TO OUR SHAREHOLDERS

DANIEL K. INOUYE
Launched in 2018, *Daniel K. Inouye* is the largest Jones Act containership ever built.

Matson's goals are simple — move freight better than anyone and grow shareholder value by organic improvement in our businesses and disciplined deployment of shareholder capital. The key to our story is how we generate cash and how we deploy that cash throughout our value chain — from investments in new vessels and shore-side assets to paying down debt and returning capital through dividends and share repurchases.

To that end, our most important long-term financial metric is return on invested capital (ROIC). And while we have little control over the day-to-day movement in the price of our shares, sustained focus on improving ROIC generates a return of cash and increased shareholder value over time.

Since our inception as a public company in 2012, this ROIC focus has produced a more than doubling of our Book Value per Share, which has grown at a compounded annual rate of 14.6%.[1]

[1] Book value per share defined as shareholders' equity divided by shares outstanding. Based on the 2018 shareholders' equity excluding the net positive adjustment of $151.1 million related to the Tax Cuts and Jobs Act in 2017. Including the adjustment, the compounded annual growth rate would be 18.6%.

RECAP OF FISCAL YEAR 2018

2018 marked a milestone in Matson's history with the launch of the largest Jones Act container ship ever built, *Daniel K. Inouye (DKI)*, the first of four new vessels for our Hawaii service. From the drawing board six years ago to the first loading of cargo this past November, *DKI* is the first of the transformative investments we have taken to shape our next 40 years of service to Hawaii.

And with nearly three-quarters of the $925 million investment in new vessels already paid to our shipyard vendors, the financial realization of operational gains in our service are imminent. I will say more about this later in the letter, but let me be clear, While this investment initially yields low single-digit returns, it will yield double-digit returns over the life of the decades-long investment.

Our financial performance in 2018 exemplified the benefits of a diverse portfolio of transportation and logistics services. Over the course of the past six years, we have built an enviable, and highly defensible, position in the Pacific offering supply chain solutions to customers from Chengdu to Chicago. From our acquisition of Alaska shipping and logistics operations to network optimization in the South and West Pacific, we have diversified and strengthened our business model, which was once almost solely dependent upon the Hawaii economy.

To be sure, there were challenges in the year – most notably profit compression in Guam as we fought to maintain market share. However, these challenges were more than offset by favorable contributions from our China service as a result of higher average freight rates and record performance from both our SSAT terminal joint venture and Logistics segment.

Within Logistics, we saw improvements across all of our service lines, with transportation brokerage providing exceptional performance as a result of tight truck conditions. Despite difficult economic conditions in Alaska, Span Alaska had a strong year due to its enduring customer relationships and leading market position, coupled with the tremendous effort of our employees who are always willing to go the extra mile to deliver for customers.

In short, we have positioned ourselves well in each of the markets we serve and witnessed the benefits of a diversified portfolio across an integrated customer platform.

OUR 2018 RESULTS ARE AS FOLLOWS:

- Operating income increased 11.2% to $163.8 million with the Logistics segment showing a year-over-year increase of 56.5% to $32.7 million.
- We earned $109.0 million in net income and $2.53 per diluted share compared to $77.0 million and $1.78 per diluted share in 2017.[2]
- Cash flow from operations (CFFO) increased 35.6% year-over-year to a new high of $305.0 million.
- The return on shareholders' equity (ROE) was 15.2% and the return on invested capital (ROIC) was 7.8%. We are nearing the timeframe when the commensurate profitability from the vessel investment cycle will begin to power our earnings and drive higher returns on capital.
- In June 2018, the Board of Directors authorized the sixth consecutive annual increase in our quarterly dividend from $0.20 to $0.21 per share.

WHAT WE DO BEST

Matson's mission is *to move freight better than anyone*. It is ingrained in our DNA, whether in Ocean Transportation or Logistics, to execute as a world-class operator by providing the most reliable service to our customers, and doing what is right for our customers and the communities we serve. Cargo availability is paramount for our customers in geographically remote economies like Hawaii, Alaska, Guam and the South Pacific. We are the supply lifelines for these communities, which means we not only ensure that our vessels arrive on time, but also that our terminal operations are efficient and that the right type of equipment is available at the right time, in the right place, for customers. Customers often take goods from our ports directly to storefronts, a *de facto* just-in-time inventory solution. This is particularly true in Hawaii, where our dedicated interisland barge service extends our transpacific services to each of the major neighbor islands.

Our CLX service, spanning the two largest economies in the world, provides a highly differentiated, expedited transportation solution, and typifies our mission and thinking. Since its inception in 2005 following a prior large investment cycle (four vessels), we have run at near full utilization, garnering accolades for this premium service. More importantly, as an increasingly viable alternative to air freight, our CLX service has realized the highest freight rates in the tradelane.

One of the keys to this successful service is our joint venture with SSA Marine, the preeminent terminal service operator on the U.S. West Coast. We formed this working partnership almost 20 years ago, combining assets and capabilities from several ports. Today, our dedicated terminal service delivers industry-leading cargo availability and best-in-class truck turns, allowing our customers to get their products to market on an expedited basis.

> Our mission is to move freight better than anyone, and our best-in-breed customer service and on-time performance extends to our Span Alaska operations.

[2]Fiscal year 2017 figures adjusted for the one-time positive impact of $154.0 million, or $3.56 per diluted share, related to the Tax Cuts and Jobs Act.

Logistics provides the transportation and technological backbone to the movement of our customers' goods whether at any of our four ports in Long Beach, Oakland, Tacoma or Seattle, or through intermodal touchpoints throughout the U.S. mainland. Matson Logistics was born out of customer demand to offer our differentiated Matson shipping service deeper into the supply chain. Today, those tentacles stretch to warehouses on the East Coast, in Alaska and in the Bay Area. We are particularly proud of our operations at Span Alaska, a 2016 acquisition that completes the Matson just-in-time model in that market.

MATSON'S STRATEGIC PRIORITIES

The Company's top three strategic priorities for the coming years are focused on strengthening our competitive advantages and delivering on profitable organic growth.

New Sand Island gantry cranes at the factory.

1. Complete the Hawaii fleet renewal and renovation of Sand Island terminal

The next two years will be very busy for us as we deploy three new vessels for the Hawaii service and de-commission and recycle the last of our steamships. Ensuring a smooth operational transition is essential to maintaining our vessel schedule and avoiding unnecessary disruption in the terminals. Once *Lurline* is in service in late 2019, we expect to be in a fixed nine-ship deployment in our Hawaii service, which will bring approximately $13 million in 2020 cost savings, along with the benefits of lower maintenance on all of the new ships. In 2021, we expect approximately $30 million in annual cost benefits as a result of the vessel re-fleeting compared with our 2018 run-rate costs. More importantly though, the four new vessels will lower our operating costs, excluding fuel, on a per FEU capacity basis by approximately 25%, and thus improve the incremental margin per FEU for the Hawaii tradelane.

By the end of 2020 we expect to have the first phase of the Sand Island facility renovation complete at a cost of approximately $60 million. The first phase includes the installation of three new gantry cranes and the retrofit of three existing cranes, which is needed to manage the container traffic carried by the new vessels. The first phase also includes the necessary upgrade in electrical infrastructure to manage the needs of this modern terminal. Phases two and three will be managed in the 2021 to 2024 timeframe and within our approximately $50 million per annum maintenance capital expenditure target. These later phases are intended to address inefficiencies in the current Sand Island layout and to expand into the adjacent Piers 51A and 51B on Sand Island once the new Kapālama Container Terminal opens. It is important that our Pacific hub operate with increasing efficiency, not only to maintain or improve upon the high-quality service to our Hawaii-bound freight customers, but also to allow additional container throughput to facilitate expansion into new service areas in the Pacific.

Our new vessels offer approximately 25% lower operating costs on a per FEU capacity basis, propelling incremental margin in our Hawaii fleet.

2. Transition the fleet for IMO 2020 regulations

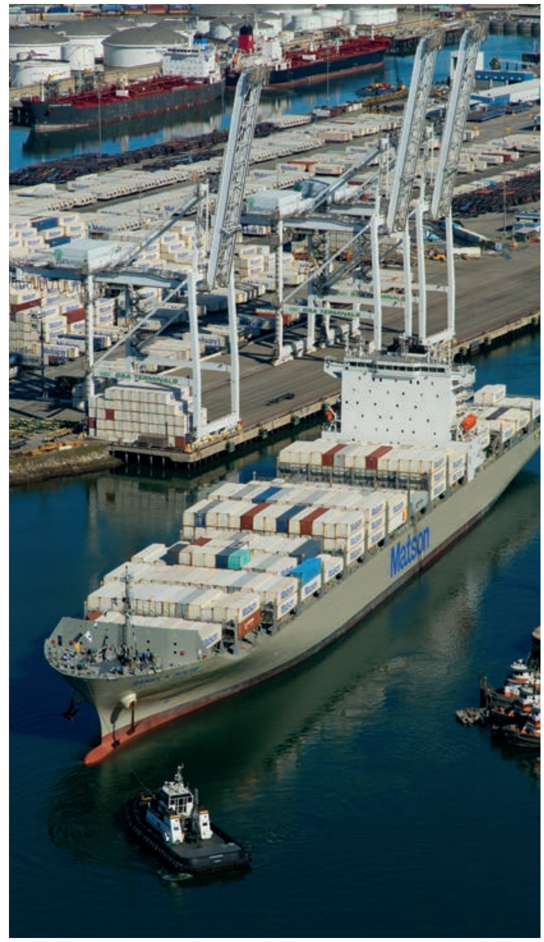
Our industry is facing a significant change in 2020 with the enforcement of new fuel regulations promulgated by the International Maritime Organization. Not coincidentally, Matson's new vessel build program allows the Company to be 100% compliant with the new standards. We always seek to maintain optionality when it comes to fuel consumption – finding the lowest cost solution while maintaining vessel and schedule integrity. Based on the current fuel options available to Matson to lower the post-2020 cost of fuel, we have decided to invest in exhaust gas cleaning systems ("scrubbers") on three of the five vessels that are part of our CLX service. We installed scrubbers on our Alaska vessels in 2016, and based on this positive experience know there is a strong business case for installing the technology on the CLX vessels. We expect our investment to be paid back in fuel savings over an approximate two-year timeframe based on current fuel spreads, and we continue to evaluate the case for scrubbers on our remaining fleet.

3. De-lever the balance sheet

We are committed to maintaining investment-grade credit metrics and preserving our low-cost balance sheet, which we view as a competitive advantage. We will maintain financial flexibility to invest in new technologies and/or new services to press our advantages, and not be constrained by high debt levels. That said, we will be armed financially to acquire businesses without diluting shareholder returns. We expect our leverage in this new vessel capital expenditure cycle to reach a highwater mark in the "mid-3s" in the first quarter of 2020, a range that will still be far below many in our industry. Thereafter, we will use our significant cash generation capabilities to de-lever the balance sheet to a targeted level in the "low-2s," enabling us to continue to enjoy a cost of capital advantage over our peers.

Lurline on the building ways at the NASSCO shipyard, January 2019.

Daniel K. Inouye at the Matson terminal in Long Beach, California.



We manage your Company for the long-term by strengthening our competitive advantages and delivering on profitable organic growth.

CREATING SHAREHOLDER VALUE

We are charged with allocating capital on your behalf to increase the share price. Our playbook hasn't changed, but the priority of how we allocate cash flows has due to the new vessel build program. After 2020 we will have more options to evaluate, and I want to provide a high-level overview as to how we are thinking about allocating your capital after the new vessel build cycle.

First and foremost, we need to make the necessary "maintenance" investments to ensure smooth running operations. We anticipate our annual maintenance capital expenditures to be $50 million per annum, excluding scrubber investments in the CLX service, a new cross-dock facility in Anchorage for Span Alaska, and investments in new vessels and for the upgrade of our Sand Island terminal.

To the extent we have cash flow after maintenance, vessel re-fleeting and infrastructure expenditures, we will have four general uses of the remaining cash flow to drive shareholder value, in no particular order: invest in organic growth opportunities, acquire businesses, reduce debt, and return capital to shareholders.

Organic Growth:

We are always on the lookout for organic growth opportunities, particularly if it is in a low capital demand business, leverages our Sand Island hub and West Coast operations, and delivers a return on invested capital in excess of our weighted average cost of capital, which is currently approximately 7% for Ocean Transportation and approximately 9% for Logistics.

Acquisitions:

We actively review acquisition targets in both Ocean Transportation and Logistics, but there are a number of constraints we place upon ourselves to maintain discipline. It goes without saying, but we don't want to acquire a business that would dilute the high-quality portfolio of businesses we have today, and, as such, we hold ourselves to the following core principles as we pursue acquisition targets:

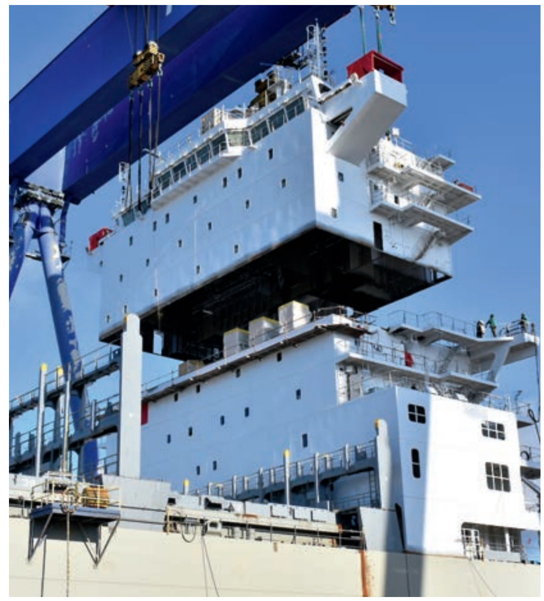
- The business must have enduring competitive advantages. We avoid businesses that can be easily commoditized or replicated by others.
- Every acquisition must generate a cash-on-cash return in excess of 10% initially and have the ability to grow the return organically. We do not want to buy businesses at high valuations that require significant on-going capital expenditures to maintain existing operations with limited organic growth prospects.
- The business must be a good cultural fit and be strategic or complementary. We would do ourselves a disservice if we acquired a business that did not possess a culture similar to ours or did not leverage or meaningfully overlap with our operations.

We have raised the quarterly dividend continuously since our inception as a public company. After reaching our leverage target, we will consider returns of excess cash through opportunistic share repurchases and/or special dividends.

Reduce Debt:
A reduction in our debt leverage from current levels to our target level of "low-2s" should, assuming a constant multiple on any profit metric, lead to share price appreciation. And we plan to reduce our debt balance sheet leverage ratio starting in 2020 by at least 0.5x per annum.

Return of Capital:
Lastly, we will look at all return of capital alternatives. We are no stranger to the concept as we have returned over $260 million to shareholders since the 2012 separation in the form of dividends and share repurchases. We have raised the quarterly dividend each year since the separation, and we plan to continue growing the quarterly dividend in line with growth in cash flow. After reaching our leverage target we will consider the return of excess cash in the absence of organic growth opportunities or acquisitions, which may consist of opportunistic share repurchases and/or special dividends.

Kaimana Hila at the Philly Shipyard.



WHY INVEST IN MATSON NOW?

Our best days are ahead of us. Why do I believe this? An upward inflection in our return on capital measures is on the horizon as the new vessels are placed in service, the commensurate cost benefits hit the bottom line and we de-lever the balance sheet starting in early 2020 with the Company's robust cash flow. We will be in an enviable position then to use excess cash flow to further grow the business organically or through acquisitions. And we will be open-minded about the investment decisions we make to create value for shareholders, including the decision to return capital to shareholders.

As importantly, we will continue to manage your Company for the long-term, pressing our strategic competitive advantages to widen the gap with our competitors while maximizing the considerable opportunity our newbuild program affords. I am excited by the prospects for Matson that lie ahead in the coming years.

Sincerely,

Matt Cox

Chairman and Chief Executive Officer