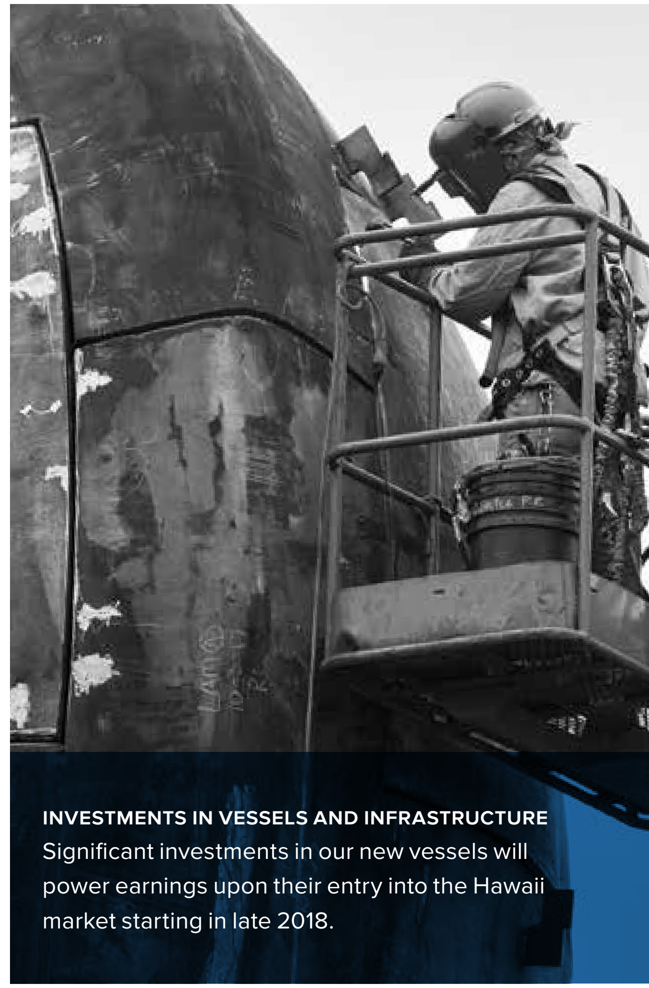
To our shareholders

The year 2017 marked the beginning of an important transition in the remarkable history of our company. Beyond the continuing strong financial results, we made important operational strides and significant investments that will yield benefits for decades to come. Our focus remains on managing the businesses and assets in our network for the long term, exemplified by the ongoing fleet and infrastructure investments we are making in Hawaii, organic expansion of our South Pacific routes, and follow-on investments in Alaska.

In 2017, we earned $232.0 million in net income or $5.37 per diluted share, of which $155.0 million or $3.59 per diluted share was a one-time, non-cash benefit from an adjustment related to the enactment of the Tax Cuts and Jobs Act. Earnings before interest, taxes and depreciation and amortization (EBITDA) increased 2.1% year-over-year to $296.0 million. The return on shareholders' equity (ROE) was 39.6%, and the return on invested capital (ROIC) was 17.8% versus 17.2% and 9.1% in 2016, respectively. Excluding the one-time, non-cash benefit related to the Tax Act, our ROIC would have declined year-over-year as a result of the higher capital base related to the significant investments we are making in our new vessels, which will boost earnings upon their entry into the Hawaii market starting later in 2018. Amid this heavy investment cycle and necessary fleet renewal, we continue to grow into adjacent markets while optimizing operations, especially with our acquisitions of Horizon's Alaska service and Span Alaska. The result of these efforts is an increasingly diversified and consistent earnings stream, which is evidenced in how we manage the return of capital to our shareholders.

In June 2017, our Board of Directors authorized the fifth consecutive annual increase in our quarterly dividend from $0.19 to $0.20 per share. For the year,



INVESTMENTS IN VESSELS AND INFRASTRUCTURE
Significant investments in our new vessels will power earnings upon their entry into the Hawaii market starting in late 2018.

we repurchased approximately 700,000 shares. In total, we returned $53.1 million to shareholders in 2017 and have returned over $225 million since our inception as a public company in mid-2012.

WE SET THE STANDARD

We continue to set the standard for freight delivery with our award-winning customer service and market leadership as a critical supply chain provider throughout the Pacific. And while our primary markets and service lines are relatively small compared to other global shipping and logistics companies, we are at the forefront of moving freight better than anyone.

In 2018, we will maintain our strategic focus and continue to be disciplined in our allocation of capital. We will deepen our decades-old relationships with customers — relationships built on trust, service quality and our efforts to give back to the communities in which we operate — by expanding our service suite, competitively defending our market positions, and continuing to invest in our network, our people and our services.

OCEAN TRANSPORTATION

In 2017, our Ocean Transportation segment operating income decreased $13.9 million year-over-year to $128.8 million, largely due to softness in our Hawaii service and competition in Guam, offset by relative strength in our China and Alaska businesses, and from our equity investment in SSAT.

Our performance in Hawaii fell short of our expectations despite a healthy and modestly growing economy. Although we noted an easing in construction activity earlier in the year, the impact of the shift from high-rise condominium projects to residential housing was more pronounced than we anticipated. We maintained our market share in 2017 with a similar expectation in 2018, and we believe economic activity in Hawaii in 2018 will be good with tourism remaining strong. Our expectation is for solid performance in our Hawaii tradelane for 2018.

In Guam, we are in a pitched battle for market share with an aggressive competitor. While we continued to maintain a leading position, our performance in 2017 was negatively impacted by the erosion of freight volume in slow-moving, non-perishable, lower-margin goods to Guam. We anticipate some continued volume impact this year, but are fighting to win every load of customer business with our considerable service quality and timing advantages.

Our expedited service from China saw a meaningful rebound from the prior year, with higher rates and volume. Demand for this reliable service remained strong throughout the year. We continue to enjoy a 5- to 10-day service advantage over other international carriers, and our dedicated terminal in Long Beach serves as a competitive advantage with efficient cargo off-loading. Many customers continue to view this expedited service as an alternative to deferred air freight with significant cost advantages and only marginal service time loss. For 2018, we believe U.S. imports from China and a general strengthening of economic activity will continue to support favorable pricing, but we also expect volume to be modestly lower compared to 2017 due primarily to the absence of dry-dock return voyage volume.

In Alaska, we saw a modest volume rebound in 2017, due in part to a stronger seafood season, which more than offset the negative impacts from continued challenges in the energy sector. For 2018, we expect total volume to approximate the level in 2017 with modest improvements in northbound volume to be offset by lower southbound seafood-related volume due to a moderation from the strong seafood harvest levels in 2017.

Our SSAT joint venture equity investment had its best year yet with record lift volume. The joint venture benefited from increased economic activity as well as from the gain in volume associated with the consolidation of international carriers and the formation of new global alliances. In October 2017, we folded our Tacoma terminal operations into SSAT, leveraging our long-term joint venture relationship with SSA and driving long-term operational benefits at the terminal. For 2018, we expect the joint venture contribution to approximate the record level in 2017.

LOGISTICS

In 2017, the Logistics segment generated operating income of $20.6 million, $8.7 million greater than the prior year largely due to the full year inclusion of Span Alaska. We experienced pressure in intermodal yields, but also strength in highway and intermodal volumes. Span Alaska performed well in its first full year under Matson against the backdrop of a tepid Alaska economy. For 2018, we expect increased contributions across our logistics services to drive modest growth in operating income.

INVESTING FOR THE FUTURE

In 2013, we announced the first phase of our Hawaii fleet renewal program with the order of two Aloha Class vessels for approximately $419 million, and in 2016 we finalized our Hawaii fleet renewal plans with the order of two Kanaloa Class vessels from NASSCO for approximately $506 million. Our first Aloha Class vessel (*Daniel K. Inouye*) is due to be delivered in the third quarter of 2018. With this delivery, Matson will begin to see the initial benefits of efficiency and increased profitability versus our current fleet configuration. The remaining Aloha Class vessel (*Kaimana Hila*) and two Kanaloa Class vessels (*Lurline* and *Matsonia*) remain on schedule for deliveries in the first quarter 2019, fourth quarter 2019 and second quarter 2020, respectively. We expect considerable annual EBITDA improvement after all the ships are deployed, but also expect incremental gains in the interim as we make the shift to an eventual nine-ship operating fleet. By 2021, our Hawaii fleet will have significantly lower operating costs on a per-container basis as well as lower annual maintenance expense, and we will reap the benefit of a five-year dry-dock "holiday" for these new vessels.

Of the approximate $1 billion in committed investments in our Hawaii service, $925 million is for the construction of the new

DEMAND FOR OUR RELIABLE CHINA expedited service remained strong throughout the year.

OUR SSAT JOINT VENTURE EQUITY investment had its best year yet with record lift volume.

Each of our nearly 2000 employees, from line workers to senior leadership, contribute experience and expertise to a brand that has come to epitomize superior customer service in time-definite freight delivery. We share a passion for moving freight better than anyone and strive, day-in and day-out, all year long, to achieve this ambitious goal.

vessels with the balance slated for an upgrade to our Sand Island terminal at Honolulu Harbor. These shore-side investments run in parallel with the State of Hawaii's harbors modernization plan and will provide Matson with an unmatched terminal footprint with increased efficiencies in operations and convenience for our customers.

2000 STRONG

In April 2017, I took over the helm as Chairman of Matson from the steady hand of Walter Dods. More than anyone else, it was Walt who set Matson on its current strong course and instilled its core values that will carry this company through success and challenge alike.

Among the many lessons I learned from Walt was the art and practice of listening to the dedicated and talented team we have assembled at Matson. Each of our nearly 2000 employees, from line workers to senior leadership, contributes experience and expertise to a brand that has come to epitomize superior customer service in time-definite freight delivery. We share a passion for moving freight better than anyone and strive, day-in and day-out, all year long, to achieve this ambitious goal.

We are also fortunate to have an accomplished Board of Directors that supports our efforts. On this note, I want to especially thank Jeff Watanabe for stepping in as our Lead Independent Director after Walt stepped down. Jeff provided seamless leadership throughout the year. Without the Board's acumen and commitment, we could not have realized the considerable investments and operational improvements we made in this past year. Individually and collectively, I thank them for their insight and guidance, which informs and instructs the strategy of our company on a daily basis.

One year into my chairmanship, I remain enthused by our considerable prospects, energized by our people, and confident as ever that we will continue to grow shareholder value over time.

Sincerely,

Matthew J. Cox
Chairman and Chief Executive Officer