UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998
Commission file number 0-565

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

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

822 BISHOP STREET
POST OFFICE BOX 3440, HONOLULU, HAWAII 96801
(Address of principal executive offices and zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, WITHOUT PAR VALUE
(Title of Class)

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AT FEBRUARY 12, 1999:
43,521,456

AGGREGATE MARKET VALUE OF COMMON STOCK HELD BY NON-AFFILIATES AT FEBRUARY 12, 1999:
$752,466,785

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

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

DOCUMENTS INCORPORATED BY REFERENCE
PORTIONS OF REGISTRANT'S PROXY STATEMENT DATED MARCH 8, 1999 (PART III OF FORM 10-K).
PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1998 (PARTS I, II AND IV OF FORM 10-K).

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ALEXANDER & BALDWIN, INC.

FORM 10-K

ANNUAL REPORT FOR THE FISCAL YEAR
ENDED DECEMBER 31, 1998

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Alexander & Baldwin, Inc. ("A&B") is a diversified corporation with most of its operations centered in Hawaii. It was founded in 1870 and incorporated in 1900. Ocean transportation operations and related shoreside operations of A&B are conducted by a wholly-owned subsidiary, Matson Navigation Company, Inc. ("Matson"), and several Matson subsidiaries, all of which are headquartered in San Francisco. Real property and food products operations are conducted by a wholly-owned subsidiary of A&B, A&B-Hawaii, Inc. ("ABHI"), and several ABHI subsidiaries, all of which are headquartered in Hawaii or California.

The industry segments of A&B are as follows:

A. Ocean Transportation - carrying freight, primarily between various United States Pacific Coast ports, major Hawaii ports and Guam; providing terminal, stevedoring, tugboat and container equipment maintenance services in certain of those ports; chartering vessels to third parties; arranging United States Mainland intermodal transportation; and providing supply and distribution services.

B. Property Development and Management - developing real property in Hawaii and on the U.S. Mainland; selling residential properties in Hawaii and on the U.S. Mainland; and managing, leasing, selling and purchasing commercial/industrial properties in Hawaii and on the U.S. Mainland.

C. Food Products - growing sugar cane and coffee in Hawaii; producing raw sugar, molasses and green coffee (and, until December 1998, refining raw sugar and marketing and distributing refined sugar products, primarily in the western United States); marketing and distributing roasted coffee and green coffee; providing sugar and molasses hauling and storage, general freight and petroleum hauling in Hawaii; and generating and selling electricity.

For information about the revenue, operating profits and identifiable assets of A&B's industry segments for the three years ended December 31, 1998, see "Industry Segment Information" on page 19 of the Alexander & Baldwin, Inc. 1998 Annual Report to Shareholders ("1998 Annual Report"), which information is incorporated herein by reference.

DESCRIPTION OF BUSINESS AND PROPERTIES

A. OCEAN TRANSPORTATION

(1) FREIGHT SERVICES

Matson's Hawaii Service offers containership freight services between the ports of Los Angeles, Oakland, Seattle, and the major ports in Hawaii, which are located on the islands of Oahu, Kauai, Maui and Hawaii. Roll-on/roll-off service is provided between Los Angeles and the major ports in Hawaii. Container cargo also is received at and delivered to Portland, Oregon, and moved overland between Portland and Seattle at no extra charge.

Matson is the principal carrier of ocean cargo between the United States Pacific Coast and Hawaii. In 1998, Matson carried 143,431 containers (compared with 149,734 in 1997) and 73,717 motor vehicles (compared with 78,641 in 1997) between those destinations. Principal westbound cargoes carried by Matson to Hawaii include dry containers of mixed commodities, refrigerated cargoes, packaged foods, building materials and motor vehicles. Principal eastbound cargoes carried by Matson from Hawaii include household goods, canned pineapple, refrigerated containers of fresh pineapple, motor vehicles and molasses. The preponderance of Matson's Hawaii Service revenue is derived from the westbound carriage of containerized freight and motor vehicles.

Matson's Guam Service provides containership freight service between the United States Pacific Coast and Guam and Micronesia. Matson's Guam Service is a component of the Pacific Alliance Service, a strategic alliance established in 1996 by Matson and American President Lines, Ltd. ("APL") to provide freight service between the United States Pacific Coast and Hawaii, Guam, and several Far East ports. In 1998, Matson carried 18,418 containers (compared with 19,122 in 1997) and 3,132 automobiles (compared with 3,595 in 1997) in the Guam Service. Modifications to the strategic alliance were implemented in January 1998 to provide better service and reduce operating costs. The restructured alliance now utilizes six vessels (three Matson vessels and three APL vessels) in a schedule which provides service from the United States Pacific Coast to Guam and Micronesia, continuing through Far East ports, and returning to California.

Matson's Pacific Coast Service provides containership freight service between Los Angeles, Oakland, Seattle and Vancouver, Canada. In 1998, Matson carried 34,669 containers (compared with 39,390 in 1997) in the Pacific Coast Service. The Pacific Coast Service benefited in 1998 from a relationship with Canadian National Railway, commenced in August 1997, which enables Matson to provide the railway and its customers with reliable, fixed-day service that reduces overall transit time between western Canada and southern California.

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

See "Rate Regulation" below with respect to Matson's freight rates.

(2) VESSELS

Matson's cargo fleet consists of eleven containerships, four combination container/trailerships, one roll-on/roll-off barge, two container barges equipped with cranes which serve the neighbor islands of Hawaii and one container barge equipped with cranes in the Mid-Pacific Service. These nineteen vessels represent an investment of approximately $850,300,000 expended over the past 29 years. The majority of vessels in the Matson cargo fleet have been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act, 1936, as amended.

In the second half of 1998, Matson agreed to bareboat charter two container/trailerships in reserve status to Sea Star Line, LLC, a newly-created entity which operates the vessels in the Florida-Puerto Rico trade. The vessels were refitted to respond to the market requirements in that trade.

Matson's fleet units are described in the list on the following page.

As a complement to its fleet, Matson owns approximately 16,500 containers, 9,000 container chassis, 590 auto-frames and miscellaneous other equipment. Capital expenditures by Matson in 1998 for vessels, equipment and systems totaled approximately $51,100,000.

MATSON NAVIGATION COMPANY, INC.

FLEET - 3/1/99

Vessel Name	Official Number	Year Built	Year Recon-structed	Length	Maximum Speed (Knots)	Maximum Deadweight (Long Tons)	Usable Cargo Capacity: Containers 20'	24'	40'	Reefer Slots	TEUs (1)	Vehicles: Autos	Trailers	Molasses: Short Tons
Diesel-Powered Ships														
R.J. PFEIFFER	979814	1992		713'6"	23.0	27,100	48	171	988	300	2,229	--	--	--
MOKIHANA (2)	655397	1983		860'2"	23.0	30,167	182	0	1,340	408	2,824	--	--	--
MAHIMAHI (2)	653424	1982		860'2"	23.0	30,167	182	0	1,340	408	2,824	--	--	--
MANOA (2)	651627	1982		860'2"	23.0	30,187	182	0	1,340	408	2,824	--	--	--
Steam-Powered Ships														
KAUAI	621042	1980	1994	720'5-1/2"	22.5	26,308	--	458	538	300	1,626	44	--	2,600
MAUI	591709	1978	1993	720'5-1/2"	22.5	26,623	--	458	538	300	1,626	--	--	2,600
EL YUNQUE (3)	573223	1976	1990	790'9"	21.5	14,551	48	--	420	120	960	323	112	--
EL MORRO (3)	557149	1974	1990	790'9"	21.5	14,976	48	--	420	120	960	323	110	--
MATSONIA	553090	1973	1987	760'0"	21.5	22,501	--	683	400	329	1,620	450	56	4,300
LURLINE	549900	1973	1982	826'6"	21.5	22,213	6	162	713	292	1,379	220	81	2,100
EWA (4)	530140	1972	1978	787'8"	21.0	38,656	294	--	861	180	2,015	--	--	--
CHIEF GADAO	530138	1971	1978	787'8"	21.0	37,346	230	464	597	274	1,981	--	--	--
LIHUE (4)	530137	1971	1978	787'8"	21.0	38,656	286	276	681	188	1,979	--	--	--
MANULANI	528400	1970		720'5-1/2"	22.5	27,165	--	537	416	251	1,476	--	--	5,300
MANUKAI (4)	524219	1970		720'5-1/2"	22.5	27,107	--	537	416	251	1,476	--	--	5,300
Tugs and Barges														
WAIALEALE (5)	978516	1991		345'0"	--	5,621	--	--	--	35	--	230	45	--
ISLANDER (6)	933804	1988		372'0"	--	6,837	--	276	24	70	380	--	--	--
MAUNA LOA (6)	676973	1984		350'0"	--	4,658	--	144	72	84	316	--	--	2,100
HALEAKALA (6)	676972	1984		350'0"	--	4,658	--	144	72	84	316	--	--	2,100
MAOI (7)	618705	1980		75'0"	10.0	--								
JOE SEVIER (7)	500799	1965		80'0"	10.0	--								

(1) "Twenty-foot Equivalent Units" (including trailers). TEU is a standard measure of cargo volume correlated to the volume of a standard 20-foot dry cargo container.

(2) Time-chartered to APL to February 2006.

(3) Formerly Kaimoku and Kainalu. Bareboat-chartered to Sea Star Line, LLC until 2005 and 2006, respectively. Cargo-carrying reconfigurations begun in 1998 will include the installation in each ship of tanks having the capacity to carry 252,000 gallons of liquid cargo.

(4) Reserve Status

(5) Roll-on/Roll-off Barge

(6) Container Barge

(7) Tug

(3) TERMINALS

Matson Terminals, Inc. ("Matson Terminals"), a wholly-owned subsidiary of Matson, provides container stevedoring, container equipment maintenance and other terminal services for Matson and other ocean carriers at the ports of Honolulu, Los Angeles, Oakland and Seattle.

Matson Terminals is among the largest container stevedoring and terminal operators on the United States Pacific Coast. A total of 852 vessel calls were served at all Matson Terminals container facilities in 1998. The four terminals operated by Matson Terminals are as follows:

Terminal Location	Size (acres)	Terminal Lease Expiration of Terminal Lease	1998 Throughput (# containers)	Cranes (#)	Container Crane Ownership	Ship Berths (#)
Honolulu, HI	108	Sept 2016	351,119	7	Matson Terminals	3
Los Angeles, CA	95	Jan 2002	205,844	4	Matson Terminals	3
Oakland, CA	74	Dec 2008	109,727	3	Matson Terminals	3
Seattle, WA	35	Dec 1999	90,835	3	Port of Seattle	2

Matson Terminals has lease agreements with the port authorities for the use of the publicly-owned container terminal properties at these locations and does not anticipate any difficulty in renewing such agreements as they expire or in finding satisfactory alternative premises. Besides owning or leasing the shoreside cranes identified in the above table, Matson Terminals owns or leases supporting container-handling equipment at its container facilities and owns all of the maintenance equipment used in providing container equipment and terminal maintenance services.

Capital expenditures for terminals and equipment totaled approximately $8,300,000 in 1998.

(4) OTHER SERVICES

Matson Intermodal System, Inc. ("Matson Intermodal"), a wholly-owned subsidiary of Matson, is an intermodal marketing company which arranges North American rail and truck transportation for shippers and carriers, frequently in conjunction with ocean transportation. Through volume purchases of rail and motor carrier transportation services, augmented by such services as shipment tracing and single-vendor invoicing, Matson Intermodal is able to reduce transportation costs for customers. Matson Intermodal currently has 11 offices and manages 30 equipment depots across the United States Mainland.

Matson Services Company, Inc. ("Matson Services"), a wholly-owned subsidiary of Matson, owns two tugboats, which are employed in Hawaiian waters under operating agreements to provide harbor assistance to vessels calling at the islands of Hawaii and Maui.

Matson Logistics Solutions, Inc. ("Matson Logistics"), a wholly-owned subsidiary of Matson, was formed in 1998 to provide supply and distribution services to Matson customers, including management of transportation purchases, inventory and on-time deliveries.

(5) COMPETITION

Matson's Hawaii and Guam Services have one major container-ship competitor which serves Long Beach, Oakland, Tacoma, Honolulu and Guam. In an administrative proceeding in 1997, the purpose of which was to determine the historic service levels to which that competitor would be limited as a condition to its participation in the Maritime Security Program, the U.S. Maritime Administration limited the annual capacity which the competitor may offer in the Hawaii trade. The current limit on annual capacity is 162,378 TEUs (see footnote (1) on page 4 for an explanation of "TEU").

Other competitors in the Hawaii Service include two common carrier barge services, unregulated proprietary and contract carriers of bulk cargoes and air cargo services. Although air freight competition is intense for time-sensitive or perishable cargoes, historic and projected inroads of such competition in cargo volume are limited by the amount of cargo space available in passenger aircraft and by generally higher air freight rates. In the summer of 1998, a temporary barge service offered competing service for the summer movement of military household goods to and from Hawaii. Competitors in the Pacific Coast Service include truck, rail and ocean carrier services.

Matson vessels are operated on schedules which make available to shippers and consignees regular day-of-the-week sailings from the United States Pacific Coast and day-of-the-week arrivals in Hawaii. This service is attractive to customers because it decreases their overall distribution costs. In order to match better the fleet capacity with existing cargo volume in the Hawaii Service, without a reduction in service quality, in September 1998 Matson reduced the number of vessel arrivals in Honolulu from four per week to three. This reduction still left Matson with 156 Hawaii round-trip voyages per year, 50 percent more than its closest competitor. In addition, Matson competes by offering more comprehensive service to customers, supported by its scope of equipment and its efficiency and experience in the handling of containerized cargoes, and by competitive pricing.

The carriage of cargo between the United States Pacific Coast and Hawaii on foreign-built or foreign-documented vessels is prohibited by Section 27 of the Merchant Marine Act, 1920, frequently referred to as the Jones Act. However, foreign-flag vessels carrying cargo to Hawaii from foreign sources provide indirect competition for Matson's container freight service between the United States Pacific Coast and Hawaii. Far East countries, Australia and New Zealand have direct foreign-flag services to Hawaii.

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

Matson Terminals competes with numerous other companies which perform the same or similar services. The container stevedoring and terminal services business is extremely competitive. The primary considerations of ocean carriers, when selecting stevedore and terminal operators, are rates, quality of service, expertise and reputation. The industry is highly capital-intensive because of the need for expensive container-handling equipment.

Matson Intermodal competes for freight with a number of large and small companies engaged in intermodal transportation. Matson Services competes with several larger operators of tugboats in Hawaiian waters. Matson Logistics competes with many larger providers of logistics services and with transportation companies whose services include logistics.

(6) LABOR RELATIONS

The absence of strikes and the availability of labor through hiring halls are important to the maintenance of profitable operations by Matson. Matson's operations have not been disrupted significantly by strikes in the past 27 years. However, in 1996 and 1997, labor disruptions at some United States Pacific Coast ports by longshore bargaining units of the International Longshore and Warehouse Union, attributed to dissatisfaction with collective bargaining agreements negotiated in 1996, adversely affected ocean carriers, including Matson, calling at those ports. See "Employees and Labor Relations" below for a description of labor agreements and certain unfunded liabilities for multi-employer pension plans to which Matson and Matson Terminals contribute.

(7) RATE REGULATION

Matson is subject to the jurisdiction of the Surface Transportation Board ("Board"), an agency within the U.S. Department of Transportation, with respect to its domestic rates. The Interstate Commerce Commission Termination Act of 1995 ("Act") establishes a "Zone of Reasonableness," as defined in the Act, within which rate adjustments are deemed reasonable. Rate adjustments outside of the Zone of Reasonableness are subject to investigation and/or suspension by the Board. In December 1998, Matson filed a 2.5 percent across-the-board increase in its Hawaii Service, effective February 14, 1999.

B. PROPERTY DEVELOPMENT AND MANAGEMENT

(1) GENERAL

The property development and management operations of A&B are conducted by ABHI, a wholly-owned subsidiary headquartered in Honolulu. A&B and its subsidiaries own approximately 93,000 acres of land, consisting of approximately 91,000 acres in Hawaii and approximately 2,000 acres elsewhere, as follows:

LOCATION	NO. OF ACRES
Oahu	40
Maui	69,040
Kauai	21,910
California	1,957
Texas	64
Washington	24
Arizona	11
Nevada	21
Colorado	10
Florida	3
TOTAL	93,080

As described more fully in the table below, the bulk of this acreage currently is used for agricultural and related activities, and includes pasture land leased to ranchers, watershed and conservation reserves. The balance is used or planned for development or other urban uses. An additional 3,200 acres on Maui and Kauai are leased from third parties.

CURRENT USE	NO. OF ACRES
HAWAII	
Fully-entitled urban (defined below)	1,190
Agricultural, pasture and miscellaneous	60,800
Watershed land/conservation	29,000
U.S. MAINLAND	
California ranch land	1,900
Fully-entitled urban	190
TOTAL	93,080

ABHI is actively involved in the entire spectrum of land development, including planning, zoning, financing, constructing, purchasing, managing and leasing, and selling and exchanging real property.

(2) PLANNING AND ZONING

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

- amendment of the County general plan to reflect the desired residential use;
- approval by the State Land Use Commission to reclassify the parcel from the "Agricultural" district to the "Urban" district;
- County approval to rezone the property to the precise residential use desired; and,
- if the parcel is located in the Special Management Area, the granting of a Special Management Area permit by the County.

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

ABHI actively works with regulatory agencies, commissions and legislative bodies at various levels of government to obtain zoning reclassification of land to its highest and best use. ABHI designates a parcel as "fully-entitled" or "fully-zoned" when all necessary government land use approvals have been obtained.

As described in more detail below, in 1998 work to obtain entitlements for urban use focused on (i) the Kukui'Ula residential development on Kauai, (ii) the proposed master-planned community at Pilot Hill Ranch in California, (iii) obtaining Community Plan designations for various ABHI lands on Maui, and (iv) obtaining State "Urban" designation for two proposed single-family subdivisions on Maui.

With regard to item (iii) in the preceding paragraph, ABHI continues to participate actively in Maui County's decennial update of its Community Plans, a process that began in 1992. The Community Plans serve to guide planning and development activity over the next decade. ABHI has obtained and continues to seek various urban designations for its undeveloped lands within the following four Community Plans, where most of its Maui lands are located: Pa'ia-Haiku Community Plan, Kihei-Makena Community Plan, Wailuku-Kahului Community Plan, and Makawao-Pukalani-Kula ("Upcountry") Community Plan. In March 1998, the Maui County Council adopted the Kihei-Makena Community Plan. The Plan reflected the approval of "Project District" designation for 650 acres in Maalaea as a master-planned residential community, consisting of up to 1,800 homes, a golf course and commercial uses. The County Council previously had adopted the Pa'ia-Haiku and Upcountry Community Plans in 1995 and 1996, respectively. Adoption of the Wailuku-Kahului Community Plan by the County Council is expected in 1999.

(3) RESIDENTIAL PROJECTS

ABHI is pursuing a number of residential projects in Hawaii and on the U.S. Mainland, in particular:

(a) KUKUI'ULA. The 1,045-acre Kukui'Ula project was originally conceived to be a planned residential community on the island of Kauai, comprising up to 3,000 dwelling units, an 18-hole golf course, hotels, commercial areas, schools and parks. Construction of the wastewater treatment plant, mass grading and drainage and certain roadway improvements were completed in 1993. Since 1993, construction of major infrastructure to serve the Kukui'Ula project has been suspended because of weak economic conditions on Kauai.

Beginning in late 1997, and continuing throughout 1998, a complete reevaluation of the Kukui'Ula project was undertaken. That work has led to a revised strategy for the project and to subsequent write-downs of costs previously incurred. The revised strategy recognizes that, as a result of Hurricane Iniki and generally weak economic conditions on Kauai, the residential housing market will not provide the level of sales absorption needed to support the planned residential community concept.

The revised strategy is to proceed with the development of the residential component of the project on a reduced scale, through a series of individual residential subdivisions designed in accordance with a master development plan. This approach will allow infrastructure requirements to be built on an incremental basis, rather than as a single large project, which would be the case with a planned residential community.

The initial increment of this program, a 32-lot residential subdivision known as "Koloa Estates," received tentative subdivision approval from the County of Kauai in December 1997. Construction plans were prepared and approved, and construction began in August 1998. Construction is anticipated to be complete in mid-1999. A public offering statement has been submitted to the State, and is expected to be approved in March 1999. Marketing of the lots will commence upon approval of the public offering statement.

The second aspect of the revised strategy is to expedite the resort component of the project. A concept plan for the resort area at Kukui'Ula was completed in early 1998. Based on that plan, a petition was filed with the State Land Use Commission to add 77 acres of land, comprising most of the planned resort, to the State "Urban" district. That petition was approved in June 1998. As a result of that action, 837 acres at Kukui'Ula are classified "Urban" and are available for development, while 208 acres are conditionally designated "Urban," subject to a showing that substantial progress has been made on providing infrastructure to the initial increment.

In October 1998, three petitions were submitted to the Kauai County Planning Department to (i) amend the County General Plan, (ii) amend the County Zoning Ordinance, and (iii) amend the County Visitor Destination Area Ordinance to complete the basic entitlements needed to proceed with the resort component of the project. Hearings on these petitions began in early 1999 and final action is anticipated in mid-1999.

In 1998, in recognition of the reduced market support for the project, previously-incurred and capitalized development costs of $20,216,000 were written off. These costs were primarily related to the wastewater treatment plant, and recognized that the costs of that plant would not be recoverable through the future cash flows of the plant. For additional information, see Note 4 to A&B's financial statements on page 33 of the 1998 Annual Report, which Note is incorporated herein by reference.

(b) KU'AU BAYVIEW AT PA'IA. Since the completion and opening of the model homes in April 1996, 87 homes in this 92-lot single-family subdivision on Maui (92% of the total) have been sold (19 homes in 1998). As of March 15, 1999, three contracts were in escrow. The remaining two homes are being marketed actively through brokers. It is anticipated that the project will be sold out by the end of the second quarter of 1999.

(c) KAHULUI IKENA. Since the completion of the 102-unit Maui condominium project in June 1995, a total of 82 units have been sold to date (13 units in 1998). As of March 15, 1999, an additional 8 units were in escrow. The remaining 12 units are being marketed through various brokers.

(d) OTHER MAUI SUBDIVISIONS. Four agricultural subdivisions, which consist of a minimum lot size of two acres per lot, were in various stages of design, development and sale in 1998. At the nine-lot Kauhikoa Hill Ranch subdivision (located in Haiku), six lots were sold in 1998, leaving two lots available for purchase. Site work construction for the 28-lot Haiku Makai subdivision (also located in Haiku) was substantially completed in

April 1998. By year-end, 25 lots had been sold at an average sales price of approximately $200,000 per lot, and sales contracts for the remaining three lots were in escrow. The construction plans for the 37-lot Maunaolu subdivision (located in Haliimaile) continue to be processed by the County. Approval of the plans has been delayed due to inadequate availability of water, and final approval will require a potable water source to be secured for the project. The last of the four lots in the 10-acre Ku'au Beach Estates subdivision (located in Pa'ia) was sold last year.

In addition, ABHI is seeking entitlements for two single-family subdivisions on Maui: (i) an approximately 200-unit subdivision on 45 acres in Haliimaile, and (ii) an approximately 400-unit subdivision on 110 acres in Spreckelsville, which includes the possible development of nine holes of golf in order to expand the nearby nine-hole Maui Country Club golf course into an 18-hole course. In October 1998, State "Urban" designation was obtained for the Haliimaile project. In December 1998, an application was filed with the County for the re-zoning of the property, the final entitlement required for the project's development. A Petition also was filed in 1998 seeking State "Urban" designation for the Spreckelsville project. The hearing on the Petition was substantially completed in October 1998, and final action is expected in 1999.

(e) PILOT HILL RANCH. Pilot Hill Ranch, located in El Dorado County, near Sacramento, California, is an 1,800-acre parcel designated in the 1996 El Dorado County General Plan as a planned residential community. In 1997 and 1998, completion of the entitlement process for the property was pursued through the submission to the County of a Specific Plan and an Environmental Impact Report. In December 1998, the County Board of Supervisors considered the Specific Plan application, but was not able to reach a decision. Action on the application was continued to sometime in 1999. In light of this, several alternatives are being considered, including the sale of the project.

(4) COMMERCIAL AND INDUSTRIAL PROPERTIES

An important source of property revenue is the lease rental income A&B and its subsidiaries receive from nearly 3.6 million leasable square feet of industrial and commercial building space, ground leases on 286 acres for commercial/industrial use, and leases on 11,600 acres for agricultural/pasture use.

(a) HAWAII COMMERCIAL/INDUSTRIAL PROPERTIES

In Hawaii, most of the nearly 839,000 square feet of income-producing commercial and industrial properties owned by A&B and its subsidiaries are located in the central Kahului/Wailuku area of Maui. They consist primarily of two shopping centers and four office buildings, as well as several improved commercial and industrial properties.

The primary Hawaii commercial/industrial properties are as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
Maui Mall	Kahului, Maui	Retail	180,600
Kahului Shopping Center	Kahului, Maui	Retail	108,500
One Main Plaza	Wailuku, Maui	Office	85,300
Wakea Business Center	Kahului, Maui	Warehouse/Retail	61,500
Kahului Office Building	Kahului, Maui	Office	51,700
Kahului Office Center	Kahului, Maui	Office	29,800
Apex Building	Kahului, Maui	Retail	28,000
Stangenwald Building	Honolulu, Oahu	Office	28,200

In addition to the above-described properties, a number of other commercial and industrial projects are being developed on Maui, Oahu and Kauai, including:

(i) TRIANGLE SQUARE. Development and marketing efforts are continuing for this 10.6-acre, light industrial zoned, commercial subdivision in Kahului, Maui. Three lots have been leased, and the 28,000-square-foot Apex Building is 95% occupied by retail users. A County Special Management Area permit was secured in late 1998 to build Tri-Square One Building, a proposed 15,000-square-foot, multi-tenant retail center on two of the six remaining lots available for ground leases and retail development.

(ii) MAUI BUSINESS PARK. In 1998, the sale of the final fee interest in the Maui Marketplace site was completed. Located in the 42-acre initial phase (Phase IA) of the Maui Business Park, Maui Marketplace is a 300,000-square-foot retail center, owned by a third party, which occupies 20.3 acres of Phase IA's 37.4 salable acres. Maui Marketplace includes such anchor tenants as Eagle Hardware and Garden, Office Max, Sports Authority and Border's Books and Music. In addition, 13 Maui Business Park lots have been sold to various commercial and retail businesses. There are 19 lots remaining for sale or lease in Phase IA.

Steps taken by the State of Hawaii to extend the runway at the nearby Kahului Airport have generated increased interest in the next phase of Maui Business Park, Phase IB. As a result, the planning and design of the onsite improvements for the 34-acre site have been accelerated to meet the anticipated market demand.

The entire Maui Business Park development consists of a planned total of 239 acres, and is planned to be developed in four phases. The overall absorption of the property is expected to take 20 years.

(iii) MILL TOWN. Located in Waipahu, Oahu, near Honolulu, this 40-acre parcel of light industrial zoned land was acquired in November 1998 for $8 million. All major entitlements had been secured for development of the property, and 80% of the improvements had been completed for the development of the first 17 acres. This two-phase project consists of 23 subdivided lots ready for sale in the first phase, a three-acre park expansion area, and an additional 20 acres remaining for future subdivision in the second phase. Construction commenced in November to complete the roadway improvements for the sale of the lots within the first phase. Sales activities commenced in December 1998.

Overall occupancy for the Hawaii improved commercial and industrial properties owned by A&B and its subsidiaries averaged 68% in 1998, compared with 78% in 1997. The lower occupancy level reflects the addition of new properties having large amounts of untenanted space, the retenanting of a major retail unit, and the continuing weak Hawaii economy. In particular, on Maui, the addition of the large amounts of new retail space which slowed absorption and depressed average rents in 1998 is expected to continue to challenge this market in 1999. A&B is continuing its program to upgrade its Hawaii properties, as demonstrated by the completion in 1998 of major renovation to the interior of the Kahului Office Building and the planned repositioning of the Maui Mall in order to complement the addition of a twelve-screen movie theater to the property.

(b) U.S. MAINLAND COMMERCIAL/INDUSTRIAL PROPERTIES

On the U.S. Mainland, A&B and its subsidiaries own a portfolio of commercial and industrial properties, acquired primarily by way of tax-deferred exchanges under Section 1031 of the Internal Revenue Code, as amended ("IRC"), comprising a total of approximately 2.72 million square feet of leasable area, as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
Great Southwest Industrial	Dallas, TX	Industrial	842,900
Valley Freeway Corporate Park	Kent, WA	Industrial	229,100
Airport Square	Reno, NV	Retail	170,800
San Pedro Plaza	San Antonio, TX	Office	167,500
2868 Prospect Park	Sacramento, CA	Office	162,400
Arbor Park	San Antonio, TX	Retail	140,000
Moulton Plaza	Laguna Hills, CA	Retail	134,000
San Jose Avenue Warehouse	City of Industry, CA	Industrial	126,000
Southbank II	Phoenix, AZ	Office	120,800
Bainbridge Properties	Bainbridge Island, WA	Retail	114,600
4225 Roosevelt Building	Seattle, WA	Office	108,300
Village at Indian Wells	Indian Wells, CA	Retail	104,600
2450 Venture Oaks	Sacramento, CA	Office	98,800
Northwest Business Center	San Antonio, TX	Service Center/ Warehouse	87,000
Wilshire Center	Greeley, CO	Retail	46,700
Market Square	Greeley, CO	Retail	43,300
Professional Center Office Plaza	Gainesville, FL	Office	24,200
		TOTAL:	2,721,000

A&B took advantage of the strong real estate market in California's Silicon Valley area by selling Ridgeview Court, a 246,000-square-foot office/research facility located in Cupertino, CA, in June 1998 for $51.5 million. Proceeds from this sale, together with proceeds from the sale of other Mainland and Hawaii land parcels, were invested in six Mainland properties by way of IRC 1031 and 1033 exchanges. Three of these properties were acquired in San Antonio, TX: San Pedro Plaza, Northwest Business Center, and Arbor Park. The other three acquisitions consisted of two office buildings in Sacramento, CA (2868 Prospect Park and 2450 Venture Oaks), and an office building in Phoenix, AZ (Southbank II), marking A&B's entry into these markets. These office buildings are well positioned to realize the benefits of the above-average population and business growth that is expected to occur in these metropolitan areas over the next several years.

A&B's Seattle area properties continued to benefit from the strength of the Pacific Northwest's economy. The 4225 Roosevelt Building and the Valley Freeway Corporate Park warehouse complex maintained 100% occupancy, while demand for retail space on Bainbridge Island, a suburb of Seattle, enabled A&B to construct an 8,400-square-foot retail building next to its existing Island Village shopping center. A&B has listed the 4225 Roosevelt Building for sale, after securing a five-year lease extension for a major tenant occupying 20% of the property.

In Texas, A&B sold Woodlands IV and V in October 1998, two service center/warehouse properties that were part of its Great Southwest Industrial portfolio. Proceeds from this sale were reinvested in accordance with IRC Section 1031. The remaining properties in the Great Southwest Industrial portfolio continued to perform well, despite increased competition from new construction. As described above, A&B entered the San Antonio, TX market in 1998 with the purchase of three properties. These properties all maintained occupancy in excess of 90%, reflecting this market's strong demand.

In Reno, NV, A&B entered into an agreement with Costco Wholesale Corporation, an anchor store at Airport Square, which enabled Costco Wholesale Corporation to expand its store and thereby enhance this retail shopping center's presence in the Reno market. Despite a large increase in retail space in Reno, Airport Square's excellent location and strong anchor stores enabled achievement of a 99% occupancy rate.

The U.S. Mainland leased property portfolio had an average overall occupancy rate of 91%, as compared with 98% for the prior year, due to the vacancy of two large warehouse spaces in City of Industry, CA and Dallas, TX. The City of Industry property is now fully leased.

C. FOOD PRODUCTS

(1) PRODUCTION

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

HC&S is Hawaii's largest producer of raw sugar, producing 216,188 tons of raw sugar in 1998, or 61% of the raw sugar produced in Hawaii, compared with 198,037 tons of raw sugar in 1997. Total Hawaii sugar production, in turn, amounted to approximately five percent of total United States sugar production. HC&S harvested 17,210 acres of sugar cane in 1998, compared with 17,005 acres in 1997. Yields averaged 12.7 tons of sugar per acre in 1998, compared with 11.6 tons per acre in 1997, due to changes in farming and factory practices. The average cost per ton of sugar produced at HC&S, including the cost of power production, was $373.89 in 1998, compared with $446.92 in 1997. The decrease in cost per ton is attributable to the nine percent increase in sugar production and to aggressive cost reduction efforts, including personnel reductions, that had been initiated in January 1998. As a by-product of sugar production, HC&S also produced 80,915 tons of molasses in 1998, compared with 77,960 tons in 1997.

During 1998, Kauai Coffee had approximately 3,800 acres of coffee trees under cultivation. The harvest of the 1998 coffee crop is expected to yield approximately 4.0 million pounds of green coffee, compared with 4.7 million pounds in 1997. The reduction is attributable to fewer acres harvested, due to pruning and to the natural cyclicality of coffee yields.

HC&S and McBryde Sugar Company, Limited ("McBryde"), the parent company of Kauai Coffee, produce electricity for internal use and for sale to the local electric utility companies. HC&S's power is produced by burning bagasse (sugarcane fiber), by hydroelectric power generation and, when necessary, by burning fossil fuels, whereas McBryde produces power solely by hydroelectric generation. The price for the power sold by HC&S and McBryde is equal to the utility companies' "avoided cost" of not producing such power themselves. In addition, HC&S receives a capacity payment to provide a guaranteed power generation capacity to the local utility. In 1998, HC&S sold 72,589 megawatt hours ("MWH") of electric power, and McBryde sold 21,975 MWH. Revenue from the sale of electricity depends on the amount of power produced and sold, as well as the average price of fuel. (See "Energy" below.)

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

(2) SUGAR REFINING; MARKETING OF SUGAR AND COFFEE

Virtually all of the raw sugar produced in Hawaii is purchased, refined and marketed by California and Hawaiian Sugar Company, Inc. ("C&H"). C&H processes the raw cane sugar into a full line of refined sugar products for the grocery market, and a full range of industrial refined sugar products for industrial bakers, confectioners and food processors. C&H is the leading sugar brand in the western United States. Marketing of C&H's refined products is conducted by C&H's sales staff and a network of brokers under exclusive representation agreements. The refined products are marketed primarily in the western and central United States.

C&H's profit margins declined in 1998 as a result of lower selling prices driven by the large 1997/1998 beet sugar crop. The larger crop created an intense period of price competition among beet processors in late 1997, which affected the performance of C&H in 1998. Consumer sugar sales are seasonal in nature and, as a result, C&H's financial results are expected to be better in the third and fourth quarters of each fiscal year, compared with the first two quarters.

C&H has a ten-year supply contract, ending in 2003, with Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative consisting of the three major sugarcane growers in Hawaii (including HC&S), pursuant to which the growers sell their raw sugar to C&H at a price equal to the No. 14 Contract settlement price, less a discount and less costs of sugar vessel discharge and stevedoring. This price becomes a cost to C&H and, after deducting the marketing, operating, distribution, transportation and interest costs of HS&TC, reflects the gross revenue to the Hawaii sugar growers, including HC&S. The No. 14 price is established by, among other things, the supply of and demand for all forms of domestically-produced sweeteners, government policies regarding the U.S. sugar import quota, and potential changes in international trade programs which might affect the U.S. sugar program. There are no minimum supply guarantees on the part of HS&TC. During 1998, the supply contract with HS&TC provided approximately 50% of the raw sugar used by C&H.

On December 24, 1998, A&B completed the recapitalization and partial sale of approximately 60 percent of the equity interest in C&H to an investor group that included Citicorp Venture Capital, Ltd. The transaction will permit A&B to focus better on its core businesses. Beginning in 1999, the results of A&B's remaining equity investment in C&H will be reported in A&B's financial statements as an investment in an affiliate.

At Kauai Coffee, coffee marketing efforts currently are being directed toward developing a market for premium-priced, estate-grown Kauai green coffee. Most of the 1998 coffee crop is being marketed on the U.S. Mainland and in Asia as green (unroasted) coffee. In addition to the sale of green coffee, Kauai Coffee produces and sells a roasted, packaged coffee product in Hawaii under the "Kauai Coffee" trademark.

(3) COMPETITION AND SUGAR LEGISLATION

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

The overall U.S. sweetener market continues to grow. In 1998, domestic consumption of caloric sweeteners comprised the following:

Refined sugar	43%
High fructose corn syrup. .	40%
Other corn sweeteners . . .	16%
Other	1%

TOTAL	100%

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

Worldwide, most sugar is consumed in the country of origin. Only about a quarter of world sugar is involved in international trade. A much smaller amount is traded at the world sugar market price (the other sugar involved in international trade is traded at negotiated prices under bilateral trade agreements). Due to protective legislation, raw cane sugar prices in the U.S. generally are substantially higher than the world price, and the amount of foreign sugar allowed into the U.S. under import quotas is regulated by the U.S. government. Such foreign sugar sells at U.S. domestic prices. As a result, the world sugar price does not have material relevance to U.S. sugar producers and refiners.

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. Congress's most recent renewal of protective legislation for domestic sugar, the Federal Agriculture Improvement and Reform Act (the "1996 Act"), provides a sugar loan program for the 1996 through 2002 crops, with a loan rate (support price) of 18 cents per pound for raw sugar. When the import quota is 1.5 million tons or less, the loans are recourse, meaning the producer is liable for any losses the government incurs in remarketing any sugar forfeited by the producer. When the import quota is greater than 1.5 million tons, the loans are non-recourse, but in the event of forfeiture the producer must pay a one-cent-per-pound penalty for the sugar forfeited to the government. The 1996 Act also eliminated marketing allotments, thereby removing the means of limiting domestic production. The 1.25-million-ton minimum import quota set under the General Agreement on Tariff and Trade ("GATT") is retained in the 1996 Act.

The loan rate represents the value of sugar given as collateral for government price-support loans. The government is required to administer the sugar program at no net cost, and this is accomplished by adjusting fees and quotas for imported sugar to maintain the domestic price at a level that discourages producers from defaulting on loans. The target price established by the government is known as the market stabilization price and is based on the loan rate plus transportation costs, interest and an incentive factor. The market stabilization price was 21.8 cents per pound in 1988-89 and 21.9 cents per pound in 1990-91. No market stabilization price has been announced since 1990-91. The actual U.S. domestic raw sugar price (measured by the closing price of the quoted spot contract) averaged 22.07 cents per pound in 1998, compared with 21.94 cents per pound in 1997. A chronological chart of the average U.S. domestic raw sugar prices, based on the average daily New York Contract #14 price for domestic raw sugar, is shown below:

[The printed document includes a graph of the prices; the data points for this graph are shown below.]

U.S. Raw Sugar Prices
(New York Contract #14)
(Average cents per pound)

	1996	1997	1998
January	22.39	21.88	22.11
February	22.58	21.87	21.79
March	22.57	21.81	21.74
April	22.59	21.73	22.20
May	22.59	21.70	22.28
June	22.49	21.63	22.30
July	21.80	22.04	22.32
August	22.35	22.26	22.30
September	22.38	22.30	22.25
October	22.36	22.25	22.15
November	22.12	21.90	22.03
December	22.10	21.89	21.97

Liberalized international trade agreements, such as the GATT, include provisions relating to agriculture, but these agreements will not affect the U.S. sugar or sweetener industries materially. A "side" agreement that modified the North American Free Trade Agreement ("NAFTA") alleviated some of the cane refiners' and sugar producers' concerns over NAFTA provisions which could have allowed Mexico to export large quantities of sugar to the U.S. starting in three years. Under the side agreement, if Mexico is projected to be a net surplus producer of sugar, i.e., its production of sugar is expected to exceed its consumption of both sugar and high fructose corn syrup, then it is limited to 25,000 tons of sugar exports, in any form, to the U.S. This export ceiling increases to 250,000 tons of sugar in the year 2000, and is eliminated in the year 2007.

(4) PROPERTIES AND WATER

C&H's refining operations are located at Crockett, California. The Crockett refinery is one of the largest in the world, and is the only cane sugar refinery on the U.S. West Coast. It is ideally located next to a deep-water port, a major rail line and an interstate highway. The refinery and administrative offices occupy a complex of buildings that contains approximately 1,310,000 square feet and is located on approximately 55 acres. C&H leases approximately 42 acres from the California State Lands Commission under long-term ground leases, and owns the remaining area. The Lease Agreement with the State of California covering the main refinery and wharf facilities expires in 2022, and the Lease Agreement covering the area where the secondary wastewater treatment facility is located expires in 2024.

The HC&S sugar plantation, the largest in Hawaii, consists of approximately 43,300 acres of land, including 2,000 acres leased from the State of Hawaii and 1,300 acres under lease from private parties. Approximately 36,900 acres are under cultivation, and the balance either is used for contributory purposes, such as roads and plant sites, or is not suitable for cultivation.

McBryde owns approximately 9,500 acres of land on Kauai, of which approximately 2,400 acres are used for watershed and other conservation uses, approximately 3,900 acres are used by Kauai Coffee, and the remaining acreage is leased to various agriculture enterprises for cultivation of a variety of crops and for pasturage.

Large quantities of water are necessary to grow sugar cane and coffee. Because of the importance of water, access to water, reliable sources of supply and efficient irrigation systems are crucial for the successful growing of sugar cane and coffee. A&B's plantations use a "drip" irrigation system that distributes water to the roots through small holes in plastic tubes. Except for 55 acres expected to be converted to drip irrigation by June 1999, all of the cultivated cane land owned by HC&S, a total of 34,378 acres, currently is drip irrigated. All of Kauai Coffee's fields are drip irrigated.

ABHI owns 16,000 acres of watershed lands on Maui which supply a portion of the irrigation water used by HC&S. ABHI also held four water licenses to 38,000 acres owned by the State of Hawaii, which over the years supplied approximately one-third of the irrigation water used by HC&S. The last of these water license agreements expired in 1986, and all four agreements have been extended as revocable permits that are renewable annually. The State Board of Land and Natural Resources has indicated its intention to replace these four permits with long-term licenses. The issuance of such licenses currently is pending a hearing before the Board.

D. EMPLOYEES AND LABOR RELATIONS

As of December 31, 1998, A&B and its subsidiaries had approximately 2,331 regular full-time employees (this figure does not include C&H's regular full-time employees, who numbered 547 as of December 24, 1998, when a majority of the equity interest in C&H was sold). About 1,009 regular full-time employees were engaged in the growing of sugar cane and coffee and the production of raw sugar and green coffee, 1,096 were engaged in ocean transportation, 37 were engaged in property development and management, and the balance was in administration and miscellaneous operations. Approximately 55% were covered by collective bargaining agreements with unions.

As of December 31, 1998, Matson and its subsidiaries had approximately 1,096 regular full-time employees, 289 seagoing employees and 339 casual employees. Approximately 37% of the regular full-time employees, all of the seagoing employees and all of the casual employees were covered by collective bargaining agreements. The casual employees are U.S. Pacific Coast longshore workers who are employed through hiring halls and are not full-time employees of either Matson or Matson Terminals.

Bargaining unit employees of Matson and Matson Terminals, other than seagoing employees, are represented by 10 different unions, and Matson and Matson Terminals are parties to 95 separate collective bargaining agreements. Matson's seagoing employees are represented by six unions. Matson and Matson Terminals are members of the Pacific Maritime Association ("PMA"), and Matson Terminals also is a member of the Hawaii Stevedoring Industry Committee and the Hawaii Employers Council, through which organizations various collective bargaining agreements are negotiated. Matson also is a member of the Maritime Service Committee ("MSC"), which engages in collective bargaining with three unions representing licensed deck, engineer, and radio officers for Matson vessels.

Historically, collective bargaining with the longshore and seagoing unions has been complex and difficult. However, Matson and Matson Terminals consider their respective relations with the International Longshore and Warehouse Union ("ILWU"), other unions, and their non-union employees generally to be satisfactory.

During 1998, collective bargaining agreements with the American Radio Association, the United Brotherhood of Carpenters and Joiners of America in Oakland, and the ILWU Office Clerical union in Los Angeles were renewed for 2-year, 3-year, and 3-year terms, respectively. Collective bargaining agreements with the ILWU on the U.S. Pacific Coast, ILWU longshore workers in Hawaii, ILWU clerical bargaining units in Honolulu and Oakland, and the three unions representing unlicensed crew members are expected to be renewed in 1999 without service interruption.

In January 1997, the Acting Regional Director of the National Labor Relations Board ("NLRB"), in response to the ILWU's petition requesting that it be certified as the bargaining agent for employees who plan and supervise the loading of ships at Seattle, ruled that these Seattle employees are supervisors who are not subject to the National Labor Relations Act. The union's appeal of that ruling to the NLRB in Washington, D.C. is pending.

Matson contributed during 1998 to multi-employer pension plans for vessel crews. If Matson were to withdraw from or significantly reduce its obligation to contribute to one of the plans, Matson would review and evaluate data, actuarial assumptions, calculations and other factors used in determining its withdrawal liability, if any, and, in the event of material disagreement with such determination, would pursue the various means available to it under federal law for the adjustment or removal of its withdrawal liability. Matson Terminals participates in a multi-employer pension plan for its Hawaii longshore employees. For a discussion of withdrawal liabilities under the Hawaii longshore and seagoing plans, see Note 6 to A&B's financial statements on pages 34 and 35 of the 1998 Annual Report, which Note is incorporated herein by reference.

Matson pays, through Matson Terminals on the basis of cargo tons carried, and Matson Terminals contributes as a direct employer, to a multi-employer pension plan for Pacific Coast longshore workers. Under special withdrawal liability rules in the plan, Matson Terminals could cease United States Pacific Coast cargo handling operations permanently and stop making contributions to the plan, without any withdrawal liability.

Bargaining unit employees of HC&S are covered by two collective bargaining agreements with the ILWU. These agreements have been renegotiated and expire January 31, 2000. The collective bargaining agreements covering the three ILWU bargaining units at Kahului Trucking & Storage, Inc. have been renegotiated, with two expiring June 30, 1999 and the third expiring March 31, 2000. The two collective bargaining agreements with Kauai Commercial Company, Incorporated employees represented by the ILWU were renegotiated in 1998 and will expire April 30, 2001. The collective bargaining agreement with the ILWU for the production unit employees of Kauai Coffee has been renegotiated and will expire on December 31, 1999.

The bargaining unit employees of C&H at Crockett, California are represented by the Sugar Workers Union and the ILWU. Contracts covering these employees have been renegotiated and expire May 31, 2003.

E. ENERGY

Matson and Matson Terminals purchase residual fuel oil, lubricants, gasoline and diesel fuel for their operations. Residual fuel oil is by far Matson's largest energy-related expense. In 1998, Matson vessels consumed approximately 2.0 million barrels of residual fuel oil, compared with 2.8 million barrels in 1997.

Residual fuel oil prices paid by Matson started 1998 at $101.50 per metric ton and ended the year at $68.88 per metric ton. A high of $101.50 per metric ton occurred in January, and a low of $55.00 per metric ton occurred in March. Sufficient fuel for Matson's requirements is expected to be available in 1999.

As has been the practice with sugar plantations throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugarcane plant, as a fuel to generate steam for the production of most of the electrical power for sugar milling and irrigation pumping operations. In addition to bagasse, supplemental fuel is required to produce power, principally for pumping irrigation water during the factory shutdown period when bagasse is not being produced. No. 6 (heavy) oil and coal are the primary supplemental fuels used by HC&S. Since 1992, when suppliers of oil to HC&S discontinued regular heavy oil shipments as a result of unlimited liability concerns arising from federal and state environmental laws, heavy oil has been provided to HC&S on a space-available basis. In 1998, HC&S produced 203,755 MWH of electric power and sold 72,589 MWH, compared with 228,279 MWH produced and 85,680 MWH sold in 1997. The reduction in power production was due to the failure of a turbogenerator in 1998. HC&S's oil use decreased to 155,966 barrels in 1998 from the 215,389 barrels used in 1997. Coal use for power generation also decreased, from 50,946 short tons in 1997 to 43,614 short tons in 1998. The decreased use of oil and coal was due primarily to an improvement in the quality (in terms of fuel value) of the bagasse and a decrease in the steam energy requirements for raw sugar production.

In 1998, McBryde produced 34,400 MWH of hydroelectric power, compared with 34,676 MWH of hydroelectric power produced in 1997. Power sales in 1998 amounted to 21,975 MWH, compared with 23,712 MWH sold in 1997.

C&H relies primarily on steam to power its Crockett refinery. Natural gas and electricity also are used, to a lesser extent, for refinery operations. C&H obtains its steam from a 240 MW cogeneration plant, located adjacent to its refinery, that was placed into operation by a third party in May 1996. Pursuant to an agreement between C&H and the third party that expires in 2026, C&H purchases the steam at prices that reflect a discount to the prevailing market price for natural gas, thereby reducing C&H's total energy costs. In 1998, C&H purchased 24,833,949 therms of steam from the cogeneration plant, compared with 23,654,519 therms of steam in 1997.

ITEM 3. LEGAL PROCEEDINGS

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

In February 1992, Pan Ocean Shipping Co., Ltd. ("Pan Ocean") served on Matson an amended complaint alleging that a Matson vessel negligently discharged contaminated ballast water into Los Angeles harbor on January 9, 1991. In that amended complaint, Pan Ocean sought contribution and indemnification for the in-harbor clean-up charges it had incurred as the result of a fuel oil discharge into Los Angeles harbor on January 8, 1991 from a vessel which it owned and operated. In January 1999, the parties settled the matter for an amount covered by insurance.

On September 14, 1998, Matson was served with a complaint filed with the Surface Transportation Board, alleging that Sea-Land Services, Inc., American President Lines, Ltd. and Matson charged unreasonable rates in the Guam trade from January 1991 to the present. Matson did not enter the trade until February of 1996. Matson has filed an answer to the complaint denying that its rates have been unreasonable, and it intends to defend vigorously against the charges in the complaint.

A&B and its subsidiaries are parties to, or may be contingently liable in connection with, other legal actions arising in the normal conduct of their businesses, the outcomes of which, in the opinion of management after consultation with counsel, would not have a material adverse effect on A&B's financial position.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

For the information about executive officers of A&B required to be included in this Part I, see paragraph B of "Directors and Executive Officers of the Registrant" in Part III below, which is incorporated into Part I by reference.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This information is contained in the sections captioned "Common Stock" and "Dividends" on the inside back cover of the 1998 Annual Report, which sections are incorporated herein by reference.

At February 12, 1999, there were 5,088 record holders of A&B common stock. In addition, Cede & Co., which appears as a single record holder, represents the holdings of thousands of beneficial owners of A&B common stock.

ITEM 6. SELECTED FINANCIAL DATA

Information for the years 1988 through 1998 is contained in the comparative table captioned "Eleven-Year Summary of Selected Financial Data" on pages 20 and 21 of the 1998 Annual Report, which information is incorporated herein by reference.

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

A&B's financial statements, including the results of operations discussed herein, are based on the historical-cost method of accounting, in accordance with generally accepted accounting principles. If estimated current costs of property and inventory were applied to reflect the effects of inflation on A&B's businesses, total assets would be higher and net income lower than shown by the historical-cost financial statements. Additional information regarding the fair values of A&B's assets and liabilities is included in Notes 1, 2, and 5 on pages 31 through 34 of the 1998 Annual Report, which Notes are incorporated herein by reference.

Additional information applicable to this Item 7 is contained in the section captioned "Management's Discussion and Analysis" on pages 22 through 25 of the 1998 Annual Report, which section is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A&B, in the normal course of doing business, is exposed to the risks associated with fluctuations in the market value of certain financial instruments. A&B maintains a portfolio of marketable equity securities available for sale, a preferred stock investment in an affiliated company, and an investment in mortgage-backed securities. Details regarding these financial instruments are described in Notes 2 and 5 on pages 32 through 34 of the 1998 Annual Report, which Notes are incorporated herein by reference. A&B believes that, as of December 31, 1998, its exposure to market risk fluctuations for these financial instruments is not material.

A&B also is exposed to changes in U.S. interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. In order to manage its exposure to changes in interest rates, A&B utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. A&B does not hedge its interest rate exposure. The nature and amount of A&B's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions and other factors. The following table summarizes A&B's debt obligations at December 31, 1998, presenting principal cash flows and related interest rates by expected fiscal year of maturity. Variable interest rates represent the weighted-average rates of the portfolio at December 31, 1998. A&B estimates that the carrying value of its debt is not materially different from its fair value. The information presented below should be read in conjunction with Note 7 on page 37 of the 1998 Annual Report, which Note is incorporated herein by reference.

	Expected Fiscal Year of Maturity						
	1999	2000	2001	2002	2003	Thereafter	Total
	(dollars in thousands)						
Fixed rate	$30,533	$17,500	$15,000	$7,500	$7,500	$45,000	$123,033
Average interest rate	7.55%	7.32%	7.26%	7.23%	7.24%	7.27%	
Variable rate	$57,000	--	--	--	--	$163,266	$220,266
Average interest rate	5.5%	--	--	--	--	5.5%	

A&B's sugar plantation, HC&S, has a contract to sell its raw sugar production to HS&TC until 2003. Under that contract, the price paid will fluctuate with the #14 Contract settlement price for domestic raw sugar, less a fixed discount rate. A&B is not exposed to foreign currency exchange rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

This information is contained in the financial statements and accompanying notes on pages 26 through 41 of the 1998 Annual Report, the Independent Auditors' Report on page 18 of the 1998 Annual Report, the Industry Segment Information for the years ended December 31, 1998, 1997 and 1996 appearing on page 19 of the 1998 Annual Report and incorporated into the financial statements by Note 12 thereto, and the section captioned "Quarterly Results (Unaudited)" on page 42 of the 1998 Annual Report, all of which are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A. DIRECTORS

For information about the directors of A&B, see the section captioned "Election of Directors" on pages 2 through 4 of A&B's proxy statement dated March 8, 1999 ("A&B's 1999 Proxy Statement"), which section is incorporated herein by reference.

B. EXECUTIVE OFFICERS OF THE REGISTRANT

The name of each executive officer of A&B (in alphabetical order), age (in parentheses) as of March 31, 1999, and present and prior positions with A&B and business experience for the past five years are given below.

Generally, the term of office of executive officers is at the pleasure of the Board of Directors. For a discussion of compliance with Section 16(a) of the Securities Exchange Act of 1934 by A&B's directors and executive officers, see the subsection captioned "Section 16(a) Beneficial Ownership Reporting Compliance" on page 8 of A&B's 1999 Proxy Statement, which subsection is incorporated herein by reference. For a discussion of severance agreements between A&B and certain of A&B's executive officers, see the subsection captioned "Severance Agreements" on pages 14 and 15 of A&B's 1999 Proxy Statement, which subsection is incorporated herein by reference.

Meredith J. Ching (42)

Vice President (Government & Community Relations) of A&B, 10/92-present; Vice President of ABHI (Government & Community Relations), 10/92-present; first joined A&B or a subsidiary in 1982.

W. Allen Doane (51)

President and Chief Executive Officer of A&B, and Director of A&B and Matson, 10/98-present; Vice Chairman of Matson, 12/98-present; Director of ABHI, 4/97-present; Chief Executive Officer of ABHI, 1/97-present; President of ABHI, 4/95-present; Chief Operating Officer of ABHI, 4/91-12/96; Executive Vice President of ABHI, 4/91-4/95; first joined A&B or a subsidiary in 1991.

Raymond J. Donohue (62)

Senior Vice President of Matson, 4/86-present; Chief Financial Officer of Matson, 2/81-present; first joined Matson in 1980.

John B. Kelley (53)

Vice President (Investor Relations) of A&B, 1/95-present; Vice President (Corporate Planning & Development, Investor Relations) of A&B, 10/92-12/94; Vice President (Community & Investor Relations) of A&B, 2/91-10/92; Vice President of ABHI, 9/89-present; first joined A&B or a subsidiary in 1979.

Miles B. King (51)

Vice President and Chief Administrative Officer of A&B, 4/93-present; Senior Vice President (Industrial Relations) of ABHI, 4/93-1/99; Senior Vice President (Human Resources) of Matson, 10/92-1/99; first joined A&B or a subsidiary in 1992.

Stanley M. Kuriyama (45)

Vice President of A&B, 2/99-present; Executive Vice President of ABHI, 2/99-present; Vice President of ABHI, 1/92-1/99; first joined A&B or a subsidiary in 1992.

Michael J. Marks (60)

Vice President and General Counsel of A&B, 9/80-present; Secretary of A&B, 8/84-1/99; Senior Vice President and General Counsel of ABHI, 4/89-present; first joined A&B or a subsidiary in 1975.

C. Bradley Mulholland (57)

Executive Vice President of A&B, 8/98-present; President of Matson, 5/90-present; Chief Executive Officer of Matson, 4/92-present; Chief Operating Officer of Matson, 7/89-4/92; Director of A&B, 4/91-present; Director of Matson, 7/89-present; Director of ABHI, 4/91-present; first joined Matson in 1965.

Alyson J. Nakamura (33)

Secretary of A&B, 2/99-present; Assistant Secretary of A&B, 6/94-1/98; Secretary of ABHI, 6/94-present; Attorney, Cades Schutte Fleming & Wright, 10/91-5/94.

Robert J. Pfeiffer (79)

Chairman of the Boards of A&B, ABHI and Matson, 7/98-present; President and Chief Executive Officer of A&B, 7/98-10/98; Chairman Emeritus of the Boards of A&B, ABHI, and Matson, 4/95-7/98; Chairman of the Boards of A&B (from 1980 until 1995), ABHI (from 1989 until 1995), and Matson (from 1979 until 1995); previously held other executive positions with A&B and Matson; first joined A&B or a subsidiary in 1956.

Glenn R. Rogers (55)

Executive Vice President of A&B, 7/97-present; Vice President of A&B, 4/93-7/97; Chief Financial Officer and Treasurer of A&B, 4/93-present; Senior Vice President, Chief Financial Officer and Treasurer of ABHI, 1/96-present; first joined A&B or a subsidiary in 1975.

Thomas A. Wellman (40)

Controller of A&B, 1/96-present; Assistant Controller of A&B, 4/93-1/96; Vice President of ABHI, 1/96-present; Controller of ABHI, 11/91-present; first joined A&B or a subsidiary in 1989.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" on pages 8 through 15 of A&B's 1999 Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See the section titled "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" on pages 6 through 8 of A&B's 1999 Proxy Statement, which section and sub-section are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the section titled "Compensation Committee Interlocks and Insider Participation" on pages 17 and 18 of A&B's 1999 Proxy Statement, which section is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. FINANCIAL STATEMENTS

Financial Statements of Alexander & Baldwin, Inc. and Subsidiaries and Independent Auditors' Report (incorporated by reference to the pages of the 1998 Annual Report shown in parentheses below):

Balance Sheets, December 31, 1998 and 1997 (pages 28 and 29).
Statements of Income for the years ended December 31, 1998, 1997 and 1996 (page 26).
Statements of Shareholders' Equity for the years ended December 31, 1998, 1997 and 1996 (page 30).
Statements of Cash Flows for the years ended

December 31, 1998, 1997 and 1996 (page 27).
Notes to Financial Statements (pages 31 through 41 and page 19 to the extent incorporated by Note 12).
Independent Auditors' Report (page 18).

B. FINANCIAL STATEMENT SCHEDULES

Financial Schedules of Alexander & Baldwin, Inc. and Subsidiaries as required by Rule 5-04 of Regulation S-X (filed herewith):

I - Condensed Financial Information of Registrant - Balance Sheets, December 31, 1998 and 1997; Statements of Income and Cash Flows for the years ended December 31, 1998, 1997 and 1996; Notes to Condensed Financial Statements.

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

C. EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-K

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

3. Articles of incorporation and bylaws.

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

3.b. Revised Bylaws of Alexander & Baldwin, Inc. (as Amended Effective June 25, 1998) (Exhibit 3.c.(i) to A&B's Form 10-Q for the quarter ended June 30, 1998).

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

4.a. Equity.

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

4.b. Debt.

4.b. (i) Second Amended and Restated Revolving Credit and Term Loan Agreement, effective as of December 31, 1996, among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and First Hawaiian Bank, Bank of America National Trust & Savings Association, Credit Lyonnais Los Angeles Branch, Bank of Hawaii and The Union Bank of California, N.A. (Exhibit 4.b to A&B's Form 10-K for the year ended December 31, 1996).

(ii) First Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, effective as of December 10, 1997, among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and First Hawaiian Bank, Bank of America National Trust & Savings Association, Credit Lyonnais Los Angeles Branch, Bank of Hawaii, The Union Bank of California, N.A. and The Bank of New York (Exhibit 4.b(ii) to A&B's Form 10-K for the year ended December 31, 1997).

(iii) Second Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, effective as of November 30, 1998, among Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. and First Hawaiian Bank, Bank of America National Trust & Savings Association, Credit Lyonnais Los Angeles Branch, Bank of Hawaii, The Union Bank of California, N.A. and The Bank of New York.

10. Material contracts.

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

(ii) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, effective as of December 20, 1990 (Exhibit 10.b.(ix) to A&B's Form 10-K for the year ended December 31, 1990).

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

(iv) Amendment dated as of May 20, 1994 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xviv) to A&B's Form 10-Q for the quarter ended June 30, 1994).

(v) Amendment dated January 23, 1995 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 (Exhibit 10.a.(xvi) to A&B's Form 10-K for the year ended December 31, 1994).

(vi) Amendment dated as of June 30, 1995 to the Note Agreements, among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(vii) Amendment dated as of November 29, 1995 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1995).

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

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

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

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

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

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

(xiv) Sixth Amendment dated November 30, 1998 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 10, 1993.

(xv) Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.b.(x) to A&B's Form 10-Q for the quarter ended June 30, 1991).

(xvi) Amendment dated March 11, 1992 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.a.(vii) to A&B's Form 10-K for the year ended December 31, 1992).

(xvii) Second Amendment dated as of August 31, 1993 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of June 28, 1991 (Exhibit 10.a.(viii) to A&B's Form 10-K for the year ended December 31, 1993).

(xviii) Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of March 11, 1992 (Exhibit 10.a.(x) to A&B's Form 10-Q for the quarter ended March 31, 1992).

(xix) First Amendment dated as of August 1, 1993 to the Note Agreement between Matson Leasing Company, Inc. and The Prudential Insurance Company of America, dated as of March 11, 1992 (Exhibit 10.a.(xi) to A&B's Form 10-K for the year ended December 31, 1993).

(xx)(a) Assignment and Assumption Agreement dated as of June 30, 1995, among Matson Leasing Company, Inc., Matson Navigation Company, Inc. and The Prudential Insurance Company of America, with respect to the Note Agreements between Matson Leasing Company, Inc. and The Prudential Insurance Company of America dated as of June 28, 1991 and March 11, 1992 (Exhibit 10.a.(xxviii)(a) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(xx)(b) Consent and Amendment Agreement dated as of June 30, 1995, among Matson Leasing Company, Inc., Matson Navigation Company, Inc. and The Prudential Insurance Company of America, with respect to the Note Agreements between Matson Leasing Company, Inc. and The Prudential Insurance Company of America dated as of June 28, 1991 and March 11, 1992 (Exhibit 10.a.(xxviii)(b) to A&B's Form 10-Q for the quarter ended June 30, 1995).

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

(xxii) First Amendment, dated as of February 5, 1999, to the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996.

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

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

(xxv) Pro forma financial information relative to the trans-
actions (Exhibit 10.a.1.(xxxviii) to A&B's Form 8-K dated December 24, 1998).

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

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

(iii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan, effective as of January 27, 1994 (Exhibit 10.b.1.(iv) to A&B's Form 10-Q for the quarter ended March 31, 1994).

(iv) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan, effective as of October 27, 1994 (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 1994).

(v) Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.c.1.(x) to A&B's Form 10-K for the year ended December 31, 1988).

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

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

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

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

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

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

(xi) Second Amended and Restated Employment Agreement between Alexander & Baldwin, Inc. and R. J. Pfeiffer, effective as of October 25, 1990 (Ex-hibit 10.c.1.(xiii) to A&B's Form 10-K for the year ended December 31, 1990).

(xii) Employment Agreement between Alexander & Baldwin, Inc. and Robert J. Pfeiffer, dated as of July 27, 1998 (Exhibit 10.b.1.(xli) to A&B's Form 10-Q for the quarter ended September 30, 1998).

(xiii) Amendment, dated as of October 22, 1998, to Employment Agreement between Alexander & Baldwin, Inc. and Robert J. Pfeiffer, dated as of July 27, 1998.

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

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

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

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

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

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

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

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

(xxii) Amendment No. 5 to the A&B Excess Benefits Plan, dated December 9, 1998.

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

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

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

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

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

(xxviii) Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 22, 1991 (Exhibit 10.c.1.(xxiv) to A&B's Form 10-Q for the quarter ended September 30, 1991).

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

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

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

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

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

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

(xxxv) Amendment No. 1 to the Alexander & Baldwin, Inc. Restricted

Stock Bonus Plan, effective December 11, 1997 (Exhibit 10.b.1.(ii) to A&B's Form 10-K for the year ended December 31, 1997).

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

11. Statement re computation of per share earnings.

13. Annual report to security holders.

13. Alexander & Baldwin, Inc. 1998 Annual Report.

21. Subsidiaries.

21. Alexander & Baldwin, Inc. Subsidiaries as of February 28, 1999.

23. Consent of Deloitte & Touche LLP dated March 26, 1999 (included as last page of A&B's Form 10-K for the year ended December 31, 1998).

27. Financial data schedule.

D. REPORTS ON FORM 8-K

A report on Form 8-K, dated December 24, 1998, was filed on January 8, 1999 to report, under Item 2 thereof, the consummation of a recapitalization of California and Hawaiian Sugar Company, Inc. a wholly-owned indirect subsidiary of A&B, in a transaction involving the participation of an investor group that included Citicorp Venture Capital, Ltd.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEXANDER & BALDWIN, INC.
(Registrant)

Date: March 26, 1999

By /s/ W. Allen Doane
W. Allen Doane, President and Chief Executive Officer and Director

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

SIGNATURE	TITLE	DATE
/s/ W. Allen Doane W. Allen Doane	President and Chief Executive Officer and Director	March 26, 1999
/s/ Glenn R. Rogers Glenn R. Rogers	Executive Vice President, Chief Financial Officer and Treasurer	March 26, 1999
/s/ Thomas A. Wellman Thomas A. Wellman	Controller	March 26, 1999
/s/ R. J. Pfeiffer R. J. Pfeiffer	Chairman of the Board and Director	March 26, 1999
/s/ Michael J. Chun Michael J. Chun	Director	March 26, 1999
/s/ John C. Couch John C. Couch	Director	March 26, 1999
/s/ Leo E. Denlea, Jr. Leo E. Denlea, Jr.	Director	March 26, 1999
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Director	March 26, 1999
/s/ Charles G. King Charles G. King	Director	March 26, 1999
/s/ Carson R. McKissick Carson R. McKissick	Director	March 26, 1999
/s/ C. Bradley Mulholland C. Bradley Mulholland	Director	March 26, 1999
/s/ Lynn M. Sedway Lynn M. Sedway	Director	March 26, 1999
/s/ Maryanna G. Shaw Maryanna G. Shaw	Director	March 26, 1999
/s/ Charles M. Stockholm Charles M. Stockholm	Director	March 26, 1999

INDEPENDENT AUDITORS' REPORT

Alexander & Baldwin, Inc.:

We have audited the financial statements of Alexander & Baldwin, Inc. and its subsidiaries as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, and have issued our report thereon dated January 28, 1999; such financial statements and report are included in your 1998 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedules of Alexander & Baldwin, Inc. and its subsidiaries, listed in Item 14.B. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

January 28, 1999

ALEXANDER & BALDWIN, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997
(In thousands)

	1998	1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 885	$ -
Income tax receivable	-	2,480
Accounts and notes receivable, net	220	760
Prepaid expenses and other	1,262	1,090
Total current assets	2,367	4,330
Investments:		
Subsidiaries consolidated, at equity	602,368	619,963
Other	115,144	101,624
Total investments	717,512	721,587
Property, at Cost	94,052	91,873
Less accumulated depreciation and amortization	11,536	10,629
Property -- net	82,516	81,244
Other Assets	549	701
Total	$ 802,944	$ 807,862
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank overdraft	$ -	$ 936
Accounts payable	493	359
Other	4,730	4,123
Total current liabilities	5,223	5,418
Long-term Liabilities	7,649	6,355
Due to Subsidiaries	35,486	22,306
Deferred Income Taxes	59,944	54,195
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	36,098	36,769
Additional capital	51,946	49,437
Unrealized holding gains on securities	63,329	55,144
Retained earnings	555,820	591,135
Cost of treasury stock	(12,551)	(12,897)
Total shareholders' equity	694,642	719,588
Total	$ 802,944	$ 807,862

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(In thousands)

	1998	1997	1996
Revenue:			
Net revenue from goods and services	$ 20,708	$ 17,784	$ 18,449
Interest, dividends and other	3,958	4,510	3,961
Total revenue	24,666	22,294	22,410
Costs and Expenses:			
Cost of goods and services	11,390	10,013	4,331
Selling, general and administrative	9,303	7,055	7,331
Interest and other	774	872	1,019
Income taxes	462	239	3,008
Total costs and expenses	21,929	18,179	15,689
Income Before Equity in Net Income of Subsidiaries Consolidated	2,737	4,115	6,721
Equity in Net Income of Subsidiaries Consolidated	22,405	77,272	58,564
Net Income	25,142	81,387	65,285
Unrealized holding gains on securities (Net of income taxes of $5,337 in 1998, $3,977 in 1997 and $3,961 in 1996)	8,185	6,939	8,375
Comprehensive Income	$ 33,327	$ 88,326	$ 73,660

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(In thousands)

	1998	1997	1996
Cash Flows from Operations	$ 9,664	$ 25,495	$ (5,892)
Cash Flows from Investing Activities:			
Capital expenditures	(1,437)	(4,002)	(353)
Proceeds from sale of investments	-	-	10,182
Dividends received from subsidiaries	40,000	50,000	50,000
Net cash provided by investing activities	38,563	45,998	59,829
Cash Flows from Financing Activities:			
Increase (decrease) in due to subsidiaries	13,180	(18,171)	(13,328)
Payments of long-term debt	-	-	(850)
Proceeds from issuances of capital stock	1,575	2,132	1,291
Repurchases of capital stock	(20,838)	(16,585)	(1,250)
Dividends paid	(40,323)	(39,789)	(39,860)
Net cash used in financing activities	(46,406)	(72,413)	(53,997)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	1,821	(920)	(60)
Balance, beginning of year	(936)	(16)	44
Balance, end of year	$ 885	$ (936)	$ (16)
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 263	$ 197	$ 152
Income taxes paid, net of refunds	34,672	29,775	26,360
Other Non-cash Information:			
Depreciation	2,396	1,019	2,604

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
NOTES TO CONDENSED FINANCIAL STATEMENTS

(a) ORGANIZATION AND OPERATIONS

Alexander & Baldwin, Inc. is the parent company of A&B-Hawaii, Inc. (ABHI) and Matson Navigation Company, Inc. (Matson). ABHI has principal business operations of Food Products and Property Development and Management. Matson's principal business operation is Ocean Transportation.

On December 24, 1998, ABHI sold a majority of its equity in a subsidiary (California and Hawaiian Sugar Company, Inc. "C&H") to an investor group. ABHI received approximately $45,000,000 in cash, after the repayment of certain C&H indebtedness, $25,000,000 in senior preferred stock, $9,600,000 in junior preferred stock, and retained an approximately 36 percent common stock interest in the recapitalized C&H.

(b) INVESTMENTS

Subsidiaries consolidated, at equity consisted of ABHI and Matson at December 31, 1998 and 1997.

Investments - other consisted principally of marketable equity securities at December 31, 1998 and 1997.

(c) LONG-TERM LIABILITIES

At December 31, 1998 and 1997, long-term liabilities of $7,649,000 and $6,355,000, respectively, consisted principally of deferred compensation and executive benefit plans.

(d) COMMITMENTS AND CONTINGENCIES

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

At December 31, 1998, the Company did not have any significant firm commitments.

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Agreement") is made effective as of the 30 day of November, 1998, by and among ALEXANDER & BALDWIN, INC., a Hawaii corporation (the "Parent"), a Hawaii corporation, A&B-HAWAII, INC., a Hawaii corporation ("A&B-Hawaii") (the Parent and A&B-Hawaii are hereinafter referred to jointly and severally as the "Borrowers" and individually as a "Borrower"), the banks (herein called, individually, a "Bank" and, collectively, the "Banks") from time to time party to that certain Second Amended and Restated Revolving Credit and Term Loan Agreement, dated as of December 31, 1996, (the "Credit Agreement") and FIRST HAWAIIAN BANK, a Hawaii corporation, as agent for the Banks (the "Agent").

I. BACKGROUND.

A. All capitalized terms used herein shall have the meanings set forth in the Credit Agreement except as otherwise expressly provided herein.

B. The Banks other than The Bank of New York extended a revolving credit facility with a term loan feature to the Borrowers pursuant to the terms and conditions of the Credit Agreement.

C. The Banks and the Borrowers entered into the First Amendment to the Credit Agreement, dated as of December 10, 1997 (the "First Amendment"), pursuant to which The Bank of New York became a Bank under the Credit Agreement.

D. The Banks which shall have a Commitment hereunder from and after the date hereof are set forth on Schedule I attached hereto and Union Bank of California, N.A. shall not have any Commitment hereunder from and after the date hereof.

E. The parties hereto intend that any outstanding Eurodollar Loan(s) and CD Loan(s) be repaid and/or reallocated in such a manner as to avoid prepayment before the expiration of their current Eurodollar Interest Period and CD Interest Period, as applicable, and that after repayment of any outstanding Loans from Union Bank of California, N.A. that Union Bank of California, N.A. shall not be a party to the Credit Agreement or be a "Bank" thereunder.

F. The parties hereto have agreed to amend the Credit Agreement to (i) extend the Revolving Termination Date, (ii) specify the Revolving Commitments of the Banks as set forth on Schedule I attached hereto, and (iii) amend Sections 1.3, 1.6, and 7.1 A(ii) of the Credit Agreement as set forth herein.

G. The Banks are willing to so amend the Credit Agreement in accordance with the terms and conditions of this Agreement.

II. AGREEMENTS.

In consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

A. <u>Termination Date</u>. The definition of "<u>Termination Date</u>" in Subsection 9.1 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

> "<u>Termination Date</u>": shall mean November 30, 2000, or the date to which such date is extended from time to time as provided in Section 1.1 B hereof.

B. <u>Schedule I</u>. Schedule I to the Credit Agreement, as heretofore replaced by Schedule I to the First Amendment is hereby deleted and replaced with Schedule I attached hereto. From and after the date hereof, Union Bank of California, N.A. shall not have any Commitment under the Credit Agreement.

C. <u>Reallocation of Existing Loans and Repayment of Union Bank of California, N.A.</u>

1. If on the date hereof there shall be any outstanding Prime Loans, on the date hereof with respect to each such Loan, as conditions to the effectiveness of this Agreement:

(a) Not later than 8:00 am, Hawaii time, the Agent shall advise each Bank of such Bank's Proportional Share of such outstanding Loans determined in accordance with the Commitments set forth on Schedule I attached hereto (the "Revised Proportional Share") and the amount by which such Bank's Revised Proportional Share exceeds or is less than such Bank's Proportional Share determined in accordance with the Commitments set forth on Schedule I to the First Amendment (the "Former Proportional Share").

(b) To the extent that any Bank's Revised Proportional Share exceeds such Bank's Former Proportional Share, such Bank shall, not later than 10:00 am, Hawaii time, provide to the Agent at its office specified in Section 12.4 of the Credit Agreement, immediately available funds in Dollars such amount together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

(c) To the extent that any Bank's Former Proportional Share exceeds such Bank's Revised Proportional Share, the Agent shall, not later than 12:00 noon, Hawaii time, provide to such Bank immediately available funds in Dollars in such amount together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

(d) The Agent shall, not later than 12:00 noon, Hawaii time, provide to Union Bank of California, N.A., the outstanding principal amount of its Proportional Share of such Loan(s) with immediately available funds in Dollars together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

2. If on the date hereof there shall be any outstanding CD Loans or Eurodollar Loans, each such outstanding CD Loan and Eurodollar Loan shall remain in effect until the expiration date(s) of the current related Eurodollar Interest Period(s) or CD Interest Period(s), as applicable. If the Borrowers have elected pursuant to Section 1.7 B. of the Credit Agreement to extend such Loan(s), such outstanding Loan(s) shall be reallocated and repaid in the manner specified in subsections (a) through (d) below. Any such Loan(s) converted to a Prime Loan pursuant to said Section 1.7 B. shall be reallocated and repaid in the manner specified in Subsections (a) through (d) of Section II. D. 1.,

above, on the last day of the relevant CD Interest Period or Eurodollar Interest Period.

(a) Not later than 8:00 am, Hawaii time, on the second Business Domestic Day or Eurodollar Business Day, as applicable, prior to the last day of the relevant CD Interest Period or Eurodollar Interest Period, the Agent shall advise each Bank of such Bank's Revised Proportional Share of such outstanding Loan and the amount by which such Bank's Revised Proportional Share exceeds or is less than such Bank's Former Proportional Share.

(b) To the extent that any Bank's Revised Proportional Share exceeds such Bank's Former Proportional Share, such Bank shall, not later than 10:00 am, Hawaii time, on the last day of such CD Interest Period or Eurodollar Interest Period provide to the Agent at its office specified in Section 12.4 of the Credit Agreement, immediately available funds in Dollars such amount together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

(c) To the extent that any Bank's Former Proportional Share exceeds such Bank's Revised Proportional Share, the Agent shall, not later than 12:00 noon, Hawaii time, on the last day of such CD Interest Period or Eurodollar Interest Period, provide to such Bank immediately available funds in Dollars in such amount together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

(d) The Agent shall, not later than 12:00 noon, Hawaii time, on the last day of such CD Interest Period or Eurodollar Interest Period, provide to Union Bank of California, N.A., the outstanding principal amount of its Proportional Share of such Loan(s) with immediately available funds in Dollars together with any accrued but unpaid interest on such amount determined in accordance with the Credit Agreement.

3. On the date on which Union Bank of California, N.A. shall have received repayment in full of all Loans made by Union Bank of California, N.A. and any other amounts payable to or on account of Union Bank of California, N.A., Union Bank of California, N.A. shall cease to be a party to the Credit Agreement, shall cease for all purposes to be a Bank hereunder and Union Bank of California, N.A. shall return to the Agent for cancellation by the Borrowers the Revolving Credit Note, dated April 1, 1989, in the amount of fifteen million dollars ($15,000,000.00).

D. <u>Facility Fee.</u>

1. Subsection 1.3 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Section 1.3 <u>Fee for Revolving Credit Commitment.</u> The Borrowers agree to pay the Agent, for distribution to the Banks ratably according to their respective Commitments, a facility fee computed on the basis of the actual number of days elapsed and a 365-day year, payable from time to time at the rate of one-eighth of one percent (0.125%) per annum on the full amount of each Bank's Commitment. The facility fee shall be determined at the aforesaid rate from the date of the Second Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement to and including the Termination Date. Except as otherwise provided in Section 1.4 below, the facility fee will be payable quarterly in arrears not later than the fifteenth day of each January, April, July and October, for the quarter ending on the last day of the previous month commencing April 15, 1998."

2. The term "Commitment Fee" as it appears in the Credit Agreement is hereby amended in each instance to "Facility Fee".

E. <u>Term Notes.</u>

(a) Subsection 1.6 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Section 1.6 <u>Term Notes.</u> The obligation of the Borrowers to repay the amount of their Term Loan to each Bank shall be evidenced by a promissory note of the Borrowers (a "Term Note," and collectively, the "Term Notes"), in substantially the form of Exhibit B hereto, with appropriate insertions, dated the date of such Term Loan, which shall bear interest on the unpaid principal amount of each installment thereof at the rate provided in Section 1.7, and shall be payable in twelve substantially equal quarterly installments, each equal to one-twelfth of the original principal balances of such Term Note, on the last Business Day of September, December, March and June of each year commencing the first such day after the date of the Term Note, all as set forth in such Term Note; provided, however, that the twelfth such installment shall be in an amount sufficient to repay in full the unpaid principal amount thereof."

(b) The form of the Term Note attached as Exhibit B to the Credit Agreement is hereby amended by the deletion of the word "twenty" in the first paragraph thereof and its replacement with the word "twelve".

F. <u>Financial Covenants.</u> Subsection 7.1A (ii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

(ii) Notwithstanding the provisions of Section 7.1 A (i), the Parent's Consolidated Tangible Net Worth may decline below the amount then permitted under Section 7.1 A (i), but in no event more than $125,000,000 below such amount, in an amount equal to the aggregate consideration paid by the Parent to its shareholders to repurchase shares of its capital stock as permitted by Section 7.8 B hereof; <u>provided</u>, that if Consolidated Tangible Net Worth has already declined by $125,000,000 below such amount, it may decline by up to an additional $1,000,000 as a result of such repurchases permitted under the second sentence of the second paragraph of Section 7.8 B hereof."

G. <u>Confirmation of Warranties and Covenants; No Event of Default.</u> All of the continuing warranties of the Borrowers contained in the Credit Agreement, are hereby confirmed and reaffirmed by the Borrowers as being true, valid and correct as of the date of this Agreement. The Borrowers represent and warrant that no Event of Default exists as of the date of this Agreement.

H. <u>No Defenses.</u> The Borrowers acknowledge that the neither of them has any offsets, counterclaims, deductions, or defenses to payment or performance of its duties and obligations under the Credit Agreement.

I. <u>Full Force and Effect.</u> The provisions of the Credit Agreement and of the First Amendment are hereby amended to conform with this Agreement, and in the event of any conflict between the provisions of this Agreement and the provisions of the Credit Agreement or of the First Amendment, the provisions of this Agreement shall control; but in all other respects, the provisions of the Credit Agreement and of the First Amendment shall continue in full force and effect.

J. Rights of the Banks. This Agreement is made on the express condition that nothing contained herein shall in any way be construed as affecting, impairing, or waiving any rights of the Banks under the Credit Agreement.

K. Bind and Inure. This Agreement shall be binding upon and inure to the benefit of the Banks, the Borrowers and their respective successors and assigns.

L. Applicable Law, Severability. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California. If any provision of this Agreement is held to be invalid or unenforceable, the validity or enforceability of the other provisions shall remain unaffected.

M. Paragraph Headings. The headings of paragraphs in this Agreement are inserted only for convenience and shall in no way define, describe, or limit the scope or intent of any provision of this Agreement.

N. Counterparts and Facsimile Signatures. The parties to this Agreement agree that this Agreement may be executed in counterparts, each of which shall be deemed an original, and said counterparts shall together constitute one and the same agreement, binding all of the parties hereto, notwithstanding all of the parties are not signatory to the original or the same counterparts. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. For all purposes, including, without limitation, recordation and delivery of this Agreement, duplicate unexecuted and unacknowledged pages of the counterparts may be discarded and the remaining pages assembled as one document. The submission of a signature page transmitted by facsimile telecopy (or similar electronic transmission facility) shall be fully binding and in full effect for all purposes under this Agreement. In such event, original signature pages shall be delivered within a reasonable time and substituted for the facsimile signature pages in the counterpart copies upon receipt.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ALEXANDER & BALDWIN, INC.

By /s/ Thomas A. Wellman
Its Controller & Assistant Treasurer

By /s/ G. R. Rogers
Its Exec. Vice President, Chief Financial Officer & Treasurer

FIRST HAWAIIAN BANK

By /s/ Adolph F. Chang
Its Vice President

As a "Bank" and as "Agent"

BANK OF AMERICAN NATIONAL TRUST AND SAVINGS ASSOCIATION

By /s/ James P. Johnson
Its Managing Director

As a "Bank" and as "Co-Agent"

A&B-HAWAII, INC.

By /s/ Thomas A. Wellman
Its Vice President & Asst. Treasurer

By /s/ G. R. Rogers
Its Sr. Vice President, Chief Financial Officer & Treasurer

"Borrowers"

BANK OF HAWAII

By /s/ Robert M. Wheeler III
Its Vice President

As a "Bank"

THE BANK OF NEW YORK

By /s/ Elizabeth T. Ying
Its Vice President

As a "Bank"

UNION BANK OF CALIFORNIA, N.A.

By /s/ Susan D. Biba
Its Vice President

As a "Departing Bank"

SCHEDULE I

	Commitments
First Hawaiian Bank	$ 45,000,000
Bank of America National Trust and Savings Association	45,000,000
Bank of Hawaii	30,000,000
The Bank of New York	20,000,000
TOTAL:	$140,000,000

SIXTH AMENDMENT TO GRID NOTE

THIS AMENDMENT TO GRID NOTE executed this 30th day of November, 1998, and effective as of the first day of December 1998, by and between ALEXANDER & BALDWIN, INC., a Hawaii corporation, and A&B-HAWAII, INC., a Hawaii corporation, hereinafter collectively called the "Maker", and FIRST HAWAIIAN BANK, a Hawaii corporation, hereinafter called the "Bank";

WITNESSETH THAT;

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

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

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

WHEREAS, the Maker and the Bank subsequently entered into that Third Amendment to Grid Note dated November 17, 1995, whereby the Note was extended to November 30, 1996; and

WHEREAS, the Maker and the Bank subsequently entered into that Fourth Amendment to Grid Note dated November 25, 1996, whereby the Note was extended to November 30, 1997; and

WHEREAS, the Maker and the Bank subsequently entered into that Fifth Amendment to Grid Note dated November 28, 1997, whereby the Note was extended to November 30, 1998; and

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

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

1. THE NOTE, AS AMENDED SHALL BE AND HEREBY IS FURTHER AMENDED TO PROVIDE THAT ALL UNPAID PRINCIPAL AND ACCRUED BUT UNPAID INTEREST SHALL BE DUE AND PAYABLE ON NOVEMBER 30, 1999, UNLESS SOONER DUE AS OTHERWISE PROVIDED IN THE NOTE, AS AMENDED.

2. PAYMENTS TO THE ORDER OF THE BANK SHALL BE MADE AT THE OFFICE AT 999 BISHOP STREET, HONOLULU, HAWAII

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

IN WITNESS WHEREOF, this Sixth Amendment to Grid Note is executed by the undersigned parties as of this 30th day of November, 1998.

ALEXANDER & BALDWIN, INC., a Hawaii Corporation	FIRST HAWAIIAN BANK, a Hawaii Corporation
By: /s/ Thomas A. Wellman Its: Controller & Asst. Treasurer	By: /s/ Adolph F. Chang Its: Vice President
By: /s/ G. R. Rogers Its: Exec. VP, CFO & Treasurer	

A&B-HAWAII, INC.,
a Hawaii Corporation

By: /s/ Thomas A. Wellman
Its: VP, Controller & Asst. Treasurer

By: /s/ G. R. Rogers
Its: Senior VP, CFO & Treasurer

February 5, 1999

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

Re: First Amendment to Private Shelf Agreement

Gentlemen:

Reference is made to the Private Shelf Agreement (the "Agreement") dated as of August 2, 1996 between Alexander & Baldwin, Inc. and A&B-Hawaii, Inc. (collectively, the "Companies"), on the one hand, and The Prudential Insurance Company of America ("Prudential") and each Prudential Affiliate (as defined in the Agreement) which may become bound by certain provisions of the Agreement, on the other hand.

Pursuant to the request of the Companies and paragraph 11C, Prudential and the Companies hereby agree that the Agreement shall be amended as follows:

1. Paragraph 1 is amended by deleting the reference therein to "$50 million" and substituting therefor a reference to "$65 million".

2. Paragraph 2B(2)(i) is amended by deleting clause (i) appearing therein in its entirety and substituting therefor a reference to "March 1, 2002".

3. Paragraph 2B(2)(ii) is amended by deleting the existing text thereof in its entirety and substituting therefor the words "intentionally omitted".

4. Paragraph 2B(5) is amended by deleting the reference therein to "30 minutes" and substituting a reference to "5 minutes".

5. Paragraph 2B(8)(ii) is amended by deleting the phrase "prior to January 1, 1997" and substituting therefor the phrase "after March 1, 1999 and prior to March 1, 2000".

6. Clause (ii) of paragraph 3A is amended by adding the following phrase immediately after the word "Agreement" appearing in the second line of text thereof: ", the first amendment to this Agreement".

7. Paragraph 3D is amended by deleting the reference therein to "Regulation G" and substituting therefor a reference to "Regulation U".

8. Paragraph 6B(6) is amended by deleting the existing test of clause (iii) in its entirety and substituting therefor the words "intentionally omitted".

9. Paragraph 6B(9) is amended by deleting the existing text of clause (i) thereof in its entirety and substituting therefor the words "intentionally omitted".

10. Paragraph 8I is amended by (i) deleting each reference therein to "Regulation G" and substituting in each case a reference to "Regulation U" and (ii) deleting the reference therein to "12 CFR Part 207" and substituting therefor a reference to "12 CFR Part 221".

11. The defined term "Prudential Affiliate" appearing in paragraph 10B is amended and restated in its entirety as follows:

    "PRUDENTIAL AFFILIATE" shall mean (i) any Person which, directly or indirectly, controls, is controlled by, or is under common control with, Prudential and (ii) any investment fund which is managed by Prudential or a Prudential Affiliate described in clause (i) of this definition.

The Companies and Prudential hereby acknowledge and agree that the current Available Facility Amount (as such term is defined in the Agreement) is $50 million.

The foregoing amendments to the Agreement shall be effective as of March 1, 1999 upon Prudential's receipt of (i) an original counterpart of this letter agreement as executed on behalf of each of the Companies and (ii) a check of either of the Companies in the amount of $35,000 in payment of Prudential's processing fee. Both such conditions must be satisfied on or before March 1, 1999.

Sincerely,

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: /s/ Stephen J. DeMartini
Its: Vice President

Accepted and agreed:	Accepted and agreed:
ALEXANDER & BALDWIN, INC.	A&B-HAWAII, INC.
By: /s/ G. R. Rogers	By: /s/ G. R. Rogers
Title: Executive Vice President and Chief Financial Officer	Title: Senior Vice President and Chief Financial Officer

AMENDMENT TO EMPLOYMENT AGREEMENT

AMENDMENT (this "Amendment"), dated as of October 22, 1998, to the Employment Agreement (the "Employment Agreement") by and between Alexander &Baldwin, Inc., a Hawaii corporation ("A&B"), and Robert J. Pfeiffer (the "Executive"), dated as of July 27, 1998.

WHEREAS, effective July 27,1998, A&B and the Executive entered into the Employment Agreement which provided, among other things, for the Executive to serve as Chairman of the Board, President and Chief Executive Officer of A&B, and as Chairman of the Boards of Directors of A&B's principal subsidiaries, Matson Navigation Company, Inc. ("Matson"), A&B-Hawaii, Inc. ("ABHI"), California and Hawaiian Sugar Company, Inc. ("C&H") and A&B Properties, Inc. ("A&B Properties"); and

WHEREAS, among the Executive's goals in entering into the Employment Agreement were the mentoring of senior executives of A&B and its subsidiaries and working with the Board of Directors of A&B (the "Board") to identify a successor Chief Executive Officer in the event that John C. Couch was unable to return to his prior positions as Chairman of the Board, President and Chief Executive Officer of A&B; and

WHEREAS, on October 22, 1998, the Board, acting, with the assistance of the Executive, appointed a successor President and Chief Executive Officer of A&B; and

WHEREAS, in light of the fact that the Executive, on October 22, 1998, voluntarily relinquished the positions of President and Chief Executive Officer of A&B and Chairman of the Board of Directors of A&B Properties, while continuing to serve as Chairman of the Boards of Directors of A&B, Matson, ABHI and C&H, A&B and the Executive desire to amend the Employment Agreement in certain respects.

NOW, THEREFORE, A&B and the Executive agree to amend the Employment Agreement as follows:

1. Position and Duties. (a) Section 2(b) of the Employment Agreement is hereby amended by deleting subsection (i) thereof in its entirety and inserting in lieu thereof the following:

> "(i) During the Term, the Executive shall serve as Chairman of the Board of A&B, and he shall have such duties and responsibilities consistent with such position as may be assigned to him from time to time by the Board. Among such duties and responsibilities shall be the mentoring of senior executives of A&B and its subsidiaries. During the Term, the Executive shall also serve as Chairman of the Boards of Directors of Matson, ABHI and C&H (for so long as A&B shall hold a controlling interest in C&H)."

(b) Section 2(b) of the Employment Agreement is hereby amended by deleting from subsection (ii) thereof the first sentence and inserting in lieu thereof the following:

> "During the Term and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote such attention and time during normal business hours as shall be reasonably necessary to perform his duties hereunder."

2. Miscellaneous. (a) This Amendment constitutes a written amendment to the Employment Agreement executed by the parties thereto as contemplated by Section 7(a) of the Employment Agreement.

(b) The captions of this Amendment are not part of the provisions hereof and shall have no force or effect.

(c) This Amendment shall be governed by and construed in accordance with the laws of the State of Hawaii, without reference to principles of conflicts of laws.

(d) This Amendment may be executed in counterparts, each of which together shall constitute one and the same instrument.

3. Full Force and Effect. The Employment Agreement, as amended by this Amendment, shall remain in full force and effect. In addition, as provided in Section 2(a) of the Employment Agreement, all of the Executive's and A&B's rights and obligations under the Second Amended and Restated Employment Agreement dated as of October 25, 1990 between the Executive and A&B shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment has been duly executed by A&B and the Executive on this 10th day of December, 1998, effective as of October 22, 1998.

ALEXANDER & BALDWIN, INC.

By: /s/ Charles M. Stockholm
Name: Charles M. Stockholm
Title: Chairman, Compensation and Stock Option Committee

/s/ Robert J. Pfeiffer
ROBERT J. PFEIFFER

A&B EXCESS BENEFITS PLAN

Amendment No. 5

The A&B Excess Benefits Plan (the "Plan"), as amended and restated effective February 1, 1995, is hereby amended, effective as of and contingent upon the closing of the transactions contemplated by the Amended and Restated Asset Purchase Agreement dated as of December ___, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited, and Sugar Acquisition Corporation, and the Amended and Restated Stock Sale Agreement dated as of December ___, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd., as follows:

1. Section 4.01(d) is hereby amended in its entirety to read as follows:

"(d) <u>SELECT BENEFITS PROVIDED TO RETIRED FORMER EMPLOYEES OF CALIFORNIA AND HAWAIIAN SUGAR COMPANY.</u>

(1) Prior to the closing of the transactions contemplated by the Asset Purchase Agreement by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited, and Sugar Acquisition Corporation, and the Stock Sale Agreement by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (the "Closing Date"), all other provisions of the Plan notwithstanding, the retired former employees of California and Hawaiian Sugar Company who are listed in Appendix B of this Plan shall be eligible to receive the benefits shown in Appendix B, and no other benefits shall be paid to such retired former employees under the provisions of this Plan. Payment of these benefits shall be according to the terms shown in Appendix B, and no other provisions of this Plan shall affect the amount or the form of payment of these benefits.

(2) As of the Closing Date, all other provisions of this Plan notwithstanding, the obligation of this Plan to pay any benefit shown in Appendix B to the retired former employees of California and Hawaiian Sugar Company, Inc. listed in Appendix B shall cease, and the obligation to pay such benefits, with respect to any period on and after such date, is assumed by Sugar Acquisition Company."

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Amendment to be executed on its behalf by its duly authorized officers on this 9th day of December, 1998.

ALEXANDER & BALDWIN, INC.

By /s/ Miles B. King
Its Vice President

By /s/ Alyson J. Nakamura
Its Assistant Secretary

EXHIBIT 11

ALEXANDER & BALDWIN, INC.
COMPUTATION OF EARNINGS PER SHARE
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(In thousands, except per share amounts)

	1998	1997	1996
Basic Earnings Per Share			
Net income	$ 25,142	$ 81,387	$ 65,285
Average number of shares outstanding	44,760	45,182	45,303
Basic earnings per share	$ 0.56	$ 1.80	$ 1.44
Diluted Earnings Per Share			
Net income	$ 25,142	$ 81,387	$ 65,285
Average number of shares outstanding	44,760	45,182	45,303
Effect of assumed exercise of outstanding stock options	75	127	72
Average number of shares outstanding after assumed exercise of outstanding stock options	44,835	45,309	45,375
Diluted earnings per share	$ 0.56	$ 1.80	$ 1.44

ALEXANDER & BALDWIN, INC. 1998 ANNUAL REPORT

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[ON COVER Viewed from 15,000 feet, and looking toward the island of Hawaii, the sun rises on a new day. Peaking through the clouds are the summits of Haleakala (foreground), Mauna Loa (left center), Mauna Kea (right center) and Hualalai (far right).]

FINANCIAL HIGHLIGHTS

	1998	1997	CHANGE
REVENUE	$ 1,311,620,000	$ 1,275,445,000	3%
"CORE" EARNINGS*	$ 59,735,000	$ 68,909,000	-13%
PER SHARE	$ 1.33	$ 1.53	-13%
NET INCOME	$ 25,142,000	$ 81,387,000	-69%
PER SHARE	$ 0.56	$ 1.80	-69%
CASH DIVIDENDS	$ 40,323,000	$ 39,789,000	1%
PER SHARE	$ 0.90	$ 0.88	2%
AVERAGE SHARES OUTSTANDING	44,760,000	45,182,000	-1%
TOTAL ASSETS	$ 1,605,640,000	$ 1,704,798,000	-6%
SHAREHOLDERS' EQUITY	$ 694,642,000	$ 719,588,000	-3%
PER SHARE	$ 15.78	$ 16.03	-2%
RETURN ON BEGINNING SHAREHOLDERS' EQUITY	3.5%	11.9%	--
DEBT/DEBT + EQUITY	0.33	0.32	--
EMPLOYEES	2,331	2,930	-20%

* "Core" Earnings exclude all one-time benefits and charges.

ALEXANDER & BALDWIN CORPORATE PROFILE

Alexander & Baldwin, Inc. is a diversified corporation with most of its operations centered in Hawaii. Its principal businesses are:
PROPERTY DEVELOPMENT & MANAGEMENT - Developing real property, primarily in Hawaii\Selling residential and commercial property\Managing a portfolio of commercial/industrial properties
OCEAN TRANSPORTATION - Carrying freight, primarily between Pacific Coast ports, Hawaii ports and Guam\Conducting related shoreside operations\Arranging domestic intermodal transportation
FOOD PRODUCTS - Growing sugar cane and producing raw sugar\Growing, marketing and distributing coffee
A&B was founded in 1870 and incorporated in 1900. Alexander & Baldwin's corporate headquarters are located in Honolulu, Hawaii. Its common stock is traded on the NASDAQ Stock MarketSM under the symbol ALEX.

OPERATING PROFIT BY SEGMENT
(In Thousands)

93	94	95	96	97	98
$147,788	$141,729	$100,125	$150,883	$147,928	$134,618

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS
Alexander & Baldwin's earnings for 1998 can be summarized in one word - disappointing. Before discussing 1998, let us assure you that we are taking actions to improve earnings in 1999 and in future years. A&B has great potential, and we are committed to realizing it.

1998 PERFORMANCE - The 1998 earnings results should be placed in context. Before one-time items, earnings per share amounted to $1.33, which was 13-percent below the $1.53 earned in 1997. There was a one-time gain of 28 cents per share in 1997 from an insurance settlement. In 1998, there were three one-time charges that totaled 77 cents per share. These charges included the loss on the partial sale of California and Hawaiian Sugar Company, our sugarcane refiner; the write-down of a real estate project; and the recognition of a liability for future workers' compensation assessments as a result of a new accounting directive. But, to reiterate the major issue, earnings from our core operating businesses did decline 13 percent in 1998.

Matson, which comprises the ocean transportation segment of the Company, experienced an 18-percent decrease in profit, again excluding one-time items. The decrease was due to the continued weakness of Hawaii's economy, along with stiffer competition. The food products segment dropped 21 percent from 1997, principally because of reduced profitability at C&H. Partially offsetting these two negatives was a strong 17-percent improvement in our property development and management business, and a much better performance in the agricultural portion of our food products segment.

BUSINESS DIRECTION

OCEAN TRANSPORTATION - The first and foremost priority is to increase Matson's profit. Matson must become more cost-competitive. We took a major step in this direction last fall by reducing the number of ships serving the Hawaii trade. Matson has retained its leading position in the Hawaii trade even after cutting costs by eliminating excess capacity. But this action, in and of itself, is not sufficient to return Matson to an acceptable level of performance. Other actions, large and small, either are under way or are under consideration.

SALE OF C&H - As 1998 ended, we accomplished the recapitalization of C&H and sold a 60-percent equity interest to an investor group that included Citicorp Venture Capital, Ltd. Divesting a majority interest in C&H was a significant step, because we will be able to concentrate now on developing more productive uses for A&B's capital.

[Photo Caption: Maui Marketplace is the retail anchor of A&B's Maui Business Park development. Ultimately, Maui Business Park will comprise nearly 240 acres. Development of this well-located project still is at an early stage. To date, a 42-acre portion of the first phase has been completed.]

Among the challenges faced by the Company during 1998 was the announcement in late July that its Chairman, President and Chief Executive Officer, John C. Couch, was taking a medical leave of absence. At the request of the A&B Board of Directors, R. J. Pfeiffer accepted the appointment as A&B Chairman of the Board, President and Chief Executive Officer. Mr. Pfeiffer previously served as Chairman at A&B from 1980 to 1995. During the late '70s, the '80s, and early '90s, Mr. Pfeiffer also served as A&B's President and Chief Executive Officer. Subsequently, on October 22, 1998, the Board appointed W. Allen Doane President and Chief Executive Officer, with Mr. Pfeiffer remaining as Chairman of the Board. At the time of publication of this report, Mr. Couch continues his treatment.

REAL ESTATE - Our property development and management business continues to perform strongly in spite of extremely weak conditions in the Hawaii real estate market. The majority of A&B Properties' earnings are still derived from Hawaii, and we are pleased with how well this business has performed year-in and year-out for more than a decade. In 1998, there were $82 million of property sales and $97 million of acquisitions. These acquisitions comprised seven properties on the Mainland and in Hawaii. The challenge here is to take a strong business and to grow it more aggressively. We made progress in this direction during 1998, and plan continued growth for 1999.

REAL ESTATE ENTITLEMENTS - The Company owns over 90,000 acres in Hawaii. We are working to increase the value of these substantial holdings by moving land through Hawaii's complex entitlement process. Note that the Company's Hawaii landholdings are recorded on the balance sheet at historical cost, which averages approximately $150 an acre. From the standpoint of potential value creation, our Maui landholdings of 69,000 acres could not be located better. Ranked as the number one island travel destination in the world, Maui has a bright future. We are accelerating our efforts to realize increased value from the Company's landholdings. Nearly 3,000 acres in Hawaii either are fully entitled and available for development, or proceeding through the entitlement process.

AGRIBUSINESS - Recovering from a difficult 1997, Hawaiian Commercial & Sugar Company, our sugar-growing business on Maui, was able to increase its yields significantly and lower its unit production costs. This success increases our confidence that HC&S indeed will have a long-term future as a grower of sugar cane.

FUTURE VALUE - A&B possesses a number of inherent strengths that we can use to build future value.

OCEAN TRANSPORTATION - Matson has a strong and stable market position in Hawaii as a result of its excellent service. Matson carries more than two-thirds of Hawaii's freight. Its shipping network is almost irreplaceable. The current economic malaise in Hawaii, however, makes it imperative for Matson to reduce its cost structure.

REAL ESTATE - Property Development and Management has provided a highly reliable source of earnings, despite Hawaii's economic problems. There is a good ability to grow the business and to continue to capitalize on the Company's highly valuable Hawaii landholdings.

FINANCIAL POSITION - Our financial position is favorable, with a debt-to-capital ratio of 33 percent and consistently positive free cash flow. The key will be finding investment opportunities, especially in real estate, that provide assurance of returns above A&B's cost of capital. We are committed to making such capital allocations in the interest of our shareholders.

HAWAII - The state and its economy are at a low ebb--a condition compounded by the recent financial problems in Asia. While no immediate turnaround is expected, ultimately, we expect that the economy will recover, and A&B's businesses will benefit as a result.

During 1998, A&B was able to increase its dividend modestly, from 88 cents per share to 90 cents, and to repurchase almost one million shares of A&B stock. Seventy percent of these shares were repurchased in the fourth quarter of 1998.

While work continues on the long-term issues, management recognizes that improvement in performance must be demonstrated in the short term. 1999 will be a start. As noted at the beginning of this letter, we are committed to taking the necessary operating and strategic actions to realize the Company's potential. We cannot wait for the Hawaii economy to improve. When it does, though, it only will add to the benefits realized from actions the Company already is taking to improve earnings. We will keep you informed of our progress.

A&B has employees who are extraordinarily capable, talented and dedicated to our Company's success. We are convinced that, as a team, we have the capability to achieve at a much higher level. Going forward, we are confident that the Company's goals will be realized.

The Board of Directors deserves special acknowledgment this year for its active and valued role in helping A&B deal with the many challenges it faced. We extend a warm welcome to Lynn M. Sedway, the newest independent member of the Board. Her broad experience has added to the Board's strength. We continue to wish John Couch well on his extended medical leave. We are pleased to report that his health has improved, and that the prospects for his recovery remain good.

Finally, we thank you, our shareholders, for your continuing commitment to and belief in A&B.

/s/ R. J. Pfeiffer	/s/ W. Allen Doane
Chairman of the Board	President and Chief Executive Officer

February 19, 1999

REAL ESTATE

A&B strives to put its land to the highest and best use that is consistent with community needs. At year-end 1998, the Company owned a total of about 93,000 acres. Of these, about 1,380 acres were fully zoned for urban use. At least one step in the value-adding entitlement process has been completed for an additional 1,600 acres, and about 8,900 acres have long-term urban-use potential. Most of the remaining acreage will be in agricultural use for many years.

ENTITLEMENTS - In March 1998, the Maui County Council gave final approval to an update of the community plan for the Kihei-Makena region. Included in the update were 650 acres of A&B-owned land at Maalaea designated as a master-planned community. In 1999, the Company will seek approval to have approximately 170 acres included in the Wailuku-Kahului Community Plan as light industrial/commercial property. It also will seek approval for other properties to be included under residential and industrial designations.

A&B'S LANDHOLDINGS BY CATEGORY

	HAWAII				MAINLAND	TOTAL
(In acres, rounded)	MAUI	KAUAI	OAHU	TOTAL		
Fully Entitled Urban	340	810	40	1,190	190	1,380
Agric./Pasture/Misc.	52,700	8,100	-	60,800	1,900	62,700
Conservation	16,000	13,000	-	29,000	-	29,000
TOTAL	69,040	21,910	40	90,990	2,090	93,080
Designated Urban	1,300	300	-	1,600	-	1,600
Urban Potential	5,400	3,500	-	8,900	-	8,900

In October 1998, the State Land Use Commission granted an urban designation to a 200-unit single-family subdivision on 45 acres at Haliimaile, Maui. Subsequently, an application for the appropriate zoning change was filed with the County. A Land Use Commission decision is expected in 1999 on a proposal for 400 residential units on 110 acres at Spreckelsville, Maui.

Plans to lengthen the runway of Maui's principal airport advanced during 1998, with approval by the Governor and federal authorities of environmental filings. The airport is in the immediate vicinity of A&B's Maui Business Park development, and is near several other Company landholdings.

The State Land Use Commission also gave an urban designation to an additional 77 acres of A&B's 1,045-acre Kukui'Ula development on Kauai. The project's urban lands now total 837 acres. This 77-acre portion of the project is proposed for hotel and time-share development.

SALES AND DEVELOPMENT - In June 1998, the Company sold a 246,000-square-foot research and office complex in Cupertino, Calif. The proceeds from this large sale were combined with proceeds from other property sales and reinvested, on a tax-deferred basis, in a total of six income-producing properties. The six properties comprised 776,200 square feet of leasable space and were purchased for $89 million.

[Photo caption: When a product is "virtually irresistible," it will sell well. Haiku Makai, a large-lot, agricultural subdivision developed by A&B on the scenic North Shore of Maui, enjoyed high demand and rapid sales in 1998.]

[Photo Caption: Located on the striking leeward coast of Kauai, A&B's Kukui'Ula project is near Poipu Beach. Construction associated with its first residential parcel - called Koloa Estates - began in November 1998.]

A&B also acquired a 40-acre, industrial property on Oahu in November 1998 for $8 million. Construction of the first 23 lots at this property - the Mill Town Center - commenced in November 1998. Lot sales began early in the first quarter of 1999.

[Photo caption: Sacramento is sharing in California's rapid economic expansion. A&B acquired this 98,800-square-foot office building during 1998.]

[Photo caption: During 1998, A&B used tax-deferred funds to acquire six properties on the U.S. mainland. This attractive 167,500-square-foot office building, called San Pedro Plaza, located in San Antonio, Texas, is one of the properties acquired.]

A&B's HAWAII RESIDENTIAL PROJECT STATUS

PROJECT	TOTAL UNITS	AVAILABLE IN 1997	SOLD IN 1997	AVAILABLE IN 1998	SOLD IN 1998	AVAILABLE IN 1999
Ku'au Bayview	92	62	35	27	19	8
Kahului Ikena	102	50	17	33	13	20
Haiku Makai	28	-	-	28	25	3
Kauhikoa Hill Ranch	9	9	1	8	6	2
Koloa Estates	30	-	-	-	-	30

At A&B's Maui Business Park, the developer of the 300,000-square-foot Maui Marketplace Shopping Center purchased the remaining fee interest in the land underlying the Marketplace in mid-1998. Another large lot nearby was sold earlier in the year. The 19 remaining lots in phase IA of Maui Business Park, totaling about 10 net salable acres, continue to be marketed actively.

On Maui, grading, roads and utility installations were completed in May 1998 for Haiku Makai, a 28-lot agricultural subdivision. Haiku Makai enjoyed rapid sales. Twenty-five of the 28 lots in the project were sold between May and year-end, at an average sales price of $201,000 per lot. In the 92-lot Ku'au Bayview single-family development, 84 of the homes had been sold by year-end 1998. The 19 sales in 1998 averaged $240,000 per unit. At the Kahului Ikena condominium project, 82 of 102 units have been sold. The prices of the 13 units sold in 1998 averaged $139,000 per unit.

On Kauai, construction began in August 1998 at Koloa Estates, the initial residential project at Kukui'Ula. There are 30 residential lots and two church sites in the 28-acre project. Sales are scheduled to begin in May 1999.

PROPERTY MANAGEMENT

MAINLAND PORTFOLIO - At year-end 1998, A&B's portfolio of 16 properties in six Western states consisted of 2.7 million square feet of leasable space. Occupancies averaged 91 percent throughout 1998.

HAWAII PORTFOLIO - The Hawaii commercial-property portfolio consisted of 839,000 square feet of leasable space, plus ground leases of 286 acres for commercial uses and 11,600 acres for agricultural uses. During 1998, lease rates continued to be very competitive, due to the lackluster Hawaii economy. Occupancy of the commercial properties averaged 68 percent.

PROPERTY DEVELOPMENT & MANAGEMENT

OUTLOOK - Operating profit from property leasing is forecast to improve in

1999, primarily due to the new leased properties added during 1998. Residential and commercial developments likely will continue to sell steadily, but slowly, in 1999. Sales of developed properties deemed to be fully valued also will continue. The Company will consider accelerating the development of Maui Business Park in response to interest in potential multi-lot projects at phases IA and IB of the development. The Company also will continue to pursue entitlements of land-holdings as well as investment opportunities in income and development properties.

TRANSPORTATION

HAWAII SERVICE - The core business of Matson Navigation Company, Inc. (Matson) is its Hawaii service. Last year was the eighth consecutive year of slow economic growth in Hawaii. During this period, marked declines have occurred in certain industries - construction foremost among them - that normally provide Matson with substantial volume. Matson's cargo volume declined in 1998 because of this economic weakness, and also because of increased competition, especially from a barge competitor that operated temporarily during the seasonal peak period for movements of household goods.

To match fleet capacity with cargo volume better, Matson implemented a major service change in mid-September 1998, reducing the number of vessels serving Hawaii from eight to six. The change was intended to cut costs without a corresponding reduction in service quality. Although the number of vessel arrivals in Honolulu has been reduced from four per week to three, Matson still has 156 Hawaii round-trip voyages per year - 50 percent more than its closest competitor.

In recognition of the weak economic conditions in Hawaii, Matson did not take an across-the-board increase in its Hawaii service rates during 1998. Also, as bunker fuel prices moderated, an existing fuel surcharge was reduced from 1.75 percent to 1.5 percent, effective January 15, 1998. It was reduced again to 1.0 percent, effective March 15, and then was eliminated on September 6.

In mid-December 1998, the Company announced that it would increase rates by 2.5 percent, effective February 14, 1999, in order to offset cost increases and to support necessary capital investments.

GUAM SERVICE - Matson and American President Lines, Ltd. (APL) renegotiated the terms of their transpacific operating alliance late in 1997, and implemented the resulting new vessel schedules in January 1998. The new alliance agreement produced the benefits projected for both Matson and APL, and also resulted in better service to Guam customers. Matson now offers the only direct service from the U.S. mainland to Guam, with transit times reduced from 13 to 10 days.

During 1998, Guam's economic growth continued to moderate, affected by many of the same Asian economic factors that affected Hawaii. Although construction activity benefited from rebuilding after Typhoon Paka, which struck Guam in December 1997, the overall amount of cargo declined somewhat in 1998.

HAWAII CARGO VOLUME

	1998	1997	1996
Freight (Units)	143,400	149,700	152,100
Automobiles	73,700	78,600	83,100

HAWAII SERVICE
FREIGHT (units)

93	94	95	96	97	98
171,600	173,300	157,200	152,100	149,700	143,400

[Photo caption: A "Day in the Life" of the Matson fleet. S.S. Lurline is shown inbound to Honolulu, with Diamond Head in the background. The ship carries a vast array of cargo, from highly perishable food products to automobiles.]

HAWAII SERVICE
AUTOMOBILES

93	94	95	96	97	98
109,400	116,600	107,100	83,100	78,600	73,700

[Photo caption: Guam is another island community served by Matson. In early 1998, a change in Matson's operating alliance with APL allowed the start of direct, non-stop service to Guam from the U.S. West Coast.]

[Photo caption: Trade growth and solid customer service have combined to propel Matson Intermodal's volume and revenue higher. Nationwide overland transportation needs of outside customers and of Matson are fulfilled economically and efficiently by this Matson subsidiary.]

[Photo caption: Matson's newest business is Matson Logistics Solutions. Its role is to handle highly specialized transportation needs, such as this observatory mirror destined for a new telescope atop Mauna Kea.]

PACIFIC COAST SERVICE (PCS) - During 1998, Matson's West Coast shuttle vessel made 51 voyages, connecting the ports of Los Angeles, Seattle and Vancouver, B.C. Customer support for the five-year-old service continues to grow. However, the number of empty containers moved, to reposition them for transpacific ocean carriers, declined substantially - the direct result of changes in trade flows to and from Asia. The PCS made a modest contribution to Matson's profitability during 1998.

MID-PACIFIC SERVICE - Matson's container-barge service to Johnston Island, Majuro, Ebeye and Kwajalein experienced modestly lower volume in 1998 than in 1997. Lower freight rates also unfavorably affected the results for this service.

MATSON INTERMODAL SYSTEM, INC. - Management of the transportation function continues to gain greater recognition for its role in adding value, especially in businesses where reliability and immediate response are critical competitive factors. Matson has capitalized on this trend through Matson Intermodal, its overland transportation subsidiary. In 1998, Matson Intermodal's annual revenue exceeded $100 million and it was named one of the top 10 intermodal marketing companies in the U.S. Matson Intermodal manages overland transportation for Matson's shipping customers, as well as for more than a dozen ocean shipping companies. As Matson increases its participation in the U.S. domestic shipping trades, substantial opportunities are expected to arise for Matson Intermodal and Matson to serve the same customers with a greater variety of services.

MATSON LOGISTICS SOLUTIONS, INC. - Matson's newest subsidiary, Matson Logistics Solutions, Inc. was formed in early 1998 to provide project logistics, construction logistics and supply-chain-management services to customers.

MATSON TERMINALS, INC. (MTI) - MTI is the stevedore for Matson and outside customers at Matson-operated container terminals. In 1998, as part of a

Companywide effort to increase productivity and lower costs, Matson's container terminal in Oakland, Calif. converted its primary method of container handling from straddle carriers to yard tractors.

TRANSPORTATION OUTLOOK - The performance of this segment is expected to improve in 1999, as the operation of a smaller fleet and other initiatives reduce costs in the Hawaii service. Labor contracts with the longshore union on the Pacific Coast expire at midyear. The employer group, of which Matson is a member, anticipates that negotiations will be concluded without any work stoppage. Results in 1999 also will benefit from the revised alliance with APL and from the charter of two previously idle vessels in a new service from Florida to Puerto Rico. During 1998, Matson concluded that, with appropriate maintenance and selective improvements, its present fleet would be suitable for at least 10 more years of service. Capital investments, therefore, should be relatively modest in 1999.

FOOD PRODUCTS

RAW SUGAR PRODUCTION - Hawaiian Commercial & Sugar Company (HC&S), located on Maui, is Hawaii's largest producer of raw cane sugar, with 61 percent of the state's 1998 crop. HC&S made significant progress during 1998, increasing raw sugar yields and lowering unit costs. Changes in farming and factory practices improved raw sugar yields from a disappointing 11.6 tons sugar per acre in 1997 to 12.7 in 1998. Total production - 216,200 tons of raw sugar - was the second highest this decade. Contributing to the lower costs was a January 1998 reorganization that eliminated about six percent of HC&S's nearly 1,000 employees.

COFFEE PRODUCTION AND MARKETING - Kauai Coffee Company, Inc. is the largest coffee grower in the United States, producing over half of the coffee grown in Hawaii. Green (unroasted) coffee production in 1998 was about four million pounds, down somewhat from 1997's record harvest. The reduced output was due to scheduled pruning of maturing coffee trees and normal biennial yield fluctuation. Kauai Coffee continues to broaden its customer base by emphasizing product quality and building consumer awareness of Kauai's distinctiveness as a coffee-producing region. Although coffee operations do not yet contribute to operating profit, the results are improving steadily.

POWER, TRUCKING - The Company's hydroelectric plants on Maui and Kauai, as well as cogeneration units at its sugar mills on Maui, continue to generate surplus electricity, which is sold to the local public utilities. During 1998, a total of 95,000 megawatt-hours (MWH) were sold, compared with 109,000 MWH in 1997. The reduction was due to increased use of electric power by the Company to irrigate its crops during periods of low rainfall, and to the catastrophic failure of a generating unit. The Company also has trucking operations on both Maui and Kauai that support its agricultural operations and serve independent customers in each community.

SUGAR REFINING AND MARKETING - California and Hawaiian Sugar Company, Inc. (C&H), the only raw cane sugar refiner in the western United States, produces about eight percent of the national supply of refined sugar.

Through most of 1998, margins in the cane sugar refining industry were lower than in 1997. Supplies of beet sugar were higher during the year, and supplies of raw cane sugar were relatively scarce, due to a low sugar import quota. On the positive side, at mid-year 1998, two principal labor contracts were renegotiated successfully for five-year terms without any work interruption.

In December 1998, the Company recapitalized C&H and sold approximately 60 percent of its equity to an investor group that included Citicorp Venture Capital, Ltd. In 1999 and thereafter, the pretax income of A&B's remaining equity investment in C&H will be reported as an investment in an affiliate, under the heading "Food Products."

FOOD PRODUCTS OUTLOOK - Because of the recent improvements in yields and costs, HC&S should continue to make a greater contribution to consolidated results in 1999 and thereafter. Kauai Coffee should continue its progress toward profitability. Even without the contribution from C&H, food products still represents a business with about $100 million in annual sales and operating margins between five and seven percent. A&B's share of total C&H results will reflect its lower ownership, but total C&H results are projected to improve modestly over those of 1998.

[Photo caption: If you cannot come to Kauai, and you don't use www.kauaicoffee.com, then one of the best ways to buy Kauai Coffee is at Trader Joe's.]

[Photo caption: It's a long way from the field to the sugar bowl. The trip begins when these 37,000 lush, green acres are harvested and the sugar cane is milled in one of HC&S's two factories.]

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MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

Management has prepared and is responsible for the Company's consolidated financial statements and related notes. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates made by management. All financial information in this Annual Report is consistent with these financial statements.

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

The Company's financial statements have been audited by independent auditors who have expressed their opinion with respect to the fairness, in all material aspects, of the presentation of financial position, results of operations and cash flows under generally accepted accounting principles (see Independent Auditors' Report on page 18).

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

/s/ R. J. Pfeiffer	/s/ W. Allen Doane
R. J. Pfeiffer	W. Allen Doane
Chairman of the Board	President and Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALEXANDER & BALDWIN, INC.:

We have audited the accompanying balance sheets of Alexander & Baldwin, Inc. and its subsidiaries as of December 31, 1998 and 1997, and the related statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998 (pages 19 and 26 to 41). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, in 1998 the Company changed its method of accounting for assessments from a second injury workers' compensation fund.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Honolulu, Hawaii
January 28, 1999

INDUSTRY SEGMENT INFORMATION (In thousands)

For the Year	1998	1997	1996	1995	1994
REVENUE:					
Ocean transportation	$ 722,744	$ 692,689	$ 661,586	$ 593,807	$ 604,754
Property development and management:					
Leasing	37,955	37,148	35,916	34,073	33,387
Sales	82,382	35,916	31,909	25,835	60,767
Food products	465,661	486,912	506,909	377,082	441,209
Other	2,878	2,815	3,490	2,796	3,916
Total revenue	$1,311,620	$1,255,480	$1,239,810	$1,033,593	$1,144,033
OPERATING PROFIT:					
Ocean transportation	$ 66,298	$ 80,385	$ 81,618	$ 87,769	$ 97,319
Property development and management:					
Leasing	22,634	24,559	23,875	23,063	23,163
Sales	21,663	13,262	15,307	14,497	18,522
Food products	21,327	27,083	26,863	(27,797)	(418)
Other	2,696	2,639	3,220	2,593	3,143
Total operating profit	134,618	147,928	150,883	100,125	141,729
Insurance settlement	--	19,965	--	--	--
Write-down of real estate assets	(20,216)	--	--	--	--
Loss on partial sale of subsidiary	(19,756)	--	--	--	--
Interest expense, net	(24,799)	(28,936)	(34,081)	(33,429)	(27,702)
General corporate expenses	(14,552)	(11,745)	(12,769)	(14,742)	(17,396)
Income from continuing operations before income taxes and accounting change	$ 55,295	$ 127,212	$ 104,033	$ 51,954	$ 96,631
IDENTIFIABLE ASSETS:					
Ocean transportation	$ 898,277	$ 930,636	$1,005,741	$ 997,230	$ 853,933
Property development and management	338,090	317,622	312,829	297,927	271,073
Food products	261,712	382,109	386,986	413,675	399,717
Other	107,561	74,431	90,559	92,405	87,362
Assets of continuing operations	1,605,640	1,704,798	1,796,115	1,801,237	1,612,085
Discontinued operations - container leasing	--	--	--	--	313,690
Total assets	$1,605,640	$1,704,798	$1,796,115	$1,801,237	$1,925,775
CAPITAL EXPENDITURES:					
Ocean transportation	$ 60,403	$ 20,828	$ 171,110	$ 46,872	$ 29,676
Property development and management*	118,552	30,790	7,275	48,890	15,709
Food products	18,237	18,806	12,058	13,650	18,665
DEPRECIATION AND AMORTIZATION:					
Ocean transportation	$ 61,543	$ 62,192	$ 62,055	$ 57,619	$ 55,663
Property development and management	6,357	6,281	6,214	5,561	5,246
Food products	20,086	19,538	20,144	20,390	21,340

*Including tax-deferred property purchases.

See Notes 2 and 4 for discussion of the partial sale of California and Hawaiian Sugar Company, Inc. and the write-down of real estate assets in 1998.

Eleven-Year Summary of Selected Financial Data
(Dollars and shares in thousands, except per-share amounts)
Alexander & Baldwin Inc. and Subsidiaries

	1998	1997	1996	1995	1994	1993
Annual Operations:						
Net sales and other operating revenue	$1,311,620	$1,275,445	$1,239,810	$1,033,593	$1,144,033	$ 923,804
Deduct:						
Cost of goods sold and operating expenses	1,143,026	1,030,739	1,012,745	863,083	935,663	716,562
Depreciation and amortization	88,500	88,558	88,951	85,127	84,037	78,318
Interest expense	24,799	28,936	34,081	33,429	27,702	28,802
Income taxes	24,352	45,825	38,748	19,535	32,652	41,386
Income from continuing operations	30,943	81,387	65,285	32,419	63,979	58,736
Income (loss) from discontinued operations	-	-	-	23,336	10,629	8,253
Cumulative effect of change in accounting principle	(5,801)	-	-	-	-	-
Net income	$ 25,142	$ 81,387	$ 65,285	$ 55,755	$ 74,608	$ 66,989
Comprehensive income	$ 33,327	$ 88,326	$ 73,660	$ 66,512	$ 70,031	-
Basic and diluted Earnings per Share from continuing operations	$0.69	$1.80	$1.44	$0.72	$1.39	$1.27
Return on beginning equity	3.5%	11.9%	10.0%	8.8%	12.7%	12.0%
Cash dividends per share	$ 0.90	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88
Average number of shares outstanding	44,760	45,182	45,303	45,492	46,059	46,338
Gross profit percentage	17.4%	20.6%	20.0%	20.2%	21.2%	24.9%
Effective income tax rate	45.4%	36.0%	37.3%	37.6%	33.8%	41.3%
Market price range per share:						
High	$ 31.125	$ 29.375	$ 29.250	$ 25.500	$ 28.250	$ 28.000
Low	18.813	24.375	22.500	20.500	21.250	22.500
Close	23.250	27.313	25.000	23.000	22.250	26.750
At Year End:						
Shareholders of record	5,125	5,481	5,881	6,357	6,729	7,056
Shares outstanding	44,028	44,881	45,339	45,280	45,691	46,404
Shareholders' equity	$ 694,642	$ 719,588	$ 684,328	$ 649,678	$ 632,614	$ 587,006

Per-share	15.78	16.03	15.09	14.35	13.85	12.65
Total assets	1,605,640	1,704,798	1,796,115	1,801,237	1,925,775	1,904,742
Working capital	67,113	114,806	95,579	84,399	58,392	64,884
Cash and cash equivalents	86,818	21,623	23,824	32,150	8,987	32,295
Real estate developments-noncurrent	57,690	68,056	70,144	56,104	66,371	54,919
Investments	159,068	102,813	91,602	82,246	64,913	17,449
Capital Construction Fund	143,303	148,610	178,616	317,212	176,044	175,194
Long-term debt and capital lease obligations-noncurrent	255,766	292,885	357,657	404,575	554,879	620,885
Current ratio	1.4 to 1	1.7 to 1	1.4 to 1	1.4 to 1	1.3 to 1	1.3 to 1
Capital stock price/earnings ratio at December 31	41.5 to 1	15.2 to 1	17.4 to 1	18.7 to 1	13.7 to 1	18.5 to 1

All share and per-share amounts reflect the 2-for-1 stock split in 1988.

Eleven-Year Summary of Selected Financial Data, Continued
(Dollars and shares in thousands, except per-share amounts)
Alexander & Baldwin Inc. and Subsidiaries

	1992	1991	1990	1989	1988
Annual Operations:					
Net sales and other operating revenue	$ 703,948	$ 715,984	$ 747,550	$ 845,936	$ 701,908
Deduct:					
Cost of goods sold and operating expenses	538,627	497,106	491,241	458,677	447,703
Depreciation and amortization	69,769	67,999	60,995	53,822	47,531
Interest expense	23,881	24,575	29,602	26,965	27,406
Income taxes	19,044	42,359	58,820	107,461	61,535
Income from continuing operations	52,627	83,945	106,892	199,011	117,733
Income (loss) from discontinued operations	7,878	4,861	1,075	(310)	-
Cumulative effect of change in accounting principle	(41,551)	-	-	-	-
Net income	$ 18,954	$ 88,806	$ 107,967	$ 198,701	$ 117,733
Comprehensive income	-	-	-	-	-
Basic and diluted Earnings per Share from continuing operations	$1.14	$1.82	$2.32	$4.30	$2.35
Return on beginning equity	3.3%	16.7%	23.5%	45.2%	31.7%
Cash dividends per share	$ 0.88	$ 0.88	$ 0.86	$ 0.80	$ 0.77
Average number of shares outstanding	46,294	46,213	46,133	46,326	50,079
Gross profit percentage	29.1%	31.9%	36.0%	48.5%	38.8%
Effective income tax rate	26.6%	33.5%	35.5%	35.1%	34.3%
Market price range per share:					
High	$ 30.500	$ 29.500	$ 38.000	$ 39.500	$ 36.750
Low	21.500	21.000	19.000	31.250	20.875
Close	24.750	28.250	22.250	37.500	31.500
At Year End:					
Shareholders of record	7,507	7,749	7,860	7,650	7,201
Shares outstanding	46,333	46,229	46,201	46,096	50,099
Shareholders' equity	$ 559,099	$ 578,669	$ 530,298	$ 459,712	$ 439,729
Per-share	12.07	12.52	11.48	9.97	8.78
Total assets	1,676,635	1,547,648	1,364,165	1,141,671	1,070,483
Working capital	40,013	23,195	55,340	33,906	35,974
Cash and cash equivalents	20,827	18,675	47,351	23,389	22,794
Real estate developments-noncurrent	50,977	36,362	14,156	-	-
Investments	28,733	24,535	23,679	10,558	113,626
Capital Construction Fund	264,435	271,874	266,256	285,515	276,625
Long-term debt and capital lease obligations-noncurrent	609,776	521,996	402,243	292,195	275,021
Current ratio	1.4 to 1	1.2 to 1	1.5 to 1	1.4 to 1	1.4 to 1
Capital stock price/earnings ratio at December 31	60.4 to 1	14.7 to 1	9.5 to 1	8.7 to 1	13.4 to 1

All share and per-share amounts reflect the 2-for-1 stock split in 1988.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

CONSOLIDATED EARNINGS

Net income in 1998 was $25,142,000, or $0.56 per share, versus $81,387,000, or $1.80 per share, in 1997. Net income in 1998 was reduced by three one-time factors. First, the recapitalization and partial sale of a subsidiary, California and Hawaiian Sugar Company, Inc. (C&H) resulted in a $15,955,000, or $0.36 per share, after-tax loss. Second, changes in development plans for the 1,045-acre Kukui'Ula real estate project on Kauai, resulting from extended weak real estate market conditions, led to a $12,837,000, or $0.29 per share, after-tax charge, to reduce the carrying value of certain assets associated with that project. Third, the cumulative effect of a required accounting change, related to longshore labor second injury workers' compensation funds, resulted in an after-tax charge of $5,801,000, or $0.13 per share. In contrast, net income in 1997 included an after-tax benefit of $12,478,000, or $0.28 per share, resulting from the favorable settlement of protracted litigation related to an insurance claim for earthquake damage to port facilities. Before all of these one-time factors, the Company's earnings per share in 1998 was $1.33, versus $1.53 in 1997, a decrease of 13 percent.

1998 COMPARED WITH 1997

OCEAN TRANSPORTATION revenue of $722,744,000 for 1998 increased four percent compared with 1997; however, operating profit of $66,298,000 decreased 18 percent.

Matson Navigation Company's (Matson) Hawaii service revenue declined by nearly $29 million in 1998. The revenue decline primarily reflected lower container volume and lower average revenue per container. Matson's total Hawaii container volume, at 143,400 units in 1998, was four-percent lower than 1997 container volume of 149,700 units. This follows a three-year trend of declining container volume, from 173,300 units in 1994, to 157,200 in 1995 and 152,100 in 1996. Although 1994 volume was significantly enhanced due to a competitor's work stoppage, the continuing decline in both container average revenue yield and volume resulted primarily from continuing weakness in the Hawaii economy, combined with competitive pressures. While a significant portion of the container decline has been due to a nearly 40-percent contraction in recent years of Hawaii's construction industry, other types of cargo have been affected as well. A barge competitor, that operated temporarily during the summer months in 1998, had an adverse impact on household goods volumes and rates.

Operating expenses rose in 1998, reflecting primarily a decline in terminal productivity and higher labor costs. The master agreement between stevedoring companies, including Matson, and labor, represented by the International Longshore and Warehouse Union, expires at mid-year in 1999. Negotiations leading up to a new agreement are expected to focus on increasing productivity.

Fuel expenses declined significantly in 1998 as the average price paid for fuel dropped to approximately $12 per barrel from $16.70 per barrel in 1997.

The unfavorable trends in operating margins in the Hawaii service continue to be of concern to the Company. Late in 1998, Matson reduced the number of ships serving the Hawaii trade from eight to six vessels, to better balance the capacity offered with the demand for cargo space. Matson still remains the service leader to Hawaii. In addition, Matson chartered two idle vessels to a new joint venture operating between Florida and Puerto Rico; a venture in which Matson has a 27.5-percent equity interest. Matson is currently evaluating other ways in which it can reduce its operating costs while maintaining a high level of service to shippers.

Matson announced a 2.5-percent increase in Hawaii service rates effective in February 1999. Matson did not take any general rate increases in 1998.

Increases in revenue from Matson's Guam and intermodal services and from the American President Lines, Ltd. (APL) Alliance more than offset the revenue decline from the Hawaii service. These increases were led by a restructuring of the APL Alliance charter agreements and increased intermodal revenue.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue of $37,955,000 for 1998 rose two percent compared with 1997; however, operating profit of $22,634,000 for 1998 decreased eight percent compared with 1997. The decrease was due primarily to lower occupancy rates, especially in the Hawaii market. Occupancy rates for the Mainland properties averaged 91 percent in 1998, versus 98 percent in 1997. The lower Mainland average rate primarily reflected a shift in the composition of the portfolio toward more multi-tenant properties, following the sale of a large, single-tenant property in 1998. Occupancy levels for the Hawaii properties averaged 68 percent in 1998, versus 78 percent in 1997. The lower Hawaii average rate reflected ongoing weak economic conditions in Hawaii as well as low occupancy rates for properties acquired during 1997.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of $82,382,000 for 1998 considerably exceeded the $35,916,000 in sales recorded in 1997. Operating profit from property sales in 1998 of $21,663,000 was 63-percent higher than the $13,262,000 achieved in 1997. The increases resulted from the sales of a large single-tenant research and office complex in Cupertino, California for $51,500,000 and of the Company's remaining interest in a 14-acre parcel at Maui Business Park. Other significant sales in 1998 included five developed business parcels and 64 residential properties. Sales in 1997 included four leased parcels in Maui Business Park, an undeveloped 24-acre residential parcel, several developed and undeveloped business parcels, an industrial warehouse in California and 59 residential units. Sales totaling $67,258,000 in 1998 were completed on a tax-deferred basis compared with 1997 tax-deferred sales of $17,388,000. Purchases, utilizing proceeds from tax-deferred sales, totaled $85,896,000 and $22,170,000 for 1998 and 1997, respectively.

The mix of property transactions in any year can be diverse. Sales can include property sold under threat of condemnation, developed residential real estate, commercial properties, developable subdivision lots and undeveloped land. The sales of undeveloped land and subdivision lots generally provide a greater contribution margin than the sales of developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land, which averages approximately $150 per acre. Consequently, historical property sales and the amount of real estate held for sale currently on the balance sheets do not necessarily indicate future profitability trends for this segment. Because the Company sells a significant amount of property on a tax-deferred basis, the proceeds of which must be reinvested in similar property within time periods specified by the Internal Revenue Code, property sales may not necessarily be indicative of cash flows.

FOOD PRODUCTS revenue of $465,661,000 in 1998 was four-percent lower than the 1997 revenue of $486,912,000. Operating profit of $21,327,000 in 1998 was 21-percent lower than the $27,083,000 earned in 1997. Several factors contributed to these lower results. Refined sugar prices declined in 1998 as a result of a large beet sugar crop. The average per-ton cost to purchase raw sugar was about the same in 1998 as it was in 1997, but refining and direct operating expenses increased. While the volume of refined sugar sales increased slightly in 1998, the mix of sales resulted in a lower margin than last year. The continued low cane sugar import quota made it difficult for C&H to purchase raw sugar at attractive prices. Additionally, a majority interest in C&H was sold on December 24, 1998, resulting in one less week of operations as a consolidated business than in 1997. The combined impact of these items reduced operating profit by approximately $13,000,000.

Results from Hawaiian Commercial & Sugar Company (HC&S), the Company's Maui sugarcane plantation, showed significant improvement in 1998. Changes in cultivation and ripening processes for a recently introduced cane-sugar variety occurred during the year, increasing sugar yields to 216,200 tons in 1998 from 198,000 tons a year earlier. The higher sugar production, combined with cost reduction efforts, resulted in an 18-percent margin improvement, partially offsetting the lower operating profit from C&H. During 1998, HC&S wrote off several abandoned and obsolete items of equipment, which had a total carrying cost of approximately $4,500,000, and also recognized a $3,000,000 involuntary conversion gain, due to insurance proceeds received in settlement of an insured turbine generator failure which occurred earlier in the year.

1997 COMPARED WITH 1996

OCEAN TRANSPORTATION revenue of $692,689,000 for 1997 increased five percent and operating profit of $80,385,000 for 1997 decreased two percent, compared with 1996. Excluding a one-time vessel charter hire, which contributed $5,634,000 to 1996 results, operating profit for the ocean transportation segment rose six percent. Hawaii service container and automobile volumes were two- and five-percent lower, respectively, due to weak economic conditions in Hawaii. Terminal labor costs increased by six percent in 1997 compared with 1996.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue and operating profit rose three percent compared with 1996. The leased-property portfolio benefited from continuing high occupancy levels for Mainland properties. Occupancy rates in 1997 averaged 98 percent for the Mainland portfolio, versus 97 percent in 1996. Occupancy levels for the Company's Hawaii-leased real estate portfolio averaged 78 percent in 1997, versus 86 percent in 1996. That decrease was due primarily to properties acquired in early 1997 that had relatively low occupancy rates and to the weak Hawaii economy.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of $35,916,000 for 1997 was 13-percent higher than in 1996; however, operating profit decreased 13 percent for 1997 compared with 1996. Sales in 1997 included four leased parcels in Maui Business Park, an undeveloped 24-acre residential parcel, several developed and undeveloped business parcels, an industrial warehouse in California and 59 esidential properties. Significant sales in 1996 included two leased parcels, a 66-acre unimproved parcel to a Maui utility, four lots in the Company's Maui Business Park and 73 residential properties.

FOOD PRODUCTS revenue of $486,912,000 in 1997 was four-percent lower than the 1996 revenue of $506,909,000. Operating profit of $27,083,000 in 1997, however, was one-percent higher than the operating profit of $26,863,000 for the prior year. Improved sugar refining margins were offset substantially by the effects of lower sugar yields at the Company's Maui plantation.

During most of 1997, margins in the cane sugar refining industry benefited from relatively low supplies of beet sugar. However, margins tightened late in the year, following projections for a larger sugar beet crop and lower refined beet sugar prices.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal liquid resources, comprising cash and cash equivalents, receivables, inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled $365,393,000 at December 31, 1998, a decrease of $143,783,000 from December 31, 1997. This decrease was due primarily to lower amounts available under lines of credit, lower receivables, and lower inventories, partially offset by increased cash and a decrease in accrued deposits to the CCF. Amounts available under lines of credit decreased $130,999,000, primarily due to a decrease in credit facilities, resulting from the partial sale of C&H and the expiration of a $35 million unused credit facility. The decreases in receivables and inventories were mostly due to the C&H transaction. Cash increased $65,195,000, primarily due to the cash receipts from the C&H transaction, which had not yet been fully used to repay debt at year-end. Accrued deposits to the CCF decreased $930,000.

Working capital was $67,113,000 at December 31, 1998, a decrease of $47,693,000 from the amount at the end of 1997. This was primarily due to decreases in inventories and accounts receivable and an increase in short-term debt, partially offset by a decrease in accounts payable. The C&H transaction was the primary reason for these changes. At December 31, 1997, C&H provided working capital of approximately $31,327,000.

Net cash provided by operations, before capital expenditures for real estate developments held for sale, was $137,244,000 and $187,505,000 for 1998 and 1997, respectively. Net operating cash flows were used principally for capital expenditures, payments of debt, dividends, repurchases of capital stock and deposits into the CCF. Withdrawals from the CCF in 1998 were used to purchase a leased vessel and to invest in a joint venture shipping operation. (See Note 2 to the Company's financial statements.)

In 1998, capital additions were $197,633,000, compared with $70,666,000 in 1997. Ocean transportation capital additions in 1998 of $60,403,000 were primarily for the acquisition of container and terminal equipment and the purchase of a vessel which previously was leased by Matson. Property development and management capital additions in 1998 of $118,552,000, which included the reinvestment of tax-deferred sales proceeds, were for real estate developments held for investment purposes and for improvements to leased properties. Food products capital additions in 1998 of $18,237,000 were primarily for sugar refinery modifications, power generation, and harvesting and factory equipment for sugar plantation and coffee orchard operations.

Capital expenditures approved, but not yet spent, were $60,294,000 at December 31, 1998. These expenditures are primarily for container equipment, real estate developments held for investment purposes, improvements to leased properties, Year-2000 computer remediation, and irrigation, factory and power generation equipment for the Company's sugar-growing operations. For 1999, internal cash flows and short-term borrowing facilities are expected to be sufficient to finance working capital needs, dividends, capital expenditures and debt service.

OTHER MATTERS

NEW ACCOUNTING STANDARD: In 1998, the Company adopted the American Institute of Certified Public Accountants Statement of Position 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." This standard required that the Company accrue the present value of future assessments from a United States Department of Labor second injury workers' compensation fund as a liability. Previously, the annual assessments were charged to expense in the year paid. The after-tax, cumulative effect of the change in accounting method was a reduction of 1998 net income by $5,801,000, or $0.13 per share. (See Note 3 to the Company's financial statements.)

C&H RECAPITALIZATION AND PARTIAL SALE: On December 24, 1998, the Company recapitalized and sold a majority of its equity in C&H, recognizing a loss of $19,756,000. The after-tax impact of the loss on 1998 net income was $15,955,000, or $0.36 per share. C&H is included in the consolidated results of the Company up to the date of sale. Effective December 24, 1998, the Company began accounting for its investment in C&H under the equity method. (See Note 2 to the Company's financial statements.)

WRITE-DOWN OF REAL ESTATE ASSETS: In 1998, the Company changed the strategic direction of its Kukui'Ula real estate development project on Kauai. As a result, the Company determined that the total present capitalized investment could not be recovered through future cash flows and, accordingly, reduced the carrying value by $20,216,000. The after-tax impact to 1998 net income of this write-down was $12,837,000, or $0.29 per share. (See Note 4 to the Company's financial statements.)

INSURANCE LITIGATION: In 1997, Matson received $33,650,000 in settlement of litigation involving a contested insurance claim for earthquake damage to port facilities in 1989. After recovering repair and litigation costs of approximately $13,650,000, the Company recorded, in 1997, $9,700,000 of interest revenue and $10,300,000 of other revenue. The after-tax impact of the settlement on 1997 net income was $12,478,000, or $0.28 per share.

TAX-DEFERRED REAL ESTATE EXCHANGES: In 1998, the Company sold eight parcels of land for $67,258,000. Proceeds of $85,896,000 were reinvested in 1998 on a tax-deferred basis from sales completed in 1998 and earlier years. The proceeds from these sales and amounts reinvested are reflected in the Statements of Cash Flows under the caption "Non-cash Activities." The purchases of real estate using tax-deferred monies are included in capital expenditures on the Industry Segment Information (page 19).

ENVIRONMENTAL MATTERS: As with most industrial and land-development companies of its size, the Company's operations have certain risks, which 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. Management believes that appropriate liabilities have been accrued for environmental matters.

OUTLOOK: Information about the Company's outlook for 1999 and its plans to address issues affecting primary business units is included in the Letter to Shareholders on pages 2 through 5 and in the business unit discussions included on pages 6 through 15 of the Annual Report to Shareholders, which sections are incorporated herein by reference.

YEAR-2000 INFORMATION AND READINESS DISCLOSURE ACT OF 1998

In 1995, the Company and its subsidiaries commenced an evaluation of its computer systems and applications to prepare for the Year-2000. Following this evaluation, implementation plans for all business segments were prepared and are currently being executed. Programs that recognize "00" as a date other than "2000" might result in data errors or system problems if not corrected before December 31, 1999. Not all systems used by the Company and its subsidiaries are sensitive to this issue.

The work related to primary systems and applications, which have the greatest risk of adversely affecting operations, is substantially complete as of 1998 year-end. The Company and its subsidiaries are currently testing the corrected systems for undetected program errors. In addition, the Company and its subsidiaries are continuing work on correcting secondary support applications, embedded systems and applications at smaller business units to ensure that they will be Year-2000 compliant before the end of 1999. The Company and its subsidiaries are working with primary vendors, customers, lenders, suppliers and other appropriate third parties to assess their compliance efforts and the potential risks to the Company and its subsidiaries in the event that they are not Year-2000 compliant. Contingency plans for potential significant problems that may occur in the Year-2000 will be completed by the end of 1999.

Staffing for the remaining Year-2000 work is expected to be adequate. Work on this project has not affected other systems-related activities adversely. The implementation plans, which consist of upgrading, modifying or replacing various systems, are expected to cost approximately $6,000,000 to $8,000,000. At the end of 1998, the Company and its subsidiaries had expended approximately $3,600,000 for this work.

The Year-2000 risk to the Company and its subsidiaries is substantially the same as that of other companies in the same industries. The Company and its subsidiaries believe that their systems and applications necessary to operate and manage their businesses will be replaced, modified or upgraded successfully in advance of the year 2000.

Despite the preparations being taken by the Company and its subsidiaries, the Year-2000 issue presents risks and uncertainties. In the most reasonably likely worst case scenario, there could be temporary disruptions in customer services (including ocean transportation) and product deliveries, temporary billing and collection delays, and temporary delays in payrolls and vendor payments. The Company believes that a worse case scenario is not likely; however, if it did occur, it could have a material adverse effect on the Company's results of operations, liquidity and financial condition.

Although there can be no absolute assurance that the Company and its subsidiaries will be successful in identifying and avoiding all possible problems, the Company and its subsidiaries continue to identify and address potential negative consequences which may result from not being Year-2000 ready. In particular, there can be no assurance that the Company will not be affected adversely by the failure of a vendor, customer, or other third party to address the Year-2000 issue adequately. However, in the context of the uncertainties inherent in dealing with the Year-2000 issue, the Company believes, based on available information, that the impact of the Year-2000 issue and its associated costs will not have a material impact on the results of operations, liquidity and financial condition.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

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. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission (SEC) filings, such as the Forms 10-K, press releases made by the Company 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: (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 retention of cabotage laws; (5) dependence on third-party suppliers; (6) fuel prices; (7) labor relations; (8) the ability to locate and correct or replace, on a timely basis, all relevant computer codes prior to the Year-2000; and (9) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

STATEMENTS OF INCOME (In thousands, except per-share amounts)

Year Ended December 31,	1998	1997	1996
REVENUE:			
Ocean transportation	$ 708,735	$ 678,319	$ 645,499
Property development and management	119,304	72,226	67,035
Food products	464,625	482,799	504,858
Interest	11,278	23,131	15,085
Gain on sale of property and other	4,800	16,119	4,577
Dividends	2,878	2,851	2,756
Total revenue	1,311,620	1,275,445	1,239,810
COSTS AND EXPENSES:			
Cost of goods and services	1,083,836	1,011,718	988,721
Selling, general and administrative	107,718	107,579	112,975
Write-down of real estate assets	20,216	--	--
Loss on partial sale of subsidiary	19,756	--	--
Interest	24,799	28,936	34,081
Total costs and expenses	1,256,325	1,148,233	1,135,777
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD	55,295	127,212	104,033
Income Taxes	24,352	45,825	38,748
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD	30,943	81,387	65,285
Cumulative Effect of Change in Accounting Method for Insurance-related Assessments (net of income taxes of $3,481)	(5,801)	--	--
NET INCOME	25,142	81,387	65,285
Unrealized holding gains on securities (Net of income taxes of $5,337 in 1998, $3,977 in 1997 and $3,961 in 1996)	8,185	6,939	8,375
COMPREHENSIVE INCOME	$ 33,327	$ 88,326	$ 73,660
BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK:			
Before cumulative effect of accounting change	$ 0.69	$ 1.80	$ 1.44
Accounting change	(0.13)	-	-
Net Income	$ 0.56	$ 1.80	$ 1.44
AVERAGE COMMON SHARES OUTSTANDING	44,760	45,182	45,303

See notes to financial statements.

STATEMENTS OF CASH FLOWS (In thousands)

Year Ended December 31,	1998	1997	1996
CASH FLOWS FROM OPERATIONS:			
Net Income	$ 25,142	$ 81,387	$ 65,285
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	88,500	88,558	88,951
Write-down of real estate assets	20,216	--	--
Reversal of plantation closure reserve	--	(990)	(4,624)
Equity in loss of affiliate	276	--	--
Loss on partial sale of subsidiary	19,756	--	--
Gain on disposal of assets	(10,259)	(872)	(1,686)
Accounting change for insurance-related assessments	5,801	--	--
Changes in assets and liabilities:			
Accounts and notes receivable	7,859	(5,532)	(5,225)
Inventories	4,605	24,276	(16,616)
Pension assets or obligations	(10,663)	(4,843)	(9,694)
Prepaid expenses and other assets	(9,213)	1,973	103
Accounts and income taxes payable	5,345	(672)	7,062
Deferred income taxes payable	(8,248)	13,168	10,420
Other liabilities	(1,873)	(8,948)	15,825
Capital expenditures for real estate developments held for sale	(1,972)	(5,636)	(16,799)
Net cash provided by operations	135,272	181,869	133,002
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures for property	(98,510)	(45,598)	(185,142)
Capital expenditures for real estate developments held for investment	(13,227)	(2,898)	(2,579)
Receipts from disposal of income producing property, investments and other assets	4,818	728	10,897
Proceeds from recapitalization of subsidiary	83,841	--	--
Proceeds from partial sale of subsidiary	14,940	--	--
Deposits into Capital Construction Fund	(10,000)	(11,656)	(11,481)
Withdrawals from Capital Construction Fund	14,377	50,000	145,500
Reduction (increase) in investments - net	(7,745)	(822)	1,184
Net cash used in investing activities	(11,506)	(10,246)	(41,621)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	30,000	34,500	43,000
Payments of long-term debt	(68,985)	(109,082)	(81,888)
Proceeds (payments) from short-term borrowings - net	40,000	(45,000)	(21,000)
Repurchases of capital stock	(20,838)	(16,585)	(1,250)
Proceeds from issuance of capital stock	1,575	2,132	1,291
Dividends paid	(40,323)	(39,789)	(39,860)
Net cash used in financing activities	(58,571)	(173,824)	(99,707)
CASH AND CASH EQUIVALENTS:			
Net increase (decrease) for the year	65,195	(2,201)	(8,326)
Balance, beginning of year	21,623	23,824	32,150
Balance, end of year	$ 86,818	$ 21,623	$ 23,824
OTHER CASH FLOW INFORMATION:			
Interest paid, net of amounts capitalized	$ 26,890	$ 30,956	$ 36,472
Income taxes paid, net of refunds	34,672	29,775	26,360
NON-CASH ACTIVITIES:			
-- Tax-deferred property sales	67,258	17,388	12,325
-- Tax-deferred property purchases	85,896	22,170	3,134
-- Securities retained in connection with partial sale of subsidiary	34,960	--	--

See notes to financial statements.

BALANCE SHEETS
(In thousands, except per-share amounts)

December 31,	1998	1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 86,818	$ 21,623
Accounts and notes receivable:		
Trade, less allowances of $6,272 and $18,005	114,885	152,098
Other	14,923	24,067
Inventories:		
Sugar and coffee	6,336	38,888
Materials and supplies	13,436	30,321
Real estate held for sale	8,535	12,563
Deferred income taxes	9,524	9,404
Prepaid expenses and other assets	9,407	9,977
Accrued deposits to Capital Construction Fund	(9,070)	(10,000)
Total current assets	254,794	288,941
INVESTMENTS	159,068	102,813
REAL ESTATE DEVELOPMENTS	57,690	68,056
PROPERTY:		
Land	77,272	66,161
Buildings	213,713	218,116
Vessels	757,730	815,805
Machinery and equipment	565,577	697,095
Water, power and sewer systems	80,601	83,334
Other property improvements	92,531	94,512
Total	1,787,424	1,975,023
Less accumulated depreciation and amortization	837,704	938,508
Property - net	949,720	1,036,515
CAPITAL CONSTRUCTION FUND	143,303	148,610
PENSION ASSETS	24,212	1,192
OTHER ASSETS - NET	16,853	58,671
Total	$1,605,640	$1,704,798

See notes to financial statements.

	1998	1997
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 45,533	$ 24,453
Current portion of capital lease obligations	--	10,032
Short-term commercial paper borrowings	42,000	17,000
Accounts payable	37,781	46,835
Payrolls and vacation pay	14,935	20,561
Uninsured claims	13,398	15,265
Post-retirement benefit obligations - current portion	3,115	5,164
Taxes other than income	4,096	4,551
Accrued and other liabilities	26,823	30,274
Total current liabilities	187,681	174,135
LONG-TERM LIABILITIES:		
Long-term debt	255,766	290,885
Capital lease obligations	--	2,000
Post-retirement benefit obligations	61,929	112,125
Uninsured claims	18,180	9,249
Other	34,413	37,062
Total long-term liabilities	370,288	451,321
DEFERRED INCOME TAXES	353,029	359,754
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Capital stock - common stock without par value; authorized, 150,000 shares ($.75 stated value per share); outstanding, 44,028 shares in 1998 and 44,881 shares in 1997	36,098	36,769
Additional capital	51,946	49,437
Unrealized holding gains on securities	63,329	55,144
Retained earnings	555,820	591,135
Cost of treasury stock	(12,551)	(12,897)
Total shareholders' equity	694,642	719,588
Total	$1,605,640	$1,704,798

STATEMENTS OF SHAREHOLDERS' EQUITY (In thousands, except per-share amounts)

Three Years Ended December 31, 1998

	Capital Stock						
	Issued		In Treasury				
	Shares	Stated Value	Shares	Cost	Additional Capital	Unrealized Holding Gains	Retained Earnings
BALANCE, DECEMBER 31, 1995	49,510	$37,133	4,230	$(13,817)	$40,138	$39,830	$546,394
CHANGES IN 1996:							
Shares repurchased and retired	(50)	(38)					(1,213)
Stock options exercised	125	94			2,690		
Acquired in payment of options	(59)	(44)					(1,637)
Issued -- incentive plans	7	5	(36)	444	549		
Unrealized holding gains on securities						8,375	
Net income							65,285
Cash dividends -- $.88 per share							(39,860)
BALANCE, DECEMBER 31, 1996	49,533	37,150	4,194	(13,373)	43,377	48,205	568,969
CHANGES IN 1997:							
Shares repurchased and retired	(624)	(468)					(16,117)
Stock options exercised	234	175			5,098		
Acquired in payment of options	(123)	(92)					(3,315)
Issued -- incentive plans	6	4	(49)	476	962		
Unrealized holding gains on securities						6,939	
Net income							81,387
Cash dividends -- $.88 per share							(39,789)
BALANCE, DECEMBER 31, 1997	49,026	36,769	4,145	(12,897)	49,437	55,144	591,135
CHANGES IN 1998:							
Shares repurchased and retired	(969)	(727)					(20,111)
Stock options exercised	68	51			1,558		
Acquired in payment of options	(1)	(1)					(23)
Issued -- incentive plans	8	6	(41)	346	951		
Unrealized holding gains on securities						8,185	
Net income							25,142
Cash dividends -- $.90 per share							(40,323)
BALANCE, DECEMBER 31, 1998	48,132	$36,098	4,104	$(12,551)	$51,946	$63,329	$555,820

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly-owned subsidiaries, after elimination of significant intercompany amounts. Investments in 20 to 50 percent owned companies are accounted for using the equity method.

COMPREHENSIVE INCOME: Comprehensive Income includes changes from either recognized transactions or other economic events, excluding capital stock transactions, which impact Shareholders' Equity. For the Company, the only difference between Net Income and Comprehensive Income is the unrealized holding gains on securities available for sale. Comprehensive Income is not used in the calculation of Earnings per Share.

BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK: Basic Earnings per Share is determined by dividing Net Income by the weighted-average common shares outstanding during the year. The impact on earnings per share of the Company's stock options is immaterial; consequently, Diluted Earnings per Share is the same amount as Basic Earnings per Share.

OCEAN TRANSPORTATION: Voyage revenue and variable costs and expenses are included in income at the time each voyage leg commences. This method of accounting does not differ materially from other acceptable accounting methods.

Vessel depreciation, charter hire, terminal operating overhead and general and administrative expenses are charged to expense as incurred. Expected costs of regularly-scheduled dry docking of vessels and planned major vessel repairs performed during dry docking are accrued.

PROPERTY DEVELOPMENT AND MANAGEMENT: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally at closing dates), adequate down payments have been received and collection of remaining balances is reasonably assured.

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

FOOD PRODUCTS: Revenue is recorded when refined sugar products and coffee are sold to third parties.

Costs of growing sugar cane are charged to the cost of production in the year incurred and to cost of sales as refined products are sold. The cost of raw cane sugar purchased from third parties is recorded as inventory at the purchase price.

Costs of developing coffee orchards are capitalized during the development period and depreciated over the estimated productive lives. Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

CASH AND CASH EQUIVALENTS: The Company considers highly liquid investments purchased with original maturities of three months or less, which have no significant risk of change in value, to be cash equivalents.

INVENTORIES: Sugar inventory, consisting of raw and refined sugar products, and coffee inventory, are stated at the lower of cost (first-in, first-out basis) or market. Other inventories, composed principally of materials and supplies, are stated at the lower of cost (principally average cost) or market.

PROPERTY: Property is stated at cost. Major renewals and betterments are capitalized. Replacements, maintenance and repairs which do not improve or extend asset lives are charged to expense as incurred. Assets held under capital leases are included with property owned. Gains or losses from property disposals are included in income.

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

DEPRECIATION: Depreciation is computed using the straight-line method. Depreciation expense includes amortization of assets under capital leases.

Estimated useful lives of property are as follows:

Buildings	10 to 50 years
Vessels	10 to 40 years
Marine containers	15 years
Machinery and equipment	3 to 35 years
Utility systems and other depreciable property	5 to 60 years

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

INCOME TAXES: Income tax expense is based on revenue and expenses in the Statements of Income. Deferred income tax liabilities and assets are computed at current tax rates for temporary differences between the financial statement and income tax bases of assets and liabilities.

FAIR VALUES: The carrying values of current assets (other than inventories, real estate held for sale, deferred income taxes and prepaid and other assets) and of debt instruments, are reasonable estimates of their fair values. Real estate is carried at the lower of cost or fair value. Fair values are generally determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, market value is determined by reference to the sales of similar property, market studies, tax assessments and cash flows. For commercial property, market value is determined using recent comparable sales, tax assessments and cash flows. A large portion of the Company's real estate is undeveloped land located in Hawaii. This land has a cost basis which averages approximately $150 per acre, a value which is much lower than fair value.

FUTURES CONTRACTS: Realized and unrealized gains and losses on commodity futures contract hedges are recorded in inventory and subsequently charged to cost of sales when the related inventory is sold. These amounts are not significant.

ENVIRONMENTAL COSTS: Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations or events, and which do not contribute to current or future revenue generation, are charged to expense. Liabilities are recorded when environmental assessments or remedial efforts are probable and the costs can be estimated reasonably.

YEAR-2000 COSTS: Computer and related costs necessary to prepare for the Year-2000 date change are treated as an operating expense in the year incurred unless a computer system is being replaced for operating reasons as well as for Year-2000 compliance, in which case the costs are capitalized. The annual amounts charged to expense were not significant. (See Management's Discussion and Analysis, unaudited, for additional information.)

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Future actual amounts could differ from those estimates.

RECLASSIFICATIONS: Certain amounts in the 1997 and 1996 financial statements have been reclassified to conform with the 1998 presentation.

2. INVESTMENTS AND PARTIAL SALE OF SUBSIDIARY

At December 31, 1998 and 1997, investments consisted principally of marketable equity securities, equity in affiliated companies, limited partnership interests and purchase-money mortgages, as follows (in thousands):

	1998	1997
Marketable equity securities	$ 110,119	$ 96,597
Equity in affiliated companies	42,568	--
Limited partnership interests, purchase-money mortgages and other	6,381	6,216
Total Investments	$ 159,068	$ 102,813

MARKETABLE EQUITY SECURITIES: The marketable equity securities are classified as "available for sale" and are stated at quoted market values. The unrealized holding gains on these securities, net of deferred income taxes, have been recorded as a separate component of Shareholders' Equity.

The components of the net unrealized holding gains at December 31, 1998 and 1997 were as follows (in thousands):

	1998	1997
Market value	$ 110,119	$ 96,597
Less historical cost	9,851	9,851
Unrealized holding gains	100,268	86,746
Less deferred income taxes	36,939	31,602
Net unrealized holding gains	$ 63,329	$ 55,144

EQUITY IN AFFILIATED COMPANIES: On December 24, 1998, the Company recognized a loss of $19,756,000 for the partial sale of its sugar refining and marketing unit, California and Hawaiian Sugar Company, Inc. (C&H) and the sale of a majority of its equity in that company. The Company received approximately $45,000,000 in cash, after the repayment of certain C&H indebtedness, $25,000,000 in senior preferred stock, $9,600,000 in junior preferred stock, and retained an approximately 36 percent common stock interest in the recapitalized C&H. The Company holds all of C&H's senior preferred stock and 40 percent of C&H's junior preferred stock. The carrying amounts of these investments approximated their fair values at December 31, 1998. C&H is included in the consolidated results of the Company up to the date of the sale. Effective December 24, 1998, the Company began accounting for its investment in C&H under the equity method. The equity in earnings of C&H for the last seven days of 1998 was not significant. Condensed balance sheet information for C&H as of December 31, 1998 was as follows (in thousands):

	1998
Assets:	
Current	$ 77,109
Property and other	139,191
Total	$ 216,300
Liabilities	
Current	$ 36,092
Long-term debt and other	123,845
Shareholders' equity, including preferred stock	56,363
Total	$ 216,300

In September 1998, the Company invested approximately $7,284,000 in a joint venture which carries cargo between Florida and Puerto Rico, in which the Company has a 27.5-percent interest. The Company charters two of its ships to that venture.

LIMITED PARTNERSHIP INTERESTS AND PURCHASE-MONEY MORTGAGES: The investments in limited partnership interests and purchase-money mortgages are recorded at cost, which approximated market values at December 31, 1998 and 1997. The purchase-money mortgages are intended to be held to maturity. The value of the underlying investments of the limited partnership interests is assessed annually.

See Note 5 for a discussion of market values of investments in the Capital Construction Fund.

3. CHANGE IN ACCOUNTING METHOD FOR INSURANCE- RELATED ASSESSMENTS

The Company self-insures a portion of its federal workers' compensation liability. As such, the Company utilizes the U.S. Department of Labor (DOL) second injury fund, as authorized by Section 8(f) of the U.S. Longshore and Harborworkers' Act. Under this Act, the DOL annually assesses self-insurers for their share of the related cost. Through 1997 these assessments were recorded as expense in the year the amounts were assessed and paid. Effective

January 1, 1998, the Company adopted the provisions of the American Institute of Certified Public Accountants Statement of Position 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments." This statement requires that the Company record as a liability, the expected cost of future assessments relating to existing compensation claims made prior to the end of the current fiscal year. In adopting this statement, the Company recorded a one-time, non-cash charge to earnings of $9,282,000 ($5,801,000 net of income tax, $0.13 per share), representing the cumulative effect of the accounting change as of the beginning of the year. The discount rate used in estimating the liability was 5.43%. On an undiscounted basis, the liability was approximately $13,869,000 as of December 31, 1998. The effect of the change on operating costs was not significant for the current or prior years.

4. WRITE-DOWN OF REAL ESTATE ASSETS

During 1998, the Company changed the strategic direction of its 1,045 acre Kukui'Ula real estate development, from a single master-planned residential community to a series of individual subdivisions with fewer units, as a result of continued weaknesses in the State's and Kauai's economy and real estate markets. As a result, the Company determined that its investment in a waste water treatment plant (WWTP) could not be recovered through the WWTP's future cash flows; accordingly, the costs of the WWTP were reduced by $15,900,000 to the plant's fair value, which was based on the present value of estimated future cash flows. Under the original higher-density Kukui'Ula development plan, the cost of the WWTP would have been recoverable from its future cash flows. The changes in the development plan also resulted in the write-off of $4,316,000 for design and study costs which were determined to have no future economic benefit. The remaining carrying cost of the Kukui'Ula project is approximately $29,650,000 and, based on current development plans, the Company has determined that this amount is recoverable from the project's future cash flows.

5. CAPITAL CONSTRUCTION FUND

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

Amounts deposited into the CCF are a preference item for calculating Federal alternative minimum taxable income. Deposits not committed for qualified purposes within 25 years from the date of deposit, will be treated as non-qualified withdrawals over the subsequent five years. As of year-end, the oldest CCF deposits date from 1994. Management believes that all amounts on deposit in the CCF at the end of 1998 will be used or committed for qualified purposes prior to the expiration of the applicable 25-year periods.

TABLE 1 (In thousands)

	1998			1997		
	Amortized Cost	Fair Value	Unrealized Gain	Amortized Cost	Fair Value	Unrealized Loss
Mortgage-backed securities	$ 52,606	$ 53,108	$ 502	$ 69,451	$ 68,738	$ (713)
Cash and cash equivalents	81,627	81,627	--	69,159	69,159	-
Accrued deposits	9,070	9,070	--	10,000	10,000	-
Total	$143,303	$143,805	$ 502	$148,610	$147,897	$ (713)

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

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

At December 31, 1998 and 1997, the balances on deposit in the CCF are summarized in Table 1.

Fair value of the mortgage-backed securities was determined by an outside investment management company based on experience trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter. The Company earned $4,514,000 in 1998, $5,897,000 in 1997 and $6,838,000 in 1996 on its investments in mortgage-backed securities. The fair values of other CCF investments are based on quoted market prices. These other investments mature in 1999. There were no sales of securities classified as "held-to-maturity" during 1998 or 1997.

6. EMPLOYEE BENEFIT PLANS

The Company has funded single-employer defined benefit pension plans which cover substantially all non-bargaining unit employees.

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

The status of the funded defined benefit pension plans and the unfunded accumulated post-retirement benefit plans at December 31, 1998, 1997 and 1996 is shown in Table 2 (page 36).

The net periodic benefit cost for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 1998, 1997 and 1996 is summarized in Table 3 (page 36).

As described in Note 2, the Company sold a majority of its interest in C&H during 1998. The impact of this transaction on the benefit obligation and the plan assets is noted in Table 2. At the time of the transaction, C&H had recorded in its financial statements net obligations of $12,300,000 and $46,500,000 for its pension and post-retirement benefit plans, respectively.

The assumptions used to determine the components of the net periodic benefit cost were as follows:

	Pension Benefits			Other Post-retirement Benefits		
	1998	1997	1996	1998	1997	1996
Discount rate	6.75%	7.25%	7.50%	6.75%	7.25%	7.50%
Expected return on plan assets	9.00%	9.00%	9.00%	-	-	-
Rate of compensation increase	4.25%	4.25%	4.50%	4.25%	4.25%	4.50%

For post-retirement benefit measurement purposes, a 10-percent annual rate of increase in the per capita cost of covered health care benefits was assumed through 2001. The rate was assumed to decrease to 5-percent for 2002 and remain at that level thereafter. For 1998 and 1997, gains and losses of the post-retirement benefit plans were amortized over five years. For 1996 and previous years, gains and losses for the post-retirement benefit plans were amortized using the minimum method allowed by Statement of Financial Accounting Standards (SFAS) No. 106, "Employer's Accounting for Post-retirement Benefits other than Pensions." This change did not significantly affect financial results.

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 1998, 1997 and 1996, and the net periodic post-retirement benefit cost for 1998, 1997 and 1996, would have increased or decreased as follows (in thousands):

	Other Post-retirement Benefits One Percentage Point					
	Decrease			Increase		
	1998	1997	1996	1998	1997	1996
Effect on total of service and interest cost components	$ (583)	$(1,016)	$(1,052)	$ 689	$ 1,172	$ 1,208
Effect on post-retirement benefit obligation	$(4,387)	$(9,786)	$(9,833)	$ 5,157	$11,113	$11,105

The assets of the defined benefit pension plans consist principally of listed stocks and bonds. Gains and losses are amortized using the minimum method allowed by SFAS No. 87, "Employer's Accounting for Pensions." Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974, as amended, (ERISA) and the maximum deductible contribution allowed for tax purposes. For the plans covering employees who are members of collective bargaining units, the benefit formulas are determined according to the collective bargaining agreements, either using career average pay as the base or a flat dollar amount per year of service. The benefit formulas for the remaining defined benefit plans are based on final average pay.

The Company has non-qualified supplemental pension plans covering certain employees and retirees, which provide for incremental pension payments from the Company's general funds, so that total pension benefits would be substantially equal to amounts that would have been payable from the Company's qualified pension plans if it were not for limitations imposed by income tax regulations. The obligation, included with other non-current liabilities, relating to these unfunded plans, totaled $11,860,000 and $10,654,000 at December 31, 1998 and 1997, respectively. The annual expense associated with the non-qualified plans was not significant.

Total contributions to the multi-employer pension plans covering personnel in shoreside and seagoing bargaining units were $5,633,000 in 1998, $5,828,000 in 1997 and $5,552,000 in 1996. Union collective bargaining agreements provide that total employer contributions during the terms of the agreements must be sufficient to meet the normal costs and amortization payments required to be funded during those periods. Contributions are generally based on union labor paid or cargo volume. A portion of such contributions is for unfunded accrued actuarial liabilities of the plans being funded over periods of 25 to 40 years, which began between 1967 and 1976.

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

Under special rules approved by the PBGC and adopted by the Pacific Coast longshore plan in 1984, the Company could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately $809,000 as of December 31, 1998, based on estimates by plan actuaries. Management has no present intention of withdrawing from and does not anticipate termination of any of the aforementioned plans.

Table 2 (In thousands)

	Pension Benefits			Other Post-retirement Benefits		
	1998	1997	1996	1998	1997	1996
CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at						

beginning of year	$ 354,883	$ 326,095	$ 285,579	$ 91,112	$ 93,596	$ 91,052
Service cost	7,182	6,692	6,326	1,154	1,310	1,351
Interest cost	25,024	23,807	23,295	5,474	6,250	6,605
Plan participants' contributions	--	--	--	1,615	1,635	1,851
Actuarial (gain) loss	20,682	16,567	30,512	(8,482)	(4,198)	3,425
Sale of subsidiary	(158,758)	--	--	(29,615)	--	--
Acquisition	--	--	303	--	--	--
Benefits paid	(22,631)	(21,687)	(20,736)	(6,326)	(6,933)	(7,147)
Amendments	3,191	2,997	417	366	(548)	(1,066)
Curtailments	--	--	--	--	--	(2,475)
Special or contractual termination benefits	--	412	399	--	--	--
Benefit obligation at end of year	229,573	354,883	326,095	55,298	91,112	93,596
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	443,249	380,909	348,208	--	--	--
Actual return on plan assets	72,646	84,027	47,980	--	--	--
Acquisition	--	--	303	--	--	--
Sale of subsidiary	(154,997)	--	--	--	--	--
Employer contribution	--	--	5,154	--	--	--
Benefits paid	(22,631)	(21,687)	(20,736)	--	--	--
Fair value of plan assets at end of year	338,267	443,249	380,909	--	--	--
Plan assets less benefit obligation	108,694	88,366	54,814	(55,298)	(91,112)	(93,596)
Unrecognized net actuarial gain	(88,373)	(91,012)	(59,119)	(10,104)	(22,353)	(24,518)
Unrecognized transition asset	(876)	(1,869)	(2,864)	--	--	--
Unrecognized prior service cost (benefit)	4,767	5,707	3,518	358	(3,824)	(3,643)
Accrued asset (obligation)	$ 24,212	$ 1,192	$ (3,651)	$ (65,044)	$(117,289)	$(121,757)

Table 3 (In thousands)

	Pension Benefits			Other Post-retirement Benefits		
	1998	1997	1996	1998	1997	1996
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	$ 7,182	$ 6,692	$ 6,326	$ 1,154	$ 1,310	$ 1,351
Interest cost	25,024	23,807	23,295	5,474	6,250	6,605
Expected return on plan assets	(38,862)	(33,309)	(30,557)	--	--	--
Recognition of net gain	(4,128)	(2,258)	(2,284)	(7,221)	(6,315)	(1,598)
Amortization of prior service cost	1,105	808	550	(359)	(368)	(419)
Amortization of unrecognized transition asset	(992)	(996)	(1,090)	--	--	--
Recognition of settlement gain	--	--	--	--	--	(2,475)
Recognition of curtailment gain	--	--	(1,178)	--	--	--
Net periodic benefit cost/(income)	$ (10,671)	$ (5,256)	$ (4,938)	$ (952)	$ 877	$ 3,464
Cost of termination benefits recognized	$ --	$ 412	$ 399	--	--	--

7. LONG-TERM DEBT, CREDIT AGREEMENTS

At December 31, 1998 and 1997, long-term debt consisted of the following (in thousands):

	1998	1997
Commercial paper, 1998 high 6%, low 5.05%	$ 141,766	$ 130,852
Bank variable rate loans, due after 1998, 1998 high 6.2%, low 5.2%	78,500	41,500
Term loans:		
7.18%, payable through 2007	67,500	67,500
8%, payable through 2000	17,500	27,500
7.43%, payable through 2007	15,000	15,000
7.65%, payable through 2001	10,000	10,000
9.05%, payable through 1999	7,739	14,815
9%, payable through 1999	5,294	10,588
9.8%, payable through 2004	--	14,583
Total	343,299	332,338
Less current portion	45,533	24,453
Commercial paper classified as current	42,000	17,000
Long-term debt	$ 255,766	$ 290,885

COMMERCIAL PAPER: At December 31, 1998, there were two commercial paper programs. The first program was used by a subsidiary to finance the construction of a vessel. At December 31, 1998, $99,766,000 of commercial paper notes was outstanding under this program. Maturities ranged from 7 to 25 days. The borrowings outstanding under this program are classified as long - -term, because the subsidiary intends to continue the program and, eventually, to repay the borrowings with qualified withdrawals from the Capital Construction Fund.

The second commercial paper program, which was used by C&H, before the partial sale of that business (see Note 2), to fund the purchases of raw sugar inventory and to provide working capital for sugar refining and marketing operations, was terminated on January 19, 1999 as a result of the partial sale of C&H. At December 31, 1998, $42,000,000 of commercial paper notes was outstanding under this program, all of which was classified as current. Maturities ranged from 6 to 19 days. The interest cost and certain fees on the borrowings relating to sugar inventory advances to growers were reimbursed by the growers. The commercial paper was supported by an $85,000,000 backup revolving credit facility with four commercial banks, which also was terminated in January 1999.

VARIABLE RATE LOANS: The Company has a revolving credit and term loan agreement with four commercial banks, whereby it may borrow up to $140,000,000, under revolving loans to November 30, 2000, at varying rates of interest. Any revolving loan outstanding on that date may be converted into a term loan, which would be payable in 12 equal quarterly installments. The agreement contains certain restrictive covenants, the most significant of which requires the maintenance of an interest coverage ratio of 2:1. At December 31, 1998 and 1997, $50,000,000 and $25,000,000, respectively, were outstanding under this agreement.

The Company has an uncommitted $45,000,000 short-term revolving credit agreement with a commercial bank. The agreement extends to November 30, 1999, but may be canceled by the bank or the Company at any time. At December 31, 1998 and 1997, $3,500,000 and $11,500,000, respectively, were outstanding under this agreement.

The Company has an uncommitted $25,000,000 revolving credit agreement with a commercial bank. The agreement extends to September 8, 2000. At December 31, 1998 and 1997, $10,000,000 and $5,000,000, respectively, were outstanding under this agreement.

The Company has a $50,000,000 one-year revolving credit agreement with a two-year term option. At December 31, 1998, $15,000,000 was outstanding. No amounts were outstanding under this agreement at December 31, 1997.

The Company has an uncommitted $15,000,000 revolving credit agreement with a commercial bank. The Agreement extends to November 28, 2000. At December 31, 1998 and 1997, there were no amounts outstanding under this agreement.

In 1998, the Company entered into a $25,000,000 one-year revolving credit agreement with a commercial bank which serves as a commercial paper liquidity back-up line. At December 31, 1998, no amounts were outstanding under this agreement.

LONG-TERM DEBT MATURITIES: At December 31, 1998, maturities and planned prepayments of all long-term debt during the next five years totaled $45,533,000 for 1999, $17,500,000 for 2000, $15,000,000 for 2001, $7,500,000 for 2002 and $7,500,000 for 2003.

8. LEASES

THE COMPANY AS LESSEE: Principal operating leases include office and terminal facilities leased for periods which expire between 1999 and 2026. Management expects that, in the normal course of business, most operating leases will be renewed or replaced by other similar leases.

Rental expense under operating leases totaled $45,519,000, $45,560,000 and $45,559,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

There were no assets recorded under capital leases at December 31, 1998. Assets recorded under capital lease obligations which were included in property at December 31, 1997 were as follows (in thousands):

	1997
Vessel	$ 55,253
Machinery and equipment	42,039
Total	97,292
Less accumulated amortization	95,866
Property under capital leases--net	$ 1,426

Future minimum payments under operating leases as of December 31, 1998 were as follows (in thousands):

	Operating Leases
1999	$ 25,025
2000	14,595
2001	11,799
2002	11,952
2003	11,919
Thereafter	79,386
Total minimum lease payments	$ 154,676

The Company is obligated to pay terminal facility rent equal to the principal and interest on Special Facility Revenue Bonds issued by the Department of Transportation of the State of Hawaii. Interest on the bonds is payable semi-annually and principal, in the amount of $16,500,000, is due in 2013. An accrued liability of $8,800,000 and $8,257,000 at December 31, 1998 and 1997, respectively, included in other long-term liabilities, provides for a pro-rata portion of the principal due on these bonds.

THE COMPANY AS LESSOR: The Company leases land, buildings, land improvements, and vessels under operating leases. Five vessels were leased under new agreements commencing in 1998. The historical cost of and accumulated depreciation on leased property at December 31, 1998 and 1997 were as follows (in thousands):

	1998	1997
Leased property	$530,967	$267,569
Less accumulated amortization	113,358	47,253
Property under operating leases--net	$417,609	$220,316

Total rental income under these operating leases for the three years ended December 31, 1998 was as follows (in thousands):

	1998	1997	1996
Minimum rentals	$ 79,268	$ 35,535	$ 34,556
Contingent rentals (based on sales volume)	1,079	1,048	1,232
Total	$ 80,347	$ 36,583	$ 35,788

Future minimum rental income on non-cancelable leases at December 31, 1998 was as follows (in thousands):

	Operating Leases
1999	$ 83,149

2000	79,513
2001	77,961
2002	75,349
2003	71,343
Thereafter	229,763
Total	$ 617,078

9. INCOME TAXES

The income tax expense for the three years ended December 31, 1998 consisted of the following (in thousands):

	1998	1997	1996
Current:			
Federal	$ 28,877	$30,181	$ 23,549
State	3,723	2,476	4,779
Total	32,600	32,657	28,328
Deferred	(8,248)	13,168	10,420
Income tax expense	$ 24,352	$45,825	$ 38,748

Total income tax expense for the three years ended December 31, 1998 differs from amounts computed by applying the statutory Federal rate to pre-tax income for the following reasons (in thousands):

	1998	1997	1996
Computed income tax expense	$ 19,353	$ 44,525	$ 36,412
State tax on income, less applicable Federal tax	1,824	3,732	2,605
Low-income housing credits	(1,204)	(1,214)	(1,219)
Fair market value over cost of donations	--	(1,306)	(11)
Bases differences in net assets acquired	3,114	--	--
Other-net	1,265	88	961
Income tax expense	$ 24,352	$ 45,825	$ 38,748

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 1998 and 1997 were as follows (in thousands):

	1998	1997
Accelerated depreciation	$144,537	$178,570
Capital Construction Fund	102,741	104,408
Tax-deferred gains on real estate transactions	85,181	77,784
Unrealized holding gains on securities	36,939	31,602
Post-retirement benefits	(27,027)	(48,014)
Insurance reserves	(10,771)	(6,907)
Other-net	11,905	12,907
Total	$343,505	$350,350

The Internal Revenue Service (IRS) has completed its audits of the Company's tax returns through 1995 and, with the exception of the valuation of three land donations, has settled all substantive issues raised during the audits. No settlement has had a material effect on the Company's financial position or results of operations. The IRS has commenced an audit of the Company's tax returns for 1996 and 1997. Management believes that the ultimate resolution of the outstanding audit issues and other matters which may result from the current audits will not have a material effect on the Company's financial position or results of operations.

10. CAPITAL STOCK AND STOCK OPTIONS

EMPLOYEE STOCK OPTION PLANS: During 1998, the Company had two stock option plans under which key employees were granted options to purchase shares of the Company's common stock.

Under the 1998 Plan, approved at the 1998 Annual Meeting of Shareholders, option prices may not be less than the fair market value of the Company's common stock on the dates of grant, and the options become exercisable over periods determined, at the dates of grant, by the committee that administers the plan. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for the number of shares equal to that surrendered, with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price. During 1998, options to purchase 100,000 shares were granted. At December 31, 1998, these were the only options outstanding under the 1998 Plan.

The 1989 Plan is substantially the same as the 1998 Plan, except that each option generally becomes exercisable in-full one year after the date granted. The 1989 Plan terminated in January 1999, but options granted through 1998 remain exercisable. During 1998, options to purchase 485,400 shares were granted, no reload options to purchase shares were granted, options to purchase 65,850 shares were exercised, and options to purchase 17,950 shares were canceled. At December 31, 1998, options to purchase 3,263,438 shares were outstanding under the 1989 Plan.

The 1998 and 1989 Plans also permit the issuance of shares of the Company's common stock as a reward for past service rendered to the Company or one of its subsidiaries or as an incentive for future service with such entities. The recipients' interest in such shares may be fully vested upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee which administers the plans. The number of incentive shares issued during 1998 or outstanding at the end of the year was not material.

A third plan, the 1983 Plan, terminated in 1993, but options to purchase shares previously granted under the 1983 Plan are still exercisable. At December 31, 1998, options to purchase 161,200 shares were outstanding under this plan. These options expire in January 1999.

DIRECTOR STOCK OPTION PLANS: The Company also has two Directors' stock option plans. Under the 1998 Directors' Plan, each non-employee Director of the Company, elected at an Annual Meeting of Shareholders, is automatically granted, on the date of each such Annual Meeting, an option to purchase 3,000 shares of the Company's common stock at the fair market value of the shares on the date of grant. Each option to purchase shares becomes exercisable six months after the date granted. At December 31, 1998, no options to purchase shares had been granted under this plan.

The 1989 Directors' Plan is substantially the same as the 1998 Directors' Plan. This plan terminated in January 1999, but options granted through termination remain exercisable. During 1998, options to purchase 21,000 shares were granted and no options to purchase shares were exercised or canceled. At December 31, 1998, options to purchase 204,000 shares were outstanding under the 1989 Directors' Plan.

Changes in shares under all option plans, for the three years ended December 31, 1998, were as follows:

		Shares	Price Range Per Share
1995	Outstanding, December 31	2,586,751	$17.375-37.875
1996:	Granted	495,264	21.750-32.625
	Exercised	(125,188)	17.375-24.750
	Canceled	(15,800)	24.250-36.250
	Outstanding, December 31	2,941,027	17.375-37.875
1997:	Granted	586,212	25.100-34.875
	Exercised	(263,351)	17.375-24.750
	Canceled	(57,850)	24.750-37.875
	Outstanding, December 31	3,206,038	21.750-37.875
1998:	Granted	606,400	22.750-29.769
	Exercised	(65,850)	21.750-27.000
	Canceled	(17,950)	26.250-34.000
	OUTSTANDING, DECEMBER 31	3,728,638	$21.750-37.875
	EXERCISABLE, DECEMBER 31	3,143,238	$21.750-37.875

ACCOUNTING METHOD FOR STOCK-BASED COMPENSATION: The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, in accounting for its stock-based compensation plans. Accordingly, no compensation cost is recognized in the Company's income statement for stock option plans at the time grants are awarded. If the compensation costs for the stock option grants had been determined consistent with SFAS No. 123, "Accounting for Stock-based Compensation," the after-tax cost for grants made in 1998, 1997 and 1996 would have been approximately $2,015,000, $1,800,000 and $900,000, respectively. Earnings per share for 1998, 1997 and 1996 would have declined by $0.05, $0.04 and $0.02, respectively.

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

SHARE REPURCHASES: During 1998, the Company purchased and retired 969,200 shares of its stock, at an average per-share price of $21.50. During 1997, the Company purchased and retired 624,050 shares, at an average per-share price of $26.58.

11. RELATED PARTY TRANSACTIONS, COMMITMENTS AND CONTINGENCIES

At December 31, 1998, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $60,294,000. However, there is no contractual obligation to spend this entire amount.

The Company has arranged for standby letters of credit of approximately $14,100,000, necessary to qualify as a self-insurer for state and federal workers' compensation liabilities. In addition, the Company guarantees a letter of credit of $10,432,000 for workers' compensation claims incurred by C&H employees, under a now-closed self insurance plan, prior to December 24, 1998 (see Note 2). The Company would only be called upon to honor this guarantee in the event of C&H's insolvency. The Company also has approximately $3,600,000 of letters of credit outstanding for normal operating matters.

C&H, in which A&B has a 36 percent common stock interest, is party to a long-term sugar supply contract with Hawaiian Sugar & Transportation Cooperative (HSTC), a raw sugar marketing and transportation cooperative owned by the Company and by two other Hawaii sugar growers. Under the terms of this contract, C&H is obligated to purchase, and HSTC is obligated to sell, all of the raw sugar delivered to HSTC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. Prior to the partial sale of C&H, it made purchases of raw sugar totaling $141,018,000, $126,629,000 and $190,188,000 under the contract during 1998, 1997 and 1996, respectively.

A subsidiary has guaranteed obligations of up to $13 million of a joint venture shipping operation (see Note 2) in which it has a 27.5-percent interest.

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.

12. INDUSTRY SEGMENTS

Industry segment information for 1998, 1997 and 1996, on page 19, is incorporated herein by reference.

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," during the fourth quarter of 1998. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is made up of the president and lead executives of each of the Company's segments. The lead executive for each operating segment manages the profitability and cash flow of each respective segment's various product or service lines and businesses. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different products or services and serves different markets.

The Company's reportable operating segments include Ocean Transportation, Property Development and Management and Food Products. The Ocean Transportation segment carries freight between various United States and Canadian West Coast, Hawaii and other Pacific ports, and provides terminal and cargo logistics services. The Property Development and Management segment develops, manages and sells residential, commercial and industrial properties. The Food Products segment grows and processes raw sugar and molasses; invests in a sugar refining and marketing business (see Note 2); grows, mills and markets coffee; and generates and sells electricity.

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

PARENT COMPANY, PRINCIPAL SUBSIDIARIES AND AFFILIATES[1]

Alexander & Baldwin, Inc.	Honolulu, Hawaii
A&B-Hawaii, Inc. (Honolulu, Hawaii)	
Division:	
Hawaiian Commercial & Sugar Company	Puunene, Maui
Subsidiaries:	
A&B Development Company (California)	San Francisco
A&B Properties, Inc.	Honolulu
East Maui Irrigation Compnay, Limited	Puunene, Maui
McBryde Sugar Company, Limited	Eleele, Kauai
Subsidiary:	
Kauai Coffee Company, Inc.	Eleele, Kauai
Kahului Trucking & Storage, Inc.	Kahului, Maui
Kauai Commercial Company, Incorporated	Puhi, Kauai
Matson Navigation Company, Inc. (San Francisco, California)	
Subsidiaries:	
Matson Intermodal System, Inc.	San Francisco
Matson Services Company, Inc.	San Francisco
Matson Terminals, Inc.	San Francisco
Matson Logistics Solution, Inc.	San Francisco
Hawaiian Sugar & Transportation Cooperative[2]	Puunene, Maui
C&H Sugar Company, Inc.[3]	Crockett, California

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1 Wholly owned unless otherwise indicated
2 A cooperative owned with other Hawaii sugar companies
3 An affiliated company, approximately 40% owned by A&B

Quarterly Results (Unaudited)

Segment results by quarter for 1998 and 1997 are listed below (in thousands, except per-share amounts):

	1998				1997			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Revenue:								
Ocean Transportation	$181,618	$180,202	$182,124	$178,800	$177,423	$179,106	$174,977	$161,183
Property Development & Management:								
Leasing	9,946	9,576	9,198	9,235	9,103	9,320	9,609	9,116
Sales	7,563	6,246	60,792	7,781	13,245	4,080	14,480	4,111
Food Products	128,173	129,620	112,994	94,874	134,777	132,816	118,131	101,188
Other	726	718	717	717	711	684	703	717
Total Revenue	$328,026	$326,362	$365,825	$291,407	$335,259	$326,006	$317,900	$276,315
Operating Profit:								
Ocean Transportation	$ 15,941	$ 16,200	$ 16,787	$ 17,370	$ 19,088	$ 24,405	$ 22,779	$ 14,113
Property Development & Management:								
Leasing	5,360	5,786	5,589	5,899	5,787	6,105	6,433	6,234
Sales	1,394	1,633	13,994	4,642	7,345	1,257	3,080	1,580
Food Products	7,725	7,557	3,047	2,998	5,913	11,778	6,949	2,443
Other	691	642	685	678	653	652	671	663
Total Operating Profit	31,111	31,818	40,102	31,587	38,786	44,197	39,912	25,033
Kukui'Ula Write-Down*	(20,216)	--	--	--	--	--	--	--
Loss on Partial Sale of C&H*	(19,756)	--	--	--	--	--	--	--
Benefit of Insurance Settlement	--	--	--	--	--	--	28	19,937
Interest Expense	(6,197)	(6,229)	(6,293)	(6,080)	(6,421)	(6,770)	(7,803)	(7,942)
General Corporate Expenses	(4,085)	(3,539)	(3,459)	(3,469)	(2,925)	(2,865)	(2,891)	(3,064)
Income (Loss) Before Income Taxes and Accounting Change	(19,143)	22,050	30,350	22,038	29,440	34,562	29,246	33,964
Income Taxes	3,562	(8,270)	(11,380)	(8,264)	(9,429)	(12,690)	(10,967)	(12,739)
Cumulative Effect of Change in Accounting Method**	--	--	--	(5,801)	--	--	--	--
Net Income (Loss)	$(15,581)	$ 13,780	$ 18,970	$ 7,973	$ 20,011	$ 21,872	$ 18,279	$ 21,225
Basic and Diluted Earnings (Loss) Per Share	$ (0.35)	$ 0.31	$ 0.42	$ 0.18	$ 0.45	$ 0.48	$ 0.40	$ 0.47

* See Notes 2 and 4 for discussion of the partial sale of California and Hawaiian Sugar Company, Inc. and the write-down of real estate assets in 1998.
**See Note 3 regarding accounting change adopted in fourth quarter of 1998.
Certain amounts have been reclassified to conform with the current presentation.

BOARD OF DIRECTORS

Members of the Board of Directors, including one advisory director, beneficially own approximately 7 percent of A&B shares.

At the Annual Meeting of Shareholders on April 23, 1998, shareholders elected a total of nine directors, all of whom were nominated by the Board. Reelected were Michael J. Chun, John C. Couch, Leo E. Denlea, Jr., Walter A. Dods, Jr., Charles G. King, Carson R. McKissick, C. Bradley Mulholland, Maryanna G. Shaw and Charles M. Stockholm. Alexander C. Waterhouse continues to serve as an advisory director at the pleasure of the Board.

On June 25, 1998, Lynn M. Sedway, a recognized authority on urban and real estate economics, was appointed to the Board of Directors of A&B, ABHI and Matson.

R. J. Pfeiffer, Chairman of the Board from 1980 to 1995 and a director from 1978 to 1995, held the honorary position of Chairman Emeritus from 1995 until July 27, 1998.

MANAGEMENT, ORGANIZATION

On July 27, 1998, the Company announced that John C. Couch, Chairman of the Board, President and Chief Executive Officer since April 1995, was beginning an extended leave of absence to undergo medical treatment. At the request of the Board, R. J. Pfeiffer assumed Mr. Couch's duties.

On October 22, 1998, the Board named W. Allen Doane President and Chief Executive Officer of A&B, and appointed him to the Boards of both A&B and Matson. On December 10, 1998, Mr. Doane also was appointed Vice Chairman of Matson. Mr. Pfeiffer remains Chairman of the Boards of A&B, ABHI and Matson.

C. Bradley Mulholland, President and Chief Executive Officer of Matson, was named an Executive Vice President of A&B, effective August 27, 1998.

A number of organization changes were made, effective February 1, 1999. Stanley M. Kuriyama, a Vice President of ABHI, was named a Vice President of A&B and Executive Vice President of ABHI. Alyson J. Nakamura, Secretary of ABHI, was named Secretary of A&B. Norbert M. Buelsing, a Vice President of ABHI, was named a Senior Vice President of ABHI. Judith A. Williams, a Vice President of A&B and ABHI, was named a Vice President of Matson.

David G. Koncelik, President and Chief Executive Officer of C&H, resigned his title of Senior Vice President of ABHI in the course of the recapitalization of C&H, effective December 25, 1998.

CREDIT RATINGS

As discussed in Note 7 to the financial statements, Matson had outstanding commercial paper notes totaling $99.8 million at December 31, 1998. The Matson notes are rated A-1, P-1 and D-1 by Standard & Poor's, Moody's and Duff & Phelps, respectively. Standard & Poor's rates Matson's senior debt as A-.

STOCK INDEXES

The stock of A&B is included in the Dow Jones Transportation Index, the Dow Jones Composite Index, the Dow Jones Marine Transportation Index and the S&P MidCap 400 Index.

DIRECTORS AND OFFICERS

ALEXANDER & BALDWIN, INC.

DIRECTORS

MICHAEL J. CHUN (55)**
President, The Kamehameha Schools
(educational institution)

JOHN C. COUCH (59)
Former Chairman of the Board, President
and Chief Executive Officer,
Alexander & Baldwin, Inc.
Former Chairman of the Board
A&B-Hawaii, Inc.
Former Chairman of the Board,
Matson Navigation Company, Inc.

LEO E. DENLEA, JR. (67)**
Retired Chairman of the Board, President
and Chief Executive Officer,
Farmers Group, Inc. (insurance)

W. ALLEN DOANE (51)
President and Chief Executive Officer,
Alexander & Baldwin, Inc.
President and Chief Executive Officer,
A&B-Hawaii, Inc.
Vice Chairman,
Matson Navigation Company, Inc.

WALTER A. DODS, JR. (57)*
Chairman of the Board and
Chief Executive Officer,
BancWest Corporation
Chairman of the Board and
Chief Executive Officer,
First Hawaiian Bank (banking)

CHARLES G. KING (53)**
President, King Auto Center
(automobile dealership)

CARSON R. MCKISSICK (66)*
Managing Director,
The Corporate Development Company
(financial advisory services)

C. BRADLEY MULHOLLAND (57)
Executive Vice President,
Alexander & Baldwin, Inc.
President and Chief Executive Officer,
Matson Navigation Company, Inc.

R. J. PFEIFFER (79)
Chairman of the Board,
Alexander & Baldwin, Inc.
Chairman of the Board,
A&B-Hawaii, Inc.
Chairman of the Board,
Matson Navigation Company, Inc.

LYNN M. SEDWAY (57)*
President and Chief Executive Officer,
Sedway Group
(real estate consulting)

MARYANNA G. SHAW (60)*
Private investor

CHARLES M. STOCKHOLM (66)**
Managing Director,
Trust Company of the West
(investment management services)
Advisory Director

ALEXANDER C. WATERHOUSE (87)
Vice Chairman,
Waterhouse Properties, Inc.
(private investments)

* Audit Committee Members
** Compensation and Stock Option Committee Members

ALEXANDER & BALDWIN, INC.

OFFICERS

R. J. PFEIFFER (79)
Chairman of the Board

W. ALLEN DOANE (51)
President and Chief Executive Officer

C. BRADLEY MULHOLLAND (57)
Executive Vice President

GLENN R. ROGERS (55)
Executive Vice President, Chief
Financial Officer and Treasurer

MEREDITH J. CHING (42)
Vice President
(Government & Community Relations)

JOHN B. KELLEY (53)
Vice President (Investor Relations)

MILES B. KING (51)
Vice President and Chief Administrative
Officer

MICHAEL J. MARKS (60)
Vice President, General Counsel and
Secretary

ROBERT K. SASAKI (58)

Vice President (Properties)

JUDITH A. WILLIAMS (55)
Vice President
(Corporate Planning & Development)

THOMAS A. WELLMAN (40)
Controller

A&B-HAWAII, INC.

OFFICERS

R. J. PFEIFFER (79)
Chairman of the Board

W. ALLEN DOANE (51)
President and Chief Executive Officer

G. STEPHEN HOLADAY (54)
Senior Vice President
(Plantation General Manager, HC&S)

MILES B. KING (51)
Senior Vice President (Industrial Relations)

MICHAEL J. MARKS (60)
Senior Vice President and General Counsel

GLENN R. ROGERS (55)
Senior Vice President,
Chief Financial Officer and Treasurer

ROBERT K. SASAKI (58)
Senior Vice President (Properties)

NORBERT M. BUELSING (48)
Vice President (Property Management)

MEREDITH J. CHING (42)
Vice President
(Government & Community Relations)

JOHN F. GASHER (65)
Vice President
(Human Resources Development)

KEITH A. GOTO (55)
Vice President (Labor Relations)

JOHN B. KELLEY (53)
Vice President

STANLEY M. KURIYAMA (45)
Vice President
(Land Planning & Entitlements)

THOMAS A. WELLMAN (40)
Vice President and Controller

JUDITH A. WILLIAMS (55)
Vice President
(Corporate Planning & Development)

ALYSON J. NAKAMURA (33)
Secretary

MATSON NAVIGATION COMPANY, INC.

OFFICERS

R. J. PFEIFFER (79)
Chairman of the Board

W. ALLEN DOANE (51)
Vice Chairman of the Board

C. BRADLEY MULHOLLAND (57)
President and Chief Executive Officer

RAYMOND J. DONOHUE (62)
Senior Vice President and
Chief Financial Officer

MILES B. KING (51)
Senior Vice President (Human Resources)

GARY J. NORTH (54)
Senior Vice President (Operations)
(President and Chief Operating Officer,
Matson Terminals, Inc.)

KEVIN C. O'ROURKE (52)
Senior Vice President and General Counsel

PAUL E. STEVENS (46)
Senior Vice President (Marketing)

RICHARD S. BLISS (60)
Vice President
(Area Manager, Pacific Northwest)

ROBERT L. DAWDY (54)
Vice President (West Coast Operations)

BRANTON B. DREYFUS (45)
Vice President (Area Manager, Hawaii)

RONALD J. FOREST (43)
Vice President
(Area Manager, Southern California)

PHILIP M. GRILL (51)
Vice President (Government Relations)

DALE B. HENDLER (45)
Vice President
(Area Manager, Northern California)

MERLE A. K. KELAI (67)
Vice President (Community Relations and
Government Affairs)

MICHAEL J. MARKS (60)
Secretary

TIMOTHY H. REID (52)
Treasurer

JOSEPH A. PALAZZOLO (50)
Controller

All positions as of December 31, 1998
All ages as of March 31, 1999

INVESTOR INFORMATION

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Plaza Meeting Room on the ground floor of Amfac Center, 745 Fort Street, Honolulu, Hawaii at 10 a.m. on Thursday, April 22, 1999.

INVESTOR INFORMATION

Shareholders having questions about A&B are encouraged to write to W. Allen Doane, President and Chief Executive Officer; or Michael J. Marks, Vice President, General Counsel and Secretary.

Inquiries from professional investors may be directed to John B. Kelley, Vice President, Investor Relations. Phone (808) 525-8422
E-mail: invrel@alexanderbaldwin.com

FORM 10-K

Shareholders may obtain a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, without charge, by writing to Michael J. Marks, Vice President, General Counsel and Secretary, Alexander & Baldwin, Inc., P.O. Box 3440, Honolulu, HI 96801-3440.

TRANSFER AGENT & REGISTRAR

CHASEMELLON SHAREHOLDER
SERVICES
San Francisco, California and Ridgefield Park, New Jersey

For questions regarding stock certificates, dividends, or other transfer-related matters, representatives of the Transfer Agent may be reached at 1-800-356-2017 between 9 a.m. and 7 p.m., Eastern Time. Correspondence may be sent to: P.O. Box 3315, So. Hackensack, NJ 07606.

AUDITORS

DELOITTE & TOUCHE LLP
Honolulu, Hawaii

COMMON STOCK

A&B common shares trade under the symbol ALEX on the NASDAQ Stock MarketSM. A summary of daily stock transactions is listed in the NASDAQ National Market Issues section of major newspapers. Trading volume averaged 109,380 shares a day in 1998, compared with 68,734 shares a day in 1997 and 67,425 in 1996. Currently, 16 firms make a market in ALEX.

High and low sales prices per share, by quarter, for 1998 and 1997 were:

Quarter	1998	1997
First	$ 30-3/4 - 25	$ 29-3/8 - 24-1/2
Second	31-1/8 - 25-7/8	27-3/4 - 24-3/8
Third	29-7/8 - 19-3/4	28-1/8 - 25-3/8
Fourth	23-1/4 - 18-13/16	28-1/4 - 26

DIVIDENDS

The Company has paid cash dividends in every quarter since 1903. The most recent increase in the quarterly dividend rate was effective in the first quarter of 1998, from 22 cents a share to 22.5 cents. In 1998, total dividend payments to shareholders were $40.3 million.

The following dividend schedule for 1999 has been set, subject to final approval by the A&B Board of Directors:

Quarterly Dividend	Declaration Date	Record Date	Payment Date
First	Jan. 28	Feb. 12	March 4
Second	April 22	May 6	June 3
Third	June 24	Aug. 5	Sept. 2
Fourth	Oct. 28	Nov. 10	Dec. 2

ALEXANDER & BALDWIN, INC.
822 BISHOP STREET HONOLULU, HI 96813-3924
P. O. BOX 3440 HONOLULU, HI 96801-3440
TELEPHONE: 808-525-6611 FAX: 808-525-6652
WEBSITE: www.alexanderbaldwin.com

ALEXANDER & BALDWIN, INC.
SUBSIDIARIES AS OF FEBRUARY 28, 1999

Name of Subsidiary	State or Other Jurisdiction Under Which Organized
A&B-Hawaii, Inc.	Hawaii
Subsidiaries:	
A & B Development Company (California)	California
A & B Properties, Inc.	Hawaii
ABHI-Crockett, Inc.	Hawaii
McBryde Sugar Company, Limited	Hawaii
Kauai Coffee Company, Inc.	Hawaii
East Maui Irrigation Company, Limited	Hawaii
Kahului Trucking & Storage, Inc.	Hawaii
Kauai Commercial Company, Incorporated	Hawaii
Kukui'Ula Development Company, Inc.	Hawaii
South Shore Community Services LLC	Hawaii
South Shore Resources LLC	Hawaii
WDCI, INC.	Hawaii
Matson Navigation Company, Inc.	Hawaii
Subsidiaries:	
Matson Intermodal System, Inc.	Hawaii
Matson Logistics Solutions, Inc.	Hawaii
Matson Services Company, Inc.	Hawaii
Matson Terminals, Inc.	Hawaii

NOTE: Certain A&B subsidiaries, which considered in the aggregate do not constitute a significant subsidiary, have been omitted.

INDEPENDENT AUDITORS' CONSENT

Alexander & Baldwin, Inc.:

We consent to the incorporation by reference in Registration Statements No. 2-72008, 2-84179, 33-31922, 33-31923, 33-54825, and 333-69197 of Alexander & Baldwin, Inc. and its subsidiaries on Form S-8 of our reports dated January 28, 1999, appearing in and incorporated by reference in the Annual Report on Form 10-K of Alexander & Baldwin, Inc. and its subsidiaries for the year ended December 31, 1998.

/s/ Deloitte & Touche LLP

March 26, 1999

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1,000

12-MOS
DEC-31-1998
DEC-31-1998
74,618
12,200
136,080
6,272
19,772
254,794
1,787,424
837,704
1,605,640
187,681
255,766
0
0
36,098
658,544
1,605,640
1,292,664
1,311,620
1,083,836
1,083,836
0
0
24,799
55,295
24,352
30,943
0
0
(5,801)
25,142
0.56
0.56