter of credit in the event of C&H's insolvency. The obligation to provide this letter of credit expires on December 24, 2003. The remaining letters of credit are for insurance-related matters, construction performance guarantees, and other routine operating matters.
- (e) Of the \$13.7 million in bonds, \$5.9 million consists of subdivision bonds related to real estate construction projects in Hawaii. These bonds are required either by the state or by county governments to ensure that certain infrastructure work, as part of real-estate development, is completed. The Company has the financial ability and intention to complete these improvements. Also included in the total are \$5.3 million of customs bonds and \$2.5 million of non-real estate performance bonds.
- (f) The withdrawal liabilities under a Hawaii longshore plan and certain Mainland seagoing plans aggregated approximately \$29.1 million as of the most recent valuation dates. Management has no present intention of withdrawing from and does not anticipate the termination of any of the aforementioned plans.

The State of Hawaii Department of Taxation ("State") has informed the Company that it believes that a portion of the Company's past and future ocean transportation revenue has been and is subject to the Public Service Company tax and its successor, the General Excise tax. The Company strongly disagrees with the State's overall position. If the State were to prevail fully, the amount of the claim could be material. A liability for this matter has been established in the accompanying balance sheets and, after consultation with legal counsel, management believes that the ultimate disposition of this matter will not have a material adverse effect on the Company's operations or financial condition.

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.

- (5) Accounting Method for Stock-based Compensation: As allowed by Statement of Financial Accounting Standards ("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.

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 for the quarter and nine months ended September 30, 2003 and 2002 would have been as follows (in millions, except per share amounts):

	Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net Income:				
As reported	\$ 21.7	\$ 17.8	\$ 62.5	\$ 40.8
Stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(0.3)	(0.3)	(0.9)	(1.1)
Pro forma	\$ 21.4	\$ 17.5	\$ 61.6	\$ 39.7
Net Income Per-share:				
Basic, as reported	\$ 0.52	\$ 0.43	\$ 1.51	\$ 1.00
Basic, pro forma	\$ 0.51	\$ 0.42	\$ 1.48	\$ 0.97
Diluted, as reported	\$ 0.52	\$ 0.43	\$ 1.50	\$ 0.99
Diluted, pro forma	\$ 0.51	\$ 0.42	\$ 1.48	\$ 0.96
Effect on average shares outstanding of assumed exercise of stock options (in millions of shares):				
Average number of shares outstanding	41.6	41.2	41.5	40.9
Effect of assumed exercise of outstanding stock options	0.3	0.1	0.2	0.3
Average number of shares outstanding after assumed exercise of outstanding stock options	41.9	41.3	41.7	41.2

The pro forma effects are not necessarily representative of the pro forma effects on future net income or earnings per share, because the number of future shares that 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 Notes 1 and 12 of Item 8 in the Company's most recently filed Form 10-K. No changes have been made to the Company's stock option plans subsequent to that filing.

- (6) Certain amounts have been reclassified to conform to the current year's presentation. These amounts include the revenue and operating profit of real estate assets designated as discontinued operations. Discontinued operations were as follows:

	Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Discontinued Operations (net of tax)				
Sales of Assets	--	\$ 1.0	\$ 10.5	\$ 5.9
Leasing Operations	--	0.7	0.8	2.4
Total	--	\$ 1.7	\$ 11.3	\$ 8.3



- (7) Other Comprehensive Income for the quarter and nine months ended September 30, 2003 and 2002 was as follows, (in millions):

	Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net Income	\$ 21.7	\$ 17.8	\$ 62.5	\$ 40.8
Other Comprehensive Income (Loss):				
Change in valuation of derivative	3.5	--	--	--
Company's share of investee's minimum pension liability adjustment	--	--	(7.2)	--
Comprehensive Income	\$ 25.2	\$ 17.8	\$ 55.3	\$ 40.8

The change in valuation of derivative amount reflects the funding of the first of two vessel purchases and the settlement of one interest rate lock agreement. A second agreement is expected to remain in place until delivery and funding of the second vessel in 2004.

C&H reported a \$20.1 million minimum pension liability adjustment and the Company recorded its share of that adjustment during the first quarter of 2003.

- (8) Subsequent Events: On October 1, 2003, A&B and an affiliate of GolfBC Group ("GolfBC," a Vancouver-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 approximately \$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. At September 30, 2003, since the transaction was funded prior to quarter-end, A&B had included an investment for its purchase on the Condensed Balance Sheet in Non-current Assets - Other. This amount, including amounts to be funded from escrow, is also included in the Condensed Statement of Cash Flows as Cash Flows from Investing Activities. Upon closing in October, the amounts were transferred to Real Estate Developments and Real Estate Held for Sale on the Balance Sheet and to Capital Expenditures on the Statement of Cash Flows.

On October 15, 2003, the Company purchased, for approximately \$11 million, the Broadlands Shopping Center, a 95,250 square-foot, Safeway anchored neighborhood shopping center located in Broomfield, Colorado, a suburb north of Denver. The acquisition of this shopping center completes the tax-deferred property exchange that was initiated with the June 2003 sale of the Airport Square shopping center, located in Reno, Nevada.

- (9) Change in Accounting: In September 2003, the Company changed its method of accounting for vessel voyage revenue from the commencement of voyage to recognizing revenue based on the percentage of relative transit time in each reporting period. Recording voyage expenses was changed from commencement of voyage to when the related voyage costs are incurred. This did not have a material effect on the third quarter results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
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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 condensed consolidated financial statements and related notes thereto.

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 in the Company's primary markets;
- 4) legislative and regulatory environments at the federal, state and local levels, such as 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;
- 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) acts of nature, including but not limited to, drought, greater than normal rainfall, hurricanes and typhoons;
- 13) acts of terrorism;
- 14) risks associated with current or future litigation; and
- 15) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

CONSOLIDATED REVENUE & NET INCOME

Quarter Ended September 30			
(dollars in millions, except per-share)	2003	2002	Change
Revenue	\$ 316.7	\$ 292.5	8%
Net income	\$ 21.7	\$ 17.8	22%
Basic earnings per share	\$ 0.52	\$ 0.43	21%

For the third quarter of 2003, revenue was \$316.7 million, eight percent higher than 2002. Net income of \$21.7 million for the third quarter of 2003 was 22 percent higher than 2002. Both revenue and net income benefited from higher Matson cargo rates, revenue yields and volumes compared with lower than normal 2002 cargo levels that followed events of September 11, 2001, continued improvements in ship terminal productivity, the mix of real estate sales, increased leasing results due to both higher occupancies and the timing and amount of commercial property transactions. These benefits were partially offset by higher vessel operating, pension and labor costs. Revenue also benefited from growth in the logistics business.

Nine Months Ended September 30			
(dollars in millions, except per-share)	2003	2002	Change
Revenue	\$ 904.8	\$ 806.1	12%
Net income	\$ 62.5	\$ 40.8	53%
Basic earnings per share	\$ 1.51	\$ 1.00	51%

For the first nine months of 2003, revenue was \$904.8 million, 12 percent higher than 2002. Net income of \$62.5 million for the first nine months of 2003 was 53 percent higher than 2002. Both of these increases were due to the same factors noted for the third quarter comparison.

The Company's effective tax rate is 36.5 percent for the first nine months of 2003, compared to 33 percent for all of 2002, reflecting primarily favorable settlements of tax audits and realization of certain tax incentives in 2002.

RESULTS OF SEGMENT OPERATIONS

Transportation - Ocean Transportation

Quarter Ended September 30			
(dollars in millions)	2003	2002	Change
Revenue	\$ 191.6	\$ 181.2	6%
Operating profit	\$ 25.1	\$ 16.9	49%
Volume (Units)			
Hawaii containers	41,300	39,900	4%
Automobiles	29,900	32,400	-8%
Guam containers	4,700	4,300	9%

Improved revenue and operating profit for the third quarter of 2003 compared with the third quarter of 2002 were the result of rate actions in 2002 and 2003 (described below), a greater mix of higher-margin freight, and improved results from the operations of joint ventures. These favorable factors were partially offset by increased vessel operating costs, higher pension and labor costs and lower automobile carriage. The third quarter, absent unusual transactions, is historically the strongest quarter of the year for Ocean Transportation.

Container volume in the Hawaii Service was four percent higher than 2002 reflecting market growth due, in part, to the improving Hawaii economy. The eight percent lower automobile volume for the third quarter of 2003 reflects principally the earlier than normal rental fleet replacements and dealer shipments, in 2002, as West Coast port disruptions escalated. The Guam service improvement was due mainly to continued recovery efforts following Typhoon Pongsona.



for transportation services. The primary costs include purchased transportation for that cargo. As a result, the operating profit margins for this business are narrower than other A&B businesses. The primary operating profit and investment risk for this business is the quality of receivables, which is monitored closely.

This component of the Transportation segment was previously referred to as "Intermodal Services." Matson Intermodal Services, Inc. has been renamed Matson Integrated Logistics, Inc. to better reflect its business interests.

Property Development and Management - Leasing (before removing amounts classified as discontinued operations)

Quarter Ended September 30			
(dollars in millions)	2003	2002	Change
Revenue	\$ 20.3	\$ 18.8	8%
Operating profit	\$ 9.1	\$ 8.6	6%
Occupancy Rates:			
Mainland	96%	92%	4%
Hawaii	90%	90%	--

Revenue and operating profit growth for the third quarter of 2003 was the result of higher occupancies for the Mainland commercial leasing portfolio and the purchases of income-producing property in the fourth quarter of 2002 and in 2003.

Nine Months Ended September 30			
(dollars in millions)	2003	2002	Change
Revenue	\$ 60.0	\$ 54.0	11%
Operating profit	\$ 27.2	\$ 24.5	11%
Occupancy Rates:			
Mainland	93%	91%	2%
Hawaii	90%	88%	2%

Revenue and operating profit growth for the first nine months of 2003, before removing amounts treated as discontinued operations, was also the result of higher occupancies for both the Mainland and Hawaii portfolios and the purchases of new income-producing property.

Property Development and Management - Sales (before removing amounts classified as discontinued operations)

Quarter Ended September 30			
(dollars in millions)	2003	2002	Change
Revenue	\$ 10.4	\$ 7.3	42%
Operating profit	\$ 2.6	\$ 2.4	8%

Sales during the third quarter of 2003 included the sales of 15 residential properties, six industrial lots on Oahu, and 31 joint venture residential units.

Sales during the third quarter of 2002 included three business parcel sales and 12 residential properties.

Nine Months Ended September 30			
(dollars in millions)	2003	2002	Change
Revenue	\$ 53.5	\$ 61.2	-13%
Operating profit	\$ 21.1	\$ 14.2	49%

Sales during the first nine months of 2003 included a shopping center in Nevada, eight commercial properties on Maui (including a seven-acre property that had a low carrying cost), seven industrial lots on Oahu, and 23 residential properties. Results also reflect the Company's share of earnings in two residential real estate joint ventures that, combined, sold 96 residential units in 2003. The largest property sales transactions that were expected for 2003 have been closed, but the Company will continue to have sales of lower-margin real estate inventory through the fourth quarter.

Sales during the first nine months of 2002 included the sales of a seven-building distribution complex in Texas, an 85-acre parcel in Upcountry Maui, seven commercial properties, five industrial lots, 23 residential properties, and a shopping center in Colorado.

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.

#### Property Development and Management - Discontinued Operations

(dollars in millions, before tax)	Quarter Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Sales revenue	--	\$ 1.8	\$ 36.9	\$ 37.1
Leasing revenue	--	\$ 1.8	\$ 1.6	\$ 6.1
Sales operating profit	--	\$ 1.6	\$ 17.0	\$ 9.4
Leasing operating profit	--	\$ 1.2	\$ 1.2	\$ 3.8

There were no sales of property during the third quarter of 2003 that resulted in discontinued operations. During the third quarter of 2002, discontinued property sales included the proceeds from two commercial properties on Maui.

Total year 2003 discontinued operations included the proceeds from the sales of Airport Square in Nevada, five commercial properties on Maui (including the Dairy Road Center), and for 2002, the sales of a mainland distribution complex in Texas, the Market Square Shopping Center in Colorado, and three commercial properties on Maui.

Because the Company regularly sells commercial properties, the amounts reported as continuing and discontinued operations in prior quarters are restated each time a property is designated as discontinued. At September 30, 2003 the Company had not designated any income earning property as "available for sale."

#### Food Products

(dollars in millions)	Quarter Ended September 30		
	2003	2002	Change
Revenue	\$ 33.6	\$ 35.0	-4%
Operating profit	\$ 0.4	\$ 4.9	-92%
Tons sugar produced	68,600	72,900	-6%

Revenue and operating profit declined for the third quarter of 2003 compared with 2002 due mainly to lower raw sugar production, higher pension, labor and insurance costs, factory maintenance expenses, lower power revenue, and an accrual for the proposed penalty discussed below under "Environmental Matters." These factors were partially offset by higher estimated full-year sugar prices. Quarterly fluctuations in sales and operating profit are normal for this business due to weather, production and other seasonality factors.

Lower sugar production during the third quarter was affected by a series of malicious fires that consumed over 800 acres of sugar cane. This was a five-fold increase in acres consumed by malicious fires compared with each of the prior two years. Cane fires disrupt normal harvesting practices and result in lower yields per acre. A police task force has been formed to investigate this issue.

(dollars in millions)	Nine Months Ended September 30		
	2003	2002	Change

Revenue	\$ 83.6	\$ 79.2	6%
Operating profit	\$ 4.6	\$ 8.0	-43%
Tons sugar produced	156,200	154,800	1%

Revenue increased due to higher production and raw sugar prices. Operating profit declined for first nine months of 2003 due to the same factors noted for the third quarter of the year.

Through September 30, 2003, approximately 80 percent of the Company's expected 2003 commodity sugar crop had been priced. An additional seven percent of the 2003 crop is food grade and is sold at prices higher than the commodity prices. Average revenue per ton of sugar for 2003 is expected to be approximately 4.5 percent higher than in 2002.

The outlook for the Food Products segment for the full year remains lower than the unusually good results for 2002 due mainly to lower production and higher pension costs. Sugar production for 2003 is expected to be moderately lower than the 215,900 tons produced in 2002.

#### FINANCIAL CONDITION, LIQUIDITY, FINANCING ARRANGEMENTS AND CASH FLOWS

**Liquid Resources:** The Company's principal liquid resources, 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 \$468.5 million at September 30, 2003, a decrease of \$36 million from December 31, 2002. The net decrease was due primarily to \$62 million of lower balances available under variable rate debt facilities partially offset by \$24 million of higher cash balances. The remaining difference was due mainly to seasonal inventory fluctuations.

**Balance Sheet:** Working capital was \$69.0 million at September 30, 2003, a decrease of \$13.6 million from the balance carried at the end of 2002. The lower working capital was due primarily to higher trade accounts payable and income tax balances, partially offset by increased cash balances and raw sugar inventories. These fluctuations are mostly due to business cyclicality.

During the first quarter of 2003, the Company conveyed 852 acres of land and improvements with a carrying cost of \$27.7 million to the Kukui'Ula joint venture. This transfer reduced Real Estate Developments and increased Investments. No gain or loss was recorded on the transfer.

**Long-term Debt,** including amounts classified as current, totaled \$377.4 million at September 30, 2003 compared with a balance of \$257.4 million at December 31, 2002. This \$120 million increase includes \$67 million of borrowing to purchase assets at the Wailea Resort (described below), \$55 million of new Title XI bonds (described below), \$14.6 million of debt assumed by the Company (as part of the purchase price for a real estate transaction), offset by cash generated from operations. The weighted average interest rate for the Company's outstanding borrowings at September 30, 2003 was approximately 4%.

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 10 years and bears an interest rate of 4.10%. The Company intends to increase the remaining \$15 million available under the private shelf agreement to \$75 million during the fourth quarter of 2003. This increased facility will provide the Company with more flexibility to finance medium-term real estate projects and 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 5.337% 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 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% may be issued at a floating rate.

**Cash Flows and Capital Expenditures:** Cash Flows from Operating Activities were \$115.1 million for the first nine months of 2003, compared with Cash Flows from Operating Activities of \$43.2 million for the first nine months of 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.

For the first nine months of 2003, capital expenditures, including purchases of property using tax-deferred proceeds and additions to real estate held for sale but excluding assumed debt, totaled \$183.7 million. This was comprised principally of \$61.0 million for real estate acquisitions and property development, \$114.7 million for Matson's new vessel, container equipment and

office relocation, and \$6.5 million for agricultural projects. Of the \$183.7 million, \$23.4 million was included in Cash Flows from Operating Activities, \$29.9 million utilized tax-deferred proceeds and was not included in cash flows, and the remaining \$130.4 million was recorded as Cash Flows from Investing Activities.

Real estate acquisitions during the first nine months of 2003 included the following:

Boardwalk Shopping Center: Purchased in March 2003 for \$23.1 million, the Boardwalk Shopping Center in Austin, Texas comprises 184,600 square feet of retail space.

Alakea Corporate Tower: Purchased in March 2003 for \$20 million, the Alakea Corporate Tower is a 31-story Class "A" office building with approximately 170,000 square feet of leasable area on 26,000 square feet of fee simple property in Honolulu, Hawaii. The Company has converted the building to fee-simple office condominiums and will begin selling units during the fourth quarter of 2003.

Vista Controls Building: Purchased in March 2003 for \$4.8 million, the Vista Controls Building is a 51,000 square foot, fully leased, two-story commercial building in Valencia, California.

Napili Plaza: Purchased in August 2003 for \$7.1 million, the Napili Plaza is a 45,200 square foot neighborhood retail center in West Maui.

Centennial Plaza: Purchased in September 2003 for \$7.9 million, the Centennial Plaza is a 244,000 square foot, 3-building complex on 14.6 fee-simple acres at the Centennial Industrial Park in Salt Lake City, Utah.

On October 1, 2003, A&B and an affiliate of GolfBC Group ("GolfBC," a Vancouver-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 approximately \$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. At September 30, 2003, since the transaction was funded prior to quarter-end, A&B had included an investment for its purchase on the Condensed Balance Sheet in Non-current Assets - Other. This amount, including amounts to be funded from escrow, is also included in the Condensed Statement of Cash Flows as Cash Flows from Investing Activities. Upon closing in October, the amounts were transferred to Real Estate Developments and Real Estate Held for Sale on the Balance Sheet and to Capital Expenditures on the Statement of Cash Flows.

On October 15, 2003, the Company purchased, for approximately \$11 million, the Broadlands Shopping Center, a 95,250 square-foot, Safeway anchored neighborhood shopping center located in Broomfield, Colorado, a suburb north of Denver. The acquisition of this shopping center completes the tax-deferred property exchange that was initiated with the June 2003 sale of the Airport Square shopping center, located in Reno, Nevada.

Tax-Deferred Real Estate Exchanges: Sales - During the first nine months of 2003, the Company recorded, on a tax-deferred basis, real-estate sales proceeds of \$37.3 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, \$3.4 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 \$33.9 million is reported under the caption "Other Non-cash Information" in the Condensed Statements of Cash Flows.

Purchases - During the first nine months of 2003, the Company utilized \$29.9 million of tax-deferred funds to acquire new income-producing assets. As of September 30, 2003, \$11.3 million of proceeds from tax-deferred sales had not been reinvested. Most of these funds were subsequently utilized for the purchase of the previously noted Broadlands shopping center on October 15, 2003.

Commitments and Contingencies: A description of other financing arrangements in effect at the end of the third quarter is described in Note (4) to the financial statements of Item 1.

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. 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 ("State") possible violations of state and federal air pollution control regulations at its Maui sugar mill, the State issued a notice of violation and proposed penalty of \$1.97 million in September 2003. Although the Company operated in accordance with the requirements of permits issued by the State 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 fine is being contested.

Additionally, the Company has received a claim for payment of environmental remediation costs associated with a sugar refinery site, sold in 1994, that



previously was owned by C&H. No substantive changes to this matter occurred during the quarter, but expects to resolve the matter by 2003 year-end.

The Company believes that the resolution of the two matters noted above will not have a material effect on the Company's financial statements and that appropriate accruals for these obligations have been recorded.

#### OTHER MATTERS

**Significant Accounting Policies:** The Company's significant accounting policies are described in Note 1 of the consolidated financial statements included in Management's Discussion and Analysis and in Item 8 of the Company's Form 10-K for the year ended December 31, 2002 and in Note 9 of the Financial Notes included in Item 1 of this Form 10-Q.

**Significant 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. The more significant of these include:

- 1) assumptions underlying the calculation of pension, post-retirement, and non-qualified benefit obligations and costs,
- 2) assumptions underlying the carrying value of investments,
- 3) the estimation of allowances for doubtful accounts,
- 4) the estimation of liabilities for self-insurance programs,
- 5) the calculation and classification of tax obligations and provisions prior to completion of tax returns and completion of taxing authority audits,
- 6) the application of cost accounting methods for sugar, molasses and coffee inventory and cost of sales,
- 7) depreciable lives and salvage values for fixed assets,
- 8) liabilities for environmental assessments and remedial efforts,
- 9) estimates of joint venture earnings or losses prior to the issuance of final annual joint venture financial statements,
- 10) accruals for obligations incurred but not yet billed to the Company, and
- 11) recoverability of claims from losses under insurance coverage.

The Company believes that the methods it uses to determine estimates comply with generally accepted accounting principles consistently applied.

**Investments:** The Company's joint ventures are described in Item 8 of its most recently filed Form 10-K and Item 2 of its most recently filed Form 10-Q.

The operating agreement of Hokua Development Group LLC, the developer of Hokua at 1288 Ala Moana ("Hokua," a 40-story luxury residential condominium in Honolulu) was signed in July 2003. A&B's total investment in the venture is expected to be \$40 million and will be funded over approximately 18 months. Ground-breaking for this project is expected to occur during the fourth quarter of 2003. Hokua is a limited liability company, in which a wholly owned subsidiary of A&B is a member.

The accrual of preferred stock dividends of C&H (net of losses), subsequent to the write down of the investments in 2001, has been deferred until the investee has sufficient cash flow available to make dividend payments.

**Charter Agreements:** Matson and American President Lines, Ltd. ("APL") are parties to the Successor Alliance Slot Hire and Time Charter Agreement dated January 28, 1998 ("APL Agreement"). This APL Agreement provides the structure of an alliance through which Matson provides a weekly service to Guam. Pursuant to this eight-year APL 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 APL Agreement generates revenue of approximately \$2.9 million per month for Matson.

In July, 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. To accommodate the operations of this new vessel, Matson is negotiating terms for the use of an additional terminal facility in Honolulu. Matson began using this vessel for the carriage of vehicles in its Hawaii service in October 2003.

**New and Proposed Accounting Standards:** In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." 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. This applies to guarantees issued or modified after December 31, 2002. The Interpretation also revises the disclosure requirements about a guarantor's obligations under agreements, which are effective for the 2002 consolidated financial statements. The adoption of FIN 45 had no material effect on the Company's 2003 nine-month condensed consolidated financial statements.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." The Interpretation defines variable interest entities and addresses consolidation of such entities by the primary beneficiary of the entity. The Interpretation is effective for interests in variable interest entities created after January 31, 2003. The Company has made no investments in Variable Interest Entities subsequent to February 1, 2003. In October 2003, the FASB deferred the effective date for investments in such entities that existed at January 31, 2003, until first interim or annual reporting period after December 15, 2003. The Company is currently evaluating investments that existed on that date to determine if any such investments are in Variable Interest Entities.

Additional information about the impacts of newly issued accounting standards is discussed in Item 8 of the Company's Form 10-K for the year ended December 31, 2002, and in Item 2 of the Company's two most recently filed Forms 10-Q.

**Pensions:** For 2002, the total year pre-tax pension benefit of approximately \$1.4 million was recorded in the Company's income statement. For 2003, due to market driven lower pension assets and the application of a lower discount rate for the calculation of pension obligations, the Company expects that the full-year pre-tax expense will be approximately \$14 million. The Company will not be required to make any cash contributions to its pension plans during 2003 but expects to contribute approximately \$4 million to the pension plans in 2004. Additional information regarding pensions is included in Item 8 of the Company's 2002 Form 10-K.

**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 (5) to the financial statement included in Item 1.

**Economic Conditions:** Hawaii's economy continues to grow at a faster pace than many Mainland states. This growth derives primarily from increasing numbers of visitors from the Western U.S., as well as from a strong residential real estate market and associated home construction.

For the year-to-date period through August, total visitor days were up 4.7 percent, with a 6.5 percent increase in the U.S. West, Hawaii's largest market; an 11 percent increase in visitor days in the U.S. East, the second largest market. These increases were offset, in part, by a 15.3 percent decrease in visitors from Japan, the third largest visitor market. Hotels reported an 83.1 percent occupancy rate statewide in the same month, the best August since 1991.

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. Some concerns are being raised about the low inventory of existing homes for sale and potential spot labor shortages affecting the pace of new home construction.

Construction activity in Hawaii continues at high levels. In the second quarter of 2003, employment in the industry was up 7.6 percent on a year-over-year basis and up 2.8 percent from the first quarter of 2003. The contracting tax base in construction, a proxy for construction activity, rose 11 percent between the second quarter of 2002 and that of 2003. Contracts were awarded during the quarter for the "privatization" of a substantial amount of military housing on Oahu. These will lead to replacement of much of the older inventory of homes on military bases as soon as the contractors begin work. This is expected to add jobs to this sector and, through construction spending, contribute to the economy.

The State of Hawaii's Department of Business, Economic Development and Tourism recently raised its projection for real gross state product in 2003 to 2.6 percent, its second upward revision of the year. Its comparable estimate for 2005 is 1.8 percent.

**Management Changes:** Nelson N.S. Chun was named vice president and general counsel of A&B. Mr. Chun is expected to join A&B in November 2003.

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

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

Robert J. Pfeiffer, chairman emeritus of A&B and Matson, passed away on September 26, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
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Information concerning market risk is incorporated herein by reference to Item 7A of the Company's Form 10-K for the fiscal year ended December 31, 2002. There has been no material change in the quantitative and qualitative disclosure about market risk since December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES  
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- (a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective 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 control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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No reports on Form 8-K were filed during the quarter.

SIGNATURES

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

ALEXANDER & BALDWIN, INC.

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(Registrant)

Date: October 31, 2003

/S/ James S. Andrasick

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

Date: October 31, 2003

/S/ Thomas A. Wellman

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Thomas A. Wellman  
Controller

EXHIBIT INDEX

- 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.

## CERTIFICATIONS

I, W. Allen Doane, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ W. Allen Doane

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 W. Allen Doane, President and  
 Chief Executive Officer

Date: October 31, 2003

## CERTIFICATIONS

I, James S. Andrasick, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /S/ James S. Andrasick

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

Date: October 31, 2003



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 Quarterly Report on Form 10-Q of Alexander & Baldwin, Inc. (the "Company") for the quarterly period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), W. Allen Doane, as Chief Executive Officer of the Company, and James S. Andrasick, 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/ W. Allen Doane  
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Name: W. Allen Doane  
Title: Chief Executive Officer  
Date: October 31, 2003

/S/ James S. Andrasick  
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Name: James S. Andrasick  
Title: Chief Financial Officer  
Date: October 31, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.