MATTHEW J. COX | PRESIDENT AND CHIEF EXECUTIVE OFFICER, MATSON, INC.

To our shareholders,

At Matson, our goal is simple: to move freight better than any other carrier. Everything we do — operationally, financially and strategically — is designed to move us towards that goal, sometimes incrementally and sometimes in larger bounds. 2014's strong financial results were the result of this clear minded focus.

In 2014, financial performance was meaningfully higher than the preceding year. Matson earned $70.8 million, or $1.63 per diluted share. Our Return on Invested Capital was 11.9 percent off a capital base of $681 million. EBITDA was $209 million. Free cash flow per share was $3.18.

By moving freight faster and more efficiently, and by continuing to differentiate ourselves through unique service propositions in our niche markets, we grow the value of every dollar you invest in us. Since our inception as an independent public company in July 2012, we have returned over $65 million in dividends to our shareholders, and our total shareholder return in 2014 was 34.7 percent.

Since July 2012, we have returned over $65 million in dividends.

Our businesses continued to generate significant cash in 2014, and we seek a balanced strategy in its deployment. We weigh returns of capital to shareholders against the important investments we make to renew our fleet. We also seek to maintain a strong and flexible balance sheet, to better position us to pursue strategic investments.

Throughout 2014, designs for our two new Aloha-class containerships, which are being built specifically for the Hawaii market, took form. In 2015, the first steel will be cut and these "green ships" will start to take shape.

In June, our Board of Directors once again authorized an increase in our quarterly dividend from $0.16 to $0.17 per share. We remain steadfast in delivering dividend growth in line with future performance.

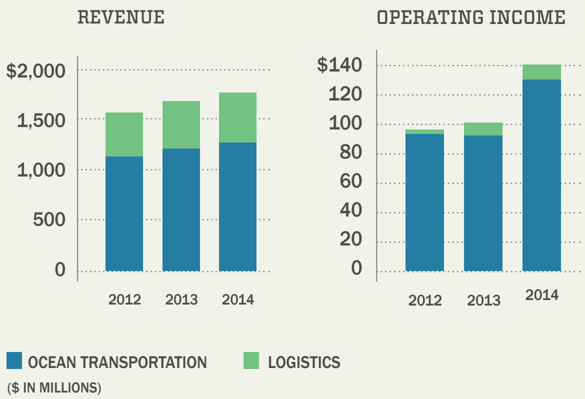
In November, we announced the acquisition of Horizon Lines' Alaska operations. The pending acquisition is a rare opportunity to substantially grow our Jones Act operations and represents a natural geographic extension of our ocean transportation platform. The transaction is conditioned on the sale of Horizon's Hawaii operations to Pasha. We expect to finance the transaction using existing cash and drawing upon our bank revolver facility.

And we have other open water ahead in 2015. Let me take you through our businesses and some of the trends we see emerging.

Island Economics

In 2014, container volume in our home markets of Hawaii and Guam grew only incrementally. Island economies tend not to experience the same volatility in trade and cargo movement as other markets, since the bulk of goods carried are lifeline items and not prone to the same "boom or bust" mentality that characterizes many other markets. These economies offer solid GDP-based growth, and that predictability is punctuated periodically by larger macro trends. In Hawaii, the construction cycle has turned—part of the super cycles of freight I mentioned in my letter last year. In the second half of 2014, long-awaited construction volume materialized as we began to carry the end products of projects underway: household goods, furnishings and large appliances. In Guam, volume crept higher. Guam remains instrumental to the very unique aspect of our business model. Unlike any other carriers, we have two head haul voyage legs. We transport goods from the U.S. West Coast to Hawaii and Guam, and then return from China fully laden with expedited cargo back to the U.S. West Coast.

In 2015, I expect volume in both markets to grow in line with general economic vitality. In Hawaii, Pasha, a competitor, is expected to add capacity in the first half of the year by way of a new vessel, equal to about 5-10 percent of the overall market size. This new capacity will undoubtedly have an impact on the market. And while it is yet unknown precisely how this change will shape the Hawaii market, we will continue to focus on moving freight as expeditiously as possible, a mission that has served the Hawaii community well for over 130 years.



Premium Rates in a Commoditized Market

An arms race is underway, as international ocean carriers continue to build ever-larger containerships and further commoditize containerized freight service around the world. Our expedited transpacific service out of China, which we call the CLX, is highly differentiated. Our ships are relatively small, allowing us to sail directly out of Shanghai and run full-steam to Long Beach without interruption. Once there, we offload cargo at our dedicated terminal, part of our joint venture SSAT (see below), where containers are available for customer pick-up within 24 hours of arrival. Combined, these factors represent a three to six day advantage from port-to-distribution warehouse and result in a sizeable rate premium for each container we carry.

I expect that premium to continue in 2015, and further expect our CLX ships to run at full capacity.

The First Train Out

I am sometimes asked how our Logistics business fits in with the rest of our operations. Often, people are surprised by my answer. Our Ocean Transportation business is far more dependent upon our Logistics business than the converse. We are apart from the herd in this thinking, as most liners abandoned or sold their logistics operations long ago. For us, Logistics extends our premium service offering throughout the continental U.S. And we believe in an “asset-light” model, meaning we invest in assets and relationships that have unusually strong and sustainable demand dynamics. Consider that we saw the coming intermodal supply constraint out of U.S. West Coast ports, and negotiated deals that give our customers the “first train out.” That is meaningful, especially in support of our CLX service, and further deepens the ties we have with our customers and their supply chains. We also continue to invest in 53’ intermodal containers, helping to accommodate freight forwarder consolidation both off the U.S. West Coast and back to realize pricing efficiencies on the railroads.

In 2015, I expect our Logistics business to continue to improve earnings off of a much higher 2014 base.

Terminal Tectonics

A tectonic shift is underway at U.S. West Coast containership terminals. Many carriers now realize that terminal operations and labor are difficult to manage, at best. The drive to create joint venture terminal operations has ebbed, if not ended entirely. Fortunately for us, 15 years ago we concluded that shared terminal operations often lead to conflicts of interest, and as a smaller liner we had no interest in that. We folded our owned terminal assets on the U.S. West Coast into a joint venture, SSAT, and now have access to dedicated terminals up and down the U.S. West Coast. We were not prescient. We were merely looking to control the delivery of our product in an economical way for our customers.

Today, SSAT is arguably one of the most successful terminal operators in the world. Our joint venture interest yields earnings, and increasing equity, that continues to build shareholder value. I expect more to come in 2015.

In Closing

Hopefully, with the above in hand, you better understand why your investment in Matson continues to make sense, and why we generate strong margins and returns. We thank you for your support.

I also thank our Board of Directors for their stalwart leadership, especially our chairman Walter Dods. And to our employees and our shareholders, I offer my profound gratitude.

Sincerely,

Matthew J. Cox
Chief Executive Officer