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, 1997
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 13, 1998:
44,853,282

AGGREGATE MARKET VALUE OF COMMON STOCK HELD BY NON-AFFILIATES AT FEBRUARY 13, 1998:
$1,117,966,743

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. [ ]

DOCUMENTS INCORPORATED BY REFERENCE
PORTIONS OF REGISTRANT'S PROXY STATEMENT DATED MARCH 9, 1998 (PART III OF FORM 10-K).
PORTIONS OF REGISTRANT'S ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1997 (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, 1997

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, including California and Hawaiian Sugar Company, Inc. ("C&H"), 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 its vessels to third parties; and arranging United States Mainland intermodal transportation.

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; 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, 1997, see "Industry Segment Information" on page 24 of the Alexander & Baldwin, Inc. 1997 Annual Report ("1997 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 1997, Matson carried 149,734 containers (compared with 152,109 in 1996) and 78,641 motor vehicles (compared with 83,097 in 1996) 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, Japan, and South Korea. In 1997, Matson carried 19,122 containers (compared with 15,249 in 1996) and 3,595 automobiles (compared with 3,729 in 1996) 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) rather than five, 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 1997, Matson carried 39,390 containers (compared with 38,237 in 1996) in the Pacific Coast Service. The Pacific Coast Service has benefited from the startup, in August 1997, of a relationship with Canadian National Railway, 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 $836,800,000 during the past 28 years. The majority of vessels in the Matson cargo fleet has been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act, 1936, as amended.

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

As a complement to its fleet, Matson owns approximately 16,800 containers, 9,300 container chassis, 450 auto-frames and miscellaneous other equipment. Capital expenditures by Matson in 1997 for vessels and equipment totaled approximately $19,200,000.

MATSON NAVIGATION COMPANY, INC.

FLEET - 3/1/98

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	312	1,134	408	2,824			
MAHIMAHI (2)	653424	1982		860'2"	23.0	30,167	182	312	1,134	408	2,824			
MANOA (2)	651627	1982		860'2"	23.0	30,187	182	312	1,134	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
KAIMOKU (3)	573223	1976	1990	790'9"	21.5	14,551		276	310	121	1,020	350	54	--
KAINALU (3)	557149	1974	1990	790'9"	21.5	14,976		276	310	121	1,020	350	54	--
MATSONIA	553090	1973	1987	760'0"	21.5	22,501		683	400	329	1,620	450	56	4,300
LURLINE (3)	549900	1973	1982	826'6"	21.5	22,221		597	345	340	1,476	220	81	2,100
EWA	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	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	524219	1970		720'5-1/2"	22.5	27,107		537	416	251	1,476			5,300
Tugs and Barges														
WAIALEALE (4)	978516	1991		345'0"	--	5,621				35		230	45	
ISLANDER (5)	933804	1988		372'0"	--	6,837		276	24	70	380			--
MAUNA LOA (5)	676973	1984		350'0"	--	4,658		144	72	84	316			2,100
HALEAKALA (5)	676972	1984		350'0"	--	4,658		144	72	84	316			2,100
MAOI (6)	618705	1980		75'0"	10.0	--								
JOE SEVIER (6)	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) Reserve Status
(4) Roll-on/Roll-off Barge
(5) Container Barge
(6) 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 858 vessel calls were served at all Matson Terminals container facilities in 1997. The four terminals operated by Matson Terminals are as follows:

TERMINAL LOCATION	TERMINAL SIZE (ACRES)	EXPIRATION OF TERMINAL LEASE	1997 THROUGHPUT (# CONTAINERS)	CONTAINER CRANES (#)	CRANE OWNERSHIP	USABLE SHIP BERTHS (#)
Honolulu, HI	108	Sept 2016	390,137	7	Matson Terminals	3
Los Angeles, CA	95	Jan 1999	232,670	4	Matson Terminals	3
Oakland, CA	74	Dec 2008	131,893	3	Matson Terminals	3
Seattle, WA	35	Dec 1999	93,851	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. In particular, Matson Terminals anticipates it will reach a satisfactory agreement with the Port of Los Angeles for the terminal space needed for its southern California operations. In addition, at the Port of Seattle, Matson Terminals is scheduled to relocate in the year 2000 to a larger facility, under a 30-year lease with options to expand from the initial 48 acres up to 85 acres. 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 $1,400,000 in 1997.

(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 for vessels calling at the islands of Hawaii and Maui.

(5) COMPETITION

Matson's Hawaii and Guam Services have one major containership 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 initial annual capacity which the competitor may offer in the Hawaii trade to 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. 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 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. 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.

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 to convince Congress to repeal the Jones Act, in 1995 a coalition of more than 400 businesses and organizations, including Matson, formed the Maritime Cabotage Task Force to support the retention of the Jones Act and other cabotage laws. Repeal of the Jones Act would allow all foreign-flag vessel operators, who would 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 who 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. Bills introduced in Congress in 1997 to repeal the Jones Act received substantial media attention, but were not voted upon. On the other hand, the Task Force succeeded in promoting adoption of Concurrent Resolution 65 by the House of Representatives. The resolution expresses "the sense of the Congress . . . that the Jones Act and related statutes are critically important components of our Nation's economic and military security and should be fully and strongly supported."

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.

(6) LABOR RELATIONS

The absence of strikes and the availability of labor through hiring halls are important to maintenance of profitable operations by Matson. Although Matson's operations have not been disrupted significantly by strikes in the past 26 years, recent labor disruptions at some United States Pacific Coast ports by longshore bargaining units of the International Longshore and Warehouse Union ("ILWU"), which are attributed to dissatisfaction with collective bargaining agreements negotiated with the Pacific Maritime Association in 1996, have adversely affected the operations and operating costs of Matson and other ocean carriers calling at those ports. In addition, a strike against the Port of Los Angeles by ILWU ship pilots and a severe shortage of ILWU longshore workers in southern California, both of which occurred in the second half of 1997, contributed further to these adverse affects on Matson and other ocean carriers. 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 1997, Matson announced it would defer an across-the-board increase in its Hawaii Service rates in recognition of the weak Hawaii economy.

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
Maui	69,060
Kauai	21,910
California	1,952
Texas	43
Washington	24
Nevada	18
Colorado	10
Florida	3
TOTAL	93,020

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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)	1,170
Agricultural, pasture and miscellaneous	60,900
Watershed land/conservation	28,900
U.S. MAINLAND	
California ranch land	1,900
Fully-entitled urban	150
TOTAL	93,020

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 Coastal Zone Management area, the granting of a Special Management Area Permit by the County Planning Commission.

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 approvals have been obtained.

As described in more detail below, in 1997 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. The Maui County Council adopted the Pa'ia-Haiku and Upcountry Community Plans in 1995 and 1996, respectively. Adoption of the remaining two Community Plans by the County Council is expected in 1998 and 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 is envisioned to be a planned residential community on the island of Kauai, comprised of up to 3,000 dwelling units, as well as 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. The initial increment of 727 acres currently is available for development, while the remaining 318 acres are conditionally designated "Urban," subject to a showing that substantial progress has been made on providing infrastructure to the initial increment.

Since 1993, construction activity at the Kukui'ula project had been suspended because of weak economic conditions on Kauai. However, in

December 1997, the County of Kauai Planning Commission granted tentative subdivision approval for a 32-lot residential subdivision known as "Koloa Estates," located at the northeast corner of the Kukui'ula project. Construction plans for this subdivision are being prepared, and it is anticipated that construction could commence by mid-1998, with sales to follow the completion of construction in early 1999.

Preliminary planning and design work also has commenced to complete the entitlement process for the resort component of the project. It is anticipated that this process will require approximately 18 months, and will entail action by the State Land Use Commission and the County of Kauai.

(b) ELEELE NANI II. Also on Kauai, only two lots remain available for sale at ABHI's Eleele Nani II development, consisting of 146 single-family lots on 27 acres. Sales of two lots closed in 1997.

(c) KU'AU BAYVIEW AT PA'IA. Since the completion and opening of the model complex in April 1996, 69 homes in this 92-lot single-family subdivision (75% of the total) on Maui have been sold. As of February 1998, five contracts were in escrow. Despite continuing soft market conditions, Ku'au Bayview has performed well compared to competing projects, managing to attract buyers without having to reduce prices or provide across-the-board sales incentives.

(d) KAHULUI IKENA. Since the completion of the 102-unit Maui condominium project in June 1995, a total of 69 units have been sold to date (21 units in 1995, 31 units in 1996, and 17 units in 1997). As of February 1998, an additional seven units were in escrow.

(e) OTHER MAUI SUBDIVISIONS. Four agricultural subdivisions, which consist of a minimum lot size of two acres per lot, were in various stages of design and development in 1997. Final County subdivision approval was issued in September 1997 for the nine-lot Kauhikoa Hill Ranch subdivision (located in Haiku), and the sale of one lot closed in December. Site work construction for the 28-lot Haiku Makai subdivision (also located in Haiku) commenced in October 1997, and is expected to be substantially completed in April 1998. Marketing activities began in February 1998, and the first closings are projected for mid-1998. The construction plans for the 38-lot Maunaolu subdivision (located in Haliimaile) continue to be processed by the County, and are expected to receive County approval in the second quarter of 1998. However, construction will not begin until a potable water source has been secured for the project. Finally, three lots at the 10-acre Ku'au Beach Estates subdivision (located in Pa'ia) were sold last year, leaving one lot available for sale.

In addition, ABHI is seeking to obtain State "Urban" designation 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. The latter project also involves the possible development of nine holes of golf to expand the nearby nine-hole Maui Country Club golf course into an 18-hole course. Petitions seeking "Urban" designations for both subdivisions were substantially completed in 1997, and are expected to be filed with the State in the first quarter of 1998.

(f) PILOT HILL RANCH. Pilot Hill Ranch, located in El Dorado County, near Sacramento, California, is intended to be developed as an 1,800-acre planned residential community, consisting of approximately 975 single- and multi-family homes, a golf course, parks and 15 acres of commercial development. A lawsuit filed in 1996 to block implementation of the General Plan for El Dorado County, which incorporates ABHI's development plan proposals for the Pilot Hill Ranch project, is still pending.

A Specific Plan for the development of Pilot Hill Ranch (equivalent to a zoning application) was submitted to the El Dorado County Planning Department in March 1997. The approval process for a Specific Plan requires the preparation of an Environmental Impact Report ("EIR"), under the direction of the Planning Department. Work on the EIR by a consultant under contract to the County commenced in July 1997, and the administrative draft was substantially completed in December 1997. It is anticipated that the draft EIR will be made public by April 1998, and that the acceptance process for the EIR and the approval process for the Specific Plan can be completed by mid-1998.

(4) COMMERCIAL AND INDUSTRIAL PROPERTIES

An important source of property revenue is the lease rental income A&B and its subsidiaries receive from nearly 3.1 million leasable square feet of industrial and commercial building space, ground leases on 270 acres for commercial/industrial use, and leases on 11,500 acres for agricultural/pasture use.

(a) HAWAII COMMERCIAL/INDUSTRIAL PROPERTIES

In Hawaii, most of the nearly 850,000 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. In 1997, A&B acquired One Main Plaza, an 85,300-square-foot, six-story office building in downtown Wailuku, pursuant to a tax-deferred exchange under Section 1031 of the Internal Revenue Code ("IRC").

The primary Hawaii commercial/industrial properties are as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
Maui Mall	Kahului, Maui	Retail shopping center	190,800
Kahului Shopping Center	Kahului, Maui	Retail shopping center	108,200
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	28,000

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

(1) TRIANGLE SQUARE. Marketing continues at this 11-acre retail/commercial site in Kahului, Maui. Three lots have been leased so far, and the Apex Building is currently 95% occupied by retail users. Additional ground leases and construction are planned for the balance of Triangle Square, with marketing and leasing activity continuing in 1998.

(2) MAUI BUSINESS PARK. In 1997, the initial phase (Phase IA) of the 42-acre Maui Business Park saw the opening of the Maui Marketplace, 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. Anchor tenants for the Maui Marketplace include Eagle Hardware, Office Max, Sports Authority, Bank of Hawaii, Starbuck's, Burger King and Border's Bookstore and Music. In addition, 13 Maui Business Park lots have been sold or leased so far to various commercial and retail businesses. These 13 lots, along with Maui Marketplace's 20.3 acres, represent an absorption of 70% of Phase IA's salable acres. There remain 19 lots available for sale or lease.

The next phase of the Maui Business Park slated for development is the 34-acre Phase IB. Offsite improvements are now in place, and onsite improvements will commence as market conditions warrant. Maui Business Park is planned eventually to comprise a total of four phases, aggregating about 240 acres, to be developed over the next 20 years.

(3) PORT ALLEN INDUSTRIAL SUBDIVISION. On Kauai, one industrial lot remains available for sale.

Overall occupancy for the Hawaii commercial and industrial properties owned by A&B and its subsidiaries averaged 78% in 1997, compared with 86% in 1996, reflecting the weak Hawaii economy and the addition of new properties with large amounts of untenanted space. The performance of the Hawaii leased property portfolio is expected to continue to be affected in 1998 by weak demand, due to the economy. On Maui, the absorption of new retail space constructed over the past three years, coupled with the termination of a major lease at Maui Mall, are expected to result in a lower overall occupancy rate. A&B is continuing its program of upgrading its Hawaii properties, with major improvements being completed to the Kahului Office Building and One Main Plaza.

(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 IRC Section 1031, comprising a total of approximately 2.24 million square feet of leasable area, as follows:

PROPERTY	LOCATION	TYPE	LEASABLE AREA (SQUARE FT.)
Great Southwest Industrial	Dallas, TX	Industrial	901,402
10500 Ridgeview Court	Cupertino, CA	Research and development	246,000
Valley Freeway Corporate Park	Kent, WA	Industrial	229,099
Airport Square	Reno, NV	Retail	168,071

Moulton Plaza	Laguna Hills, CA	Retail	133,999
LinPac Building	City of Industry, CA	Industrial	126,048
4225 Roosevelt Building	Seattle, WA	Office	106,456
Island Village Commercial Center	Bainbridge Island, WA	Retail	106,212
Village at Indian Wells	Indian Wells, CA	Retail	104,589
Wilshire Shopping Center	Greeley, CO	Retail	46,728
Market Square	Greeley, CO	Retail	43,295
Professional Center Office Plaza	Gainesville, FL	Office	24,243
		TOTAL:	2,236,142

A&B took advantage of California's strengthening economy by selling its Spinnaker II research and development property in Fremont, CA in May 1997 for $8.4 million. Proceeds from the sale were invested in October 1997, by way of an IRC Section 1031 exchange, in the Village at Indian Wells shopping center, located in Indian Wells, CA. A&B also finalized a sales agreement for its 10500 Ridgeview Court property, located in Cupertino, CA. This sale is scheduled to close in June 1998. The strengthening California economy also is expected to increase rental rates at Moulton Plaza shopping center in Laguna Hills, CA, and to assist in the re-tenanting of the LinPac Building in the City of Industry, CA (lease expired in February 1998).

In March 1997, the Wilshire Shopping Center was acquired in Greeley, CO. This shopping center is near Market Square, a shopping center purchased by A&B in 1995. Consistent, above average growth is expected for this northern Colorado community.

A&B's Seattle-area properties realized significant benefits from the area's expanding economy. The major tenant at the 4225 Roosevelt office building renewed its lease for an additional five years with a rent increase in excess of 50%. Valley Freeway Corporate Park and Island Village Commercial Center maintained 100% occupancy levels. The Island Village Commercial Center consists of the 97,153-square-foot Island Village Shopping Center, which A&B has owned since 1990, as well as a nearby 9,059-square-foot office building acquired in August 1997 with tax-deferred funds. In addition, an 8,400-square-foot retail building is under construction and is expected to be completed by May 1998.

The Great Southwest Industrial property in Dallas, TX maintained 100% occupancy with the successful lease extensions of several major tenants. This portfolio of industrial/warehouse properties continues to perform well, despite the increase in the number of new, speculatively constructed buildings in the area.

In Reno, NV, the Airport Square shopping center benefited from the continued economic expansion of the northern Nevada market. Although there was a significant increase in new retail space in 1997, the majority of the new developments contained large retail spaces that did not directly compete with Airport Square's tenant base.

The U.S. Mainland leased property portfolio had an average overall occupancy rate of 98%, one percent higher than the prior year.

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. Kauai Coffee formerly was known as Island Coffee Company, Inc.

HC&S is Hawaii's largest producer of raw sugar, producing 198,037 tons of raw sugar in 1997, or 55% of the raw sugar produced in Hawaii. Total Hawaii sugar production, in turn, amounted to approximately five percent of total United States sugar production. HC&S harvested 17,005 acres of sugar cane in 1997, compared with 17,183 acres in 1996. Yields averaged 11.6 tons of sugar per acre in 1997, compared with 11.7 tons per acre in 1996. The average cost per ton of sugar produced at HC&S, including the cost of power production, was $446.92 in 1997, compared with $410.31 in 1996. The increase in cost per ton is attributable in part to decreased sugar production. An aggressive cost reduction effort, including personnel reductions, has been undertaken, and is expected to improve performance in 1998. As a by-product of sugar production, HC&S also produced 77,960 tons of molasses in 1997, compared with 65,525 tons in 1996.

During 1997, Kauai Coffee had approximately 3,800 acres of coffee trees under cultivation. The harvest of the 1997 coffee crop is expected to yield approximately 4.4 million pounds of green coffee, compared with 2.5 million pounds in 1996.

HC&S and McBryde Sugar Company, Limited ("McBryde"), the parent company of Kauai Coffee, produce electricity for use by HC&S and Kauai Coffee, respectively, 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 1997, HC&S sold 85,680 megawatt hours ("MWH") of electric power, and McBryde sold 23,712 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 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 remained strong in 1997, as a result of the comprehensive restructuring implemented in 1996 and stable refined sugar selling prices in both the retail and industrial markets. A continuation of appropriate balances between domestic production and consumption of refined sugar, and between supplies of cane and beet sugar available in the U.S. domestic market, allowed refined sugar prices to remain stable.

Problems still persist in the manner in which the U.S. Department of Agriculture administers the domestic sugar support program, to the continuing detriment of U.S. cane refiners. The program was renewed in early 1996 with little change. Absent reforms in the administration of the sugar program, the financial hardships experienced by the cane refining industry prior to 1996, as a result of the sugar program, could occur again. Insufficient supplies of raw cane sugar resulting from inadequate administration of the sugar program, for example, would affect cane refiners adversely.

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 major sugarcane growers in Hawaii (including HC&S), for C&H to acquire substantially all raw sugar produced in Hawaii. There are no minimum supply guarantees on the part of HS&TC. During 1997, the supply contract with HS&TC provided 59% of the raw sugar sold by C&H. In recent years, a number of Hawaii sugarcane growers have exited the business. There is no certainty that the companies now producing sugar cane in Hawaii will be doing so in the future. In 1998, C&H will continue to purchase significant amounts of raw sugar from foreign sources, including Australia, Central and South America, the Philippines and Taiwan, to supplement its purchases under the supply contract with HS&TC.

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 1997 coffee crop is being marketed on the U.S. Mainland and in Asia as green (unroasted) coffee. Kauai Coffee has a supply agreement with Nestle Beverage Company, ending with the 1997 crop, pursuant to which Nestle Beverage Company purchases 25% of Kauai Coffee's annual green coffee production. Sales of green coffee from the 1997 crop to Nestle are proceeding, and there are no plans to extend or renew the supply agreement. 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

Hawaiian 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 1997, 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 is provided by the Federal Agriculture Improvement and Reform Act, which was signed into law in the first quarter of 1996 (the "1996 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 prevents 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 sugar price (measured by the closing price of the quoted spot contract) averaged 21.62 cents per pound in 1993, 22.03 cents per pound in 1994, 23.03 cents per pound in 1995 (reaching a high of 25.00 cents per pound in June and July), 22.36 cents per pound in 1996, and 21.94 cents per pound in 1997. The abnormally high average raw sugar price in 1995 was due to flaws in the existing federal sugar legislation and in the administration of the U.S. sugar program. The foregoing average prices are based on the average daily New York Contract #14 price for domestic raw sugar. A chronological chart of these prices 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)

	1995	1996	1997
January	22.66	22.39	21.88
February	22.67	22.58	21.87
March	22.46	22.57	21.81
April	22.78	22.59	21.73
May	23.10	22.59	21.70
June	23.50	22.49	21.63
July	24.47	21.80	22.04
August	23.37	22.35	22.26
September	23.21	22.38	22.30
October	22.92	22.36	22.25
November	22.60	22.12	21.90
December	22.70	22.10	21.89

Under the long-term raw sugar supply agreement between C&H and HS&TC, the participating 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.

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 four 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 41,000 acres of land, including 2,000 acres leased from the State of Hawaii and 1,300 acres under lease from private parties. Approximately 36,700 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 4,000 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. A total of 35,686 acres, 97% of HC&S's cane lands, currently are 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, 1997, A&B and its subsidiaries had approximately 2,930 regular full-time employees. About 1,099 regular full-time employees were engaged in the growing of sugar cane and coffee and the production of raw sugar and green coffee, 529 were engaged in the refining and marketing of sugar, 1,086 were engaged in ocean transportation, 42 were engaged in property development and management, and the balance was in administration and miscellaneous operations. Approximately 61% were covered by collective bargaining agreements with unions.

As of December 31, 1997, Matson and its subsidiaries had approximately 1,086 regular full-time employees, 344 seagoing employees and 368 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 1997, collective bargaining agreements with two Hawaii units of the ILWU and two Oakland units of the International Brotherhood of Teamsters were renewed for three-year terms, retroactive to 1996. The collective bargaining agreement with the Los Angeles International Association of Machinists, covering mechanics at Los Angeles, was extended for two years, from 1999 to 2001. A collective bargaining agreement with the Los Angeles office clerical employees, represented by the ILWU, was entered into for a one-year term. In February 1998, negotiations were completed on a supplemental agreement to the ILWU Pacific Coast agreement, which covers vessel planners employed by Matson and other companies in Los Angeles.

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 are expected to be renewed in 1998 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 1997 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 5 to A&B's financial statements on page 35 of the 1997 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, 2001. The two collective bargaining agreements with Kauai Commercial Company, Incorporated employees represented by the ILWU are in the process of being renegotiated. The collective bargaining agreement with the ILWU for the production unit employees of Kauai Coffee expires January 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 extend through May 31, 1998. Negotiations for new contracts are expected to commence soon.

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 1997, Matson vessels consumed approximately 2.8 million barrels of residual fuel oil, compared with 2.25 million barrels in 1996.

Residual fuel oil prices started 1997 at $125.00 per metric ton and ended the year at $86.00 per metric ton. A high of $125.90 per metric ton occurred in January, and a low of $84.50 per metric ton occurred in December. Sufficient fuel for Matson's requirements is expected to be available in 1998.

As is 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 1997, HC&S produced 228,279 MWH of electric power and sold 85,680 MWH, compared with 239,498 MWH produced and 82,447 MWH sold in 1996. HC&S's oil use increased to 215,389 barrels in 1997 from the 189,938 barrels used in 1996. Coal use for power generation also increased, from 42,534 short tons in 1996 to 50,946 short tons in 1997. The increased use of oil and coal was due primarily to a reduction in the quality (in terms of fuel value) of the bagasse and an increase in the steam energy requirements for raw sugar production.

In 1997, McBryde produced 34,676 MWH of hydroelectric power, compared with 33,723 MWH of hydroelectric power produced in 1996. Power sales in 1997 amounted to 23,712 MWH, compared with 25,227 MWH sold in 1996. The 1996 figure included steam-generated power that was produced by McBryde during the last year of operation of its sugar plantation. McBryde's steam-power generation ceased with the closing of its sugar operations in 1996.

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. The cogeneration plant also allowed C&H to shut down its own, less efficient, steam-generating plant, thereby avoiding certain material capital improvements to that plant. In 1997, C&H purchased 23,654,519 therms of steam from the cogeneration plant, compared with 19,181,420 therms of steam in 1996.

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. Pan Ocean admits that a vessel owned and operated by Pan Ocean discharged fuel oil into Los Angeles harbor on January 8, 1991. Pan Ocean is seeking contribution and indemnification for the in-harbor clean-up charges, which it alleged to be between $16,000,000 and $19,000,000. On April 12, 1993, Pan Ocean amended its complaint to allege fraud and seek unspecified punitive damages. The parties have stipulated to binding arbitration before a Special Master appointed by the United States District Court for the Central District of California. The Special Master's findings will be incorporated into a judgment by the United States District Court, which judgment may be appealed to the Ninth Circuit Court of Appeals only on the issues of punitive damages and misconduct of the Special Master. Arbitration hearings, which commenced January 13, 1994, are ongoing. Management continues to believe, after consultation with legal counsel and given the Protection and Indemnity coverage under Matson's insurance policy in effect at the time of the alleged conduct, that any ultimate liability in connection with this action will not have a material adverse effect on Matson's financial condition.

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 1997 Annual Report, which sections are incorporated herein by reference.

At February 13, 1998, there were 5,431 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 1987 through 1997 is contained in the comparative table captioned "Eleven-Year Summary of Selected Financial Data" on pages 22 and 23 of the 1997 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. However, 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. Investments in marketable securities are stated in the financial statements at market values, in accordance with Statement of Financial Accounting Standards No. 115. Certain investments held in the Capital Construction Fund at amortized cost exceeded their fair values at December 31, 1997 and 1996. This matter is described more fully in Note 4 on pages 34 and 35 of the 1997 Annual Report, which Note is incorporated herein by reference.

Additional information applicable to this Item 7 is contained in the section captioned "Management's Discussion and Analysis" on pages 25 through 27 of the 1997 Annual Report, which section is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

This information is contained in the financial statements and accompanying notes on pages 28 through 40 of the 1997 Annual Report, the Independent Auditors' Report on page 21 of the 1997 Annual Report, the Industry Segment Information for the years ended December 31, 1997, 1996 and 1995 appearing on page 24 of the 1997 Annual Report and incorporated into the financial statements by Note 12 thereto, and the section captioned "Quarterly Results (Unaudited)" on page 41 of the 1997 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 and 3 of A&B's proxy statement dated March 9, 1998 ("A&B's 1998 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, 1998, 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 7 of A&B's 1998 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 13 and 14 of A&B's 1998 Proxy Statement, which subsection is incorporated herein by reference.

Meredith J. Ching (41)

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.

John C. Couch (58)

Chairman of the Board (4/95-present), Chief Executive Officer (4/92-present) and President (4/91-present) of A&B; Chairman of the Boards (4/95-present) of ABHI and Matson; Chief Executive Officer (4/89-12/96) and President (4/89-4/95) of ABHI; previously held various executive officer positions with A&B and Matson; first joined A&B or a subsidiary in 1976.

W. Allen Doane (50)

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 (61)

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

John B. Kelley (52)

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 (50)

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

David G. Koncelik (56)

Senior Vice President of ABHI, 1/94-present; President and Chief Executive Officer of C&H, 1/94-present; Executive Vice President and Chief Operating Officer of C&H, 1/91-12/93; Chief Financial Officer of C&H, 12/88-12/93; first joined C&H in 1988.

Michael J. Marks (59)

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

C. Bradley Mulholland (56)

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.

Glenn R. Rogers (54)

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.

Robert K. Sasaki (57)

Vice President of A&B, 7/90-present; Senior Vice President (Properties) of ABHI, 4/89-present; first joined A&B or a subsidiary in 1965.

Thomas A. Wellman (39)

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.

Judith A. Williams (54)

Vice President (Corporate Planning) of A&B, 8/96-present and 10/87-4/89; Vice President of ABHI, 4/89-present; first joined A&B in 1979.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" on pages 8 through 14 of A&B's 1998 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 5 and 6, and on pages 6 and 7, respectively, of A&B's 1998 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the section titled "Compensation Committee Interlocks and Insider Participation" on page 16 of A&B's 1998 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 1997 Annual Report shown in parentheses below):

Balance Sheets, December 31, 1997 and 1996 (pages 30 and 31).
Statements of Income for the years ended December 31, 1997, 1996 and 1995 (page 28).
Statements of Shareholders' Equity for the years ended December 31, 1997, 1996 and 1995 (page 32).
Statements of Cash Flows for the years ended

December 31, 1997, 1996 and 1995 (page 29).
Notes to Financial Statements (pages 33 through 40 and page 24 to the extent incorporated by Note 12).
Independent Auditors' Report (page 21).

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, 1997 and 1996; Statements of Income and Cash Flows for the years ended December 31, 1997, 1996 and 1995; 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 Michael J. Marks, Vice President, General Counsel and Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawaii 96801.

3. Articles of incorporation and bylaws.

3.a. Restated Articles of Association of A&B, 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. Bylaws of A&B as amended effective October 24, 1991 (Exhibit 3.b.(i) to A&B's Form 10-Q for the quarter ended September 30, 1991).

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

4.a. Equity.

4.a. Rights Agreement, dated as of December 8, 1988 between Alexander & Baldwin, Inc. and Manufacturers Hanover Trust Company, Press Release of Alexander & Baldwin, Inc. and Form of Letter to Shareholders of Alexander & Baldwin, Inc. (Exhibits 4, 28(a) and 28(b) to A&B's Form 8-K dated December 13, 1988).

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.

10. Material contracts.

10.a. (i) Purchase and Exchange Agreement, by and between Wailea Development Company, Inc. and Wailea Resort Company, Ltd., dated as of January 15, 1989; Letters of Guaranty of Alexander & Baldwin, Inc. and Shinwa Golf Kabushiki Kaisha, respectively, dated as of January 15, 1989; Press Release of Alexander & Baldwin, Inc., dated February 10, 1989; and Pro Forma Financial Information relative to the transaction (Exhibits 10.b.(vii)(a) through 10.b.(vii)(e) to A&B's Form 8-K dated February 10, 1989).

(ii) Contract for the Construction of One Containership by and between Matson Navigation Company, Inc. and National Steel and Shipbuilding Company, dated January 31, 1990 (Exhibit 10.b.(vii) to A&B's Form 10-K for the year ended December 31, 1989).

(iii) 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).

(iv) Note Agreement among Alexander & Baldwin, Inc. and 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).

(v) Note Agreement among Alexander & Baldwin, Inc. and 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).

(vi) 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).

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

(viii) 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).

(ix) 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).

(x) General Lease between the State of California and California and Hawaiian Sugar Company, dated September 24, 1992 (Exhibit 10.a.(xiv) to A&B's Form 10-Q for the quarter ended June 30, 1993).

(xi) Amendment to Lease and Reservation of Easements, between the State of California and California and Hawaiian Sugar Company, dated as of July 29, 1993 (Exhibit 10.a.(xv) to A&B's Form 10-Q for the quarter ended September 30, 1993).

(xii)(a) Commercial Paper Dealer Agreement between California and Hawaiian Sugar Company and First Chicago Capital Markets, Inc., dated April 22, 1991, with respect to California and Hawaiian Sugar Company's $100 million revolving credit facility (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 1993).

(xii)(b) Depositary Agreement between California and Hawaiian Sugar Company and The First National Bank of Chicago, dated as of April 6, 1989 (Exhibit 10.a.(xix)(b) to A&B's Form 10-K for the year ended December 31, 1994).

(xiii) Amendment dated as of February 10, 1995, to Depositary Agreement between California and Hawaiian Sugar Company and The First National Bank of Chicago, dated as of April 6, 1989 (Exhibit 10.a.(xx) to A&B's Form 10-K for the year ended December 31, 1994).

(xiv) 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).

(xv) 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).

(xvi) 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).

(xvii) 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).

(xviii) 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).

(xix) 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.

(xx) Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxiv) to A&B's Form 8-K dated June 30, 1995).

(xxi) Revised pro forma financial information relative to the Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxv) to A&B's Form 8-K/A dated June 30, 1995).

(xxii) Balance sheets as of December 31, 1993 and 1994 and Statements of Income and Statements of Cash Flows for the years ended December 31, 1992, 1993 and 1994, relative to the Asset Purchase Agreement among XTRA, Inc., Matson Navigation Company, Inc. and Matson Leasing Company, Inc., dated June 30, 1995 (Exhibit 10.a.(xxvi) to A&B's Form 8-K/A dated June 30, 1995).

(xxiii) Commercial Paper Dealer Agreement among California and

Hawaiian Sugar Company, Inc., Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and Goldman Sachs Money Markets, L.P. dated June 20, 1995, with respect to California and Hawaiian Sugar Company, Inc.'s $100 million revolving credit facility (Exhibit 10.a.(xxvi) to A&B's Form 10-Q for the quarter ended June 30, 1995).

(xxiv) 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).

(xxv) 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).

(xxvi) 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).

(xxvii) 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).

(xxviii) 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).

(xxix)(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).

(xxix)(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).

(xxx) Agreement to Implement the Execution and Closing of Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement between Matson Navigation Company, Inc. and American President Lines, Ltd., dated as of September 22, 1995 (Exhibit 10.a.(xxix) to A&B's Form 10-Q for the quarter ended September 30, 1995).

(xxxi) Amendments Nos. 1 through 7, dated as of October 10, 1995, October 30, 1995, November 30, 1995, December 8, 1995, December 15, 1995, January 31, 1996 and February 8, 1996, respectively, to the Agreement to Implement the Execution and Closing of Vessel Purchase, Purchase of Guam Assets and Alliance Slot Hire Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated as of September 22, 1995 (Exhibit 10.a.(xxx) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxii) Vessel Purchase Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated December 20, 1995 (Exhibit 10.a.(xxxi) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxiii) Amendment No. 1 dated December 28, 1995 to the Vessel Purchase Agreement between Matson Navigation Company, Inc., and American President Lines, Ltd., dated December 20, 1995 (Exhibit 10.a.(xxxii) to A&B's Form 10-K for the year ended December 31, 1995).

(xxxiv) 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).

*10.b.1. (i) 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).

(ii) Amendment No. 1 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, effective December 11, 1997.

(iii) Alexander & Baldwin, Inc. 1983 Stock Option Plan (Exhibit 10.c.1.(vii) to A&B's Form 10-K for the year ended December 31, 1982).

(iv) Amendment No. 1 to the Alexander & Baldwin, Inc. 1983 Stock Option Plan, effective December 14, 1983 (Exhibit 10.c.1.(viii) to A&B's Form 10-K for the year ended December 31, 1983).

(v) Amendment No. 2 to the Alexander & Baldwin, Inc. 1983 Stock Option Plan, effective January 1, 1987 (Exhibit 10.c.1.(xii) to A&B's Form 10-K for the year ended December 31, 1986).

(vi) Amendment No. 3 to the Alexander & Baldwin, Inc. 1983 Stock Option Plan (Exhibit 10.b.1.(xxv) to A&B's Form 10-Q for the quarter ended June 30, 1992).

(vii) 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).

(viii) 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).

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

(ix) 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).

(x) 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).

(xi) 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).

(xii) 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).

(xiii) 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).

(xiv) 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).

(xv) 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).

(xvi) 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).

(xvii) 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).

(xviii) 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).

(xix) 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).

(xx) Amendment No. 2 to the A&B Excess Benefits Plan, dated December 10, 1997.

(xxi) A&B Executive Survivor/Retirement Benefit Plan, Amended and Restated Effective July 1, 1991 (Exhibit 10.b.1.(xvii) to A&B's Form 10-K for the year ended December 31, 1992).

(xxii) Amendment No. 1 to and 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).

(xxiii) A&B 1985 Supplemental Executive Retirement Plan, Amended and Restated Effective July 1, 1991 (Exhibit 10.b.1.(xviii) to A&B's Form 10-K for the year ended December 31, 1992).

(xxiv) Amendment No. 1 to and Restatement of the A&B 1985 Supple-mental 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) A&B Retirement Plan for Outside Directors, Amended and Restated Effective October 24, 1991 (Exhibit 10.b.1.(xix) to A&B's Form 10-K for the year ended December 31, 1992).

(xxvi) Amendment No. 1 to and 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) 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).

(xxviii) 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).

(xxix) Alexander & Baldwin, Inc. Three-Year Performance Improvement 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).

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

(xxxi) 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).

11. Statement re computation of per share earnings.

13. Annual report to security holders.

13. Alexander & Baldwin, Inc. 1997 Annual Report.

21. Subsidiaries.

21. Alexander & Baldwin, Inc. Subsidiaries as of February 28, 1998.

23. Consent of Deloitte & Touche LLP dated March 27, 1998 (included as last page of A&B's Form 10-K for the year ended December 31, 1997).

27. Financial data schedule.

D. REPORTS ON FORM 8-K

No reports were filed during the quarter ended December 31, 1997.

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 27, 1998

By /s/ John C. Couch
John C. Couch
Chairman of the Board,
President and Chief
Executive Officer

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/ John C. Couch John C. Couch	Chairman of the Board, President and Chief Executive Officer and Director	March 27, 1998
/s/ Glenn R. Rogers Glenn R. Rogers	Executive Vice President, Chief Financial Officer and Treasurer	March 27, 1998
/s/ Thomas A. Wellman Thomas A. Wellman	Controller	March 27, 1998
/s/ Michael J. Chun Michael J. Chun	Director	March 27, 1998
/s/ Leo E. Denlea, Jr. Leo E. Denlea, Jr.	Director	March 27, 1998
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Director	March 27, 1998
/s/ Charles G. King Charles G. King	Director	March 27, 1998
/s/ Carson R. McKissick Carson R. McKissick	Director	March 27, 1998
/s/ C. Bradley Mulholland C. Bradley Mulholland	Director	March 27, 1998
/s/ Maryanna G. Shaw Maryanna G. Shaw	Director	March 27, 1998
/s/ Charles M. Stockholm Charles M. Stockholm	Director	March 27, 1998

INDEPENDENT AUDITORS' REPORT

Alexander & Baldwin, Inc.:

We have audited the financial statements of Alexander & Baldwin, Inc. and its subsidiaries as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and have issued our report thereon dated January 22, 1998; such financial statements and report are included in your 1997 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 22, 1998

SCHEDULE I

ALEXANDER & BALDWIN, INC.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
(In thousands)

	1997	1996
ASSETS		
Current Assets:		
Income tax receivable	$ 2,480	$ 18,292
Accounts and notes receivable, net	760	1,909
Prepaid expenses and other	1,090	1,050
Total current assets	4,330	21,251
Investments:		
Subsidiaries consolidated, at equity	619,963	592,691
Other	101,624	90,796
Total investments	721,587	683,487
Property, at cost	91,873	78,581
Less accumulated depreciation and amortization	10,629	9,610
Property -- net	81,244	68,971
Other Assets	701	10,324
Total	$ 807,862	$ 784,033
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Bank overdraft	$ 936	$ 16
Accounts payable	359	239
Other	4,123	3,829
Total current liabilities	5,418	4,084
Long-term Liabilities	6,355	5,740
Due to Subsidiaries	22,306	40,477
Deferred Income Taxes	54,195	49,404
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock	36,769	37,150
Additional capital	49,437	43,377
Unrealized holding gains on securities	55,144	48,205
Retained earnings	591,135	568,969
Cost of treasury stock	(12,897)	(13,373)
Total shareholders' equity	719,588	684,328
Total	$ 807,862	$ 784,033

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(In thousands)

	1997	1996	1995
Revenue:			
Net sales, revenue from services and rentals	$ 17,784	$ 18,449	$ 10,287
Interest, dividends and other	4,510	3,961	3,798
Total revenue	22,294	22,410	14,085
Costs and Expenses:			
Cost of goods sold, services and rentals	10,013	4,331	2,946
Selling, general and administrative	7,055	7,331	9,111
Interest and other	872	1,019	1,604
Income taxes	239	3,008	427
Total costs and expenses	18,179	15,689	14,088
Income (Loss) Before Equity in Net Income of Subsidiaries Consolidated	4,115	6,721	(3)
Equity in Net Income From Continuing Operations of Subsidiaries Consolidated	77,272	58,564	32,422
Equity in Net Income From Discontinued Operations of Subsidiaries Consolidated	-	-	23,336*
Net Income	$ 81,387	$ 65,285	$ 55,755

*Includes an after-tax gain of $18 million on the sale of the net assets of Matson Leasing Company, Inc.

See accompanying notes.

ALEXANDER & BALDWIN, INC. (Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(In thousands)

	1997	1996	1995
Cash Flows from Operations	$ 25,495	$ (5,892)	$ (9,405)
Cash Flows from Investing Activities:			
Capital expenditures	(4,002)	(353)	(678)
Proceeds from sale (purchase) of investments	-	10,182	(1,514)
Dividends received from subsidiaries	50,000	50,000	70,000
Net cash provided by investing activities	45,998	59,829	67,808
Cash Flows from Financing Activities:			
Decrease in due to subsidiaries	(18,171)	(13,328)	(357)
Payments of long-term debt	-	(850)	(6,892)
Proceeds from issuances of capital stock	2,132	1,291	468
Repurchases of capital stock	(16,585)	(1,250)	(11,580)
Dividends paid	(39,789)	(39,860)	(40,035)
Net cash used in financing activities	(72,413)	(53,997)	(58,396)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	(920)	(60)	7
Balance, beginning of year	(16)	44	37
Balance, end of year	$ (936)	$ (16)	$ 44
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 197	$ 152	$ 479
Income taxes paid, net of refunds	29,775	26,360	53,014
Other Non-cash Information:			
Depreciation	1,019	2,604	3,049

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 has principal business operations of Ocean Transportation and until June 1995, of Container Leasing. The net assets of Matson Leasing Company, Inc., the Company's container leasing subsidiary, were sold in June 1995 for $361.7 million in cash. Accordingly, the operating results and the gain on sale of the container leasing segment have been separately reported.

(b) LONG-TERM LIABILITIES

At December 31, 1997 and 1996, long-term liabilities of $6,355,000 and $5,740,000, respectively, consisted principally of deferred compensation and executive benefit plans.

(c) 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, 1997, the Company did not have any significant firm commitments.

(d) CASH DIVIDENDS FROM AFFILIATES

Cash dividends from a consolidated subsidiary were $50,000,000 in each of 1997 and 1996 and $70,000,000 in 1995.

EXHIBIT 4.b.(ii)

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

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AND TERM LOAN AGREEMENT (this "Agreement") is made effective as of the tenth day of December, 1997, 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 which shall have a Commitment hereunder from and after the date hereof are set forth on Schedule I attached hereto and Credit Lyonnais Los Angeles Branch shall not have any Commitment hereunder from and after the date hereof.

D. 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 Credit Lyonnais Los Angeles Branch that Credit Lyonnais Los Angeles Branch shall not be a party to the Credit Agreement or be a "Bank" thereunder.

E. The parties hereto have agreed to amend the Credit Agreement to (i) extend the Revolving Termination Date, (ii) reallocate the Revolving Commitments of the Banks as set forth on Schedule I attached hereto, and (iii) amend Section 7.4 of the Credit Agreement as set forth herein.

F. 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, 1999, or the date to which such date is extended from time to time as provided in Section 1.1B hereof.

B. <u>Schedule I</u>. Schedule I to the Credit Agreement is hereby deleted and replaced with Schedule I attached hereto. From and after the date hereof, Credit Lyonnais Los Angeles Branch shall not have any Commitment under the Credit Agreement.

C. <u>Issuance of Revolving Credit Notes; and Issuance of Rider</u>. On the date hereof, and as a condition to the effectiveness of this Agreement, (i) the Borrowers shall issue a Revolving Credit Note, dated the date hereof, in the form of Exhibit A hereto, in the amount of twenty million dollars ($20,000,000.00) to The Bank of New York; and (ii) Borrowers shall issue a Third Rider to Revolving Credit Note, dated the date hereof, in the form of Exhibit B hereto, to Union Bank of California.

D. <u>Reallocation of Existing Loans and Repayment of Credit Lyonnais Los Angeles Branch</u>.

1. If on the date hereof there shall be any outstanding Term Loans or 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 Credit Agreement (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 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 the Credit Agreement.

(d) The Agent shall, not later than 12:00 noon, Hawaii time, provide to Credit Lyonnais Los Angeles Branch, 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 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 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 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 Credit Lyonnais Los Angeles Branch, 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 the Credit Agreement.

3. On the date on which Credit Lyonnais Los Angeles Branch shall have received repayment in full of all Loans made by Credit Lyonnais Los Angeles Branch and any other amounts payable to or on account of Credit Lyonnais Los Angeles Branch, Credit Lyonnais Los Angeles Branch shall cease to be a party to the Credit Agreement, shall cease for all purposes to be a Bank hereunder and Credit Lyonnais Los Angeles Branch shall return to the Agent for cancellation by the Borrowers the Revolving Credit Note, dated December 29, 1992, in the amount of twenty-five million dollars ($25,000,000.00);

E. Sale of Assets. Section 7.4 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

> Section 7.4 Sale of Assets. Each Borrower agrees that it will not, and Parent agrees that it will not permit Matson or any Subsidiary of Matson to, sell the accounts, contract rights or receivables pertaining to its business or sell, lease, abandon or otherwise dispose of, directly or indirectly, its assets or any portion thereof except in the ordinary course of business; provided, however, that the Borrowers, Matson or any Subsidiary of Matson may discontinue or sell the operations of any division of its business (other than discontinuing or selling the Borrowers' HC&S division substantially in its entirety), or otherwise may dispose of any operation, right, privilege or property, if management shall deem the same advisable in the interest of the business of such Borrower and of Matson and Matson's Subsidiaries, subject to the provisions of Section 7.5 hereof, and subject to the further provisions that, (i) in any fiscal year, the aggregate value of all such dispositions not in the ordinary course of business shall not exceed twenty percent (20%) of Consolidated Total Assets, and (ii) from and after September 30, 1996, the aggregate value of all such dispositions not in the ordinary course of business shall not exceed three hundred sixty million dollars ($360,000,000), provided that

at any time such assets disposed of since the beginning of the most recently ended fiscal year shall not have contributed more than an average of twenty percent (20%) of Parent's Consolidated Net Income during the two most recently ended fiscal years and, provided further that the proceeds of any such dispositions in excess of one hundred million dollars ($100,000,000) after September 30, 1996 shall be applied to the repayment of Funded Indebtedness. Sales of assets from the Borrowers' property management and development activities, and sales of marketable securities owned by the Parent and that are not securities issued by a Subsidiary shall be deemed within the ordinary course of business. Nothing in this Section 7.4 shall restrict any transfer of any assets from A&B-Hawaii to the Parent at any time or from time to time.

F. Notices. Section 12.4 of the Credit Agreement is hereby amended to add to the phrase "The Banks: At the addresses indicated on the signature pages below" the following:

"or, if modified, on the signature pages of any amendment or supplement hereto."

G. Confirmation of Warranties and Covenants; No Event of Default. 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. No Defenses. 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. Full Force and Effect. The provisions of the Credit Agreement 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, the provisions of this Agreement shall control; but in all other respects, the provisions of the Credit Agreement 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. 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.

[REST OF PAGE LEFT INTENTIONALLY BLANK]

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

ALEXANDER & BALDWIN, INC.	FIRST HAWAIIAN BANK
By /s/ Thomas A. Wellman	By /s/ Adolph F. Chang
Its Controller & Asst. Treasurer	Its Vice President
	As a "Bank" and as "Agent"
By /s/ G. R. Rogers	
Its Exec. VP, CFO & Treasurer	BANK OF AMERICA NATIONAL TRUST

AND SAVINGS ASSOCIATION

A&B-HAWAII, INC.

By /s/ Thomas A. Wellman

Its VP, Controller & Asst. Treasurer

By /s/ G. R. Rogers

Its Senior VP, CFO & Treasurer

"Borrowers"

By /s/ James P. Johnson

Its Managing Director

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

THE UNION BANK OF CALIFORNIA,N.A.

By /s/ John C. Lee

Its Assistant Vice President

As a "Bank"

CREDIT LYONNAIS
LOS ANGELES BRANCH

By /s/ Dianne M. Scott

Its Vice President and Manager

As a "Departing Bank"

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"

The Bank of New York
10990 Wilshire Boulevard
Suite 1125
Los Angeles, CA 90024
Attn: Ms. Elizabeth T. Ying
Vice President
Telephone: (310) 996-8661
Facsimile: (310) 996-8667

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 Union Bank of California, N.A.	15,000,000
The Bank of New York	20,000,000
TOTAL	$155,000,000

EXHIBIT A

REVOLVING CREDIT NOTE

$20,000,000 San Francisco, California

--------------, 1997

ALEXANDER & BALDWIN, INC., a Hawaii corporation and A&B-HAWAII, INC., a Hawaii corporation (hereafter referred to jointly and severally as the "Borrowers"), FOR VALUE RECEIVED, hereby jointly and severally promise to pay to the order of THE BANK OF NEW YORK (the "Payee") at the offices of First Hawaiian Bank, a Hawaii corporation located at 999 Bishop Street, Honolulu, Hawaii, the principal sum of Twenty Million Dollars ($20,000,000), on the Termination Date (as defined in the Agreement referred to below) in lawful money of the United States of America and in immediately available funds.

The Borrowers jointly and severally promise also to pay interest on the unpaid principal amount thereof in like money and funds at said office from the date hereof until paid at the rates per annum which will be determined in accordance with the provisions of Article I and Article II of the Second Amended and Restated Revolving Credit and Term Loan Agreement (the "Agreement") effective as of December 31, 1996, among the Borrowers, the Payee and the other banks party thereto, said interest to be payable at the times provided for in the Agreement.

This Note is one of the Notes referred to in the Agreement and is entitled to the benefits thereof. This Note is subject to prepayment, in whole or in part, as specified in the Agreement. In case an Event of Default, as defined in the Agreement, shall occur and shall be continuing, the principal of and accrued interest on this Note may become due and payable in the manner and with the effect provided in the Agreement.

The Borrowers hereby waive presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed by and construed in accordance with the laws of the State of California.

ALEXANDER & BALDWIN, INC.

By

Its

By

Its

A&B-HAWAII, INC.

By

Its

By

Its

EXHIBIT B

THIRD RIDER TO REVOLVING CREDIT NOTE
(UNION BANK OF CALIFORNIA)

This Third Rider to Revolving Credit Note, dated as of ___________, 1997, by and between Alexander & Baldwin, Inc., a Hawaii corporation, A&B-Hawaii, Inc., a Hawaii corporation (jointly and severally, the "Borrowers"), and Union Bank of California, N.A. (formally, The Bank of California, N.A., the "Bank") amends and is to be attached to the Revolving Credit Note dated April 1, 1989 in the original principal amount of $20,000,000 issued by the Borrowers in favor of the Bank (the "Revolving Credit Note"), which Revolving Credit Note was amended by the First Rider to Revolving Credit Note dated November 26, 1991 and as further amended by the Second Rider to Revolving Credit Note dated December 29, 1992.

The Borrowers and Bank hereby agree as follows:

1. Amendment. The number "10,000,000" in each instance it appears in the Revolving Credit Note, as amended, shall be increased to "15,000,000," and the words "Ten Million Dollars" shall be changed to "Fifteen Million Dollars."

2. Continuation. Except as expressly amended hereby, the Revolving Credit Note, as amended, shall remain in full force and effect.

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

ALEXANDER & BALDWIN, INC.,
a Hawaii corporation

By ______________________________________
Its

By ______________________________________
Its

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

By ______________________________________
Its

By ______________________________________
Its

UNION BANK OF CALIFORNIA, N.A.,

By John C. Lee
Its Assistant Vice President

EXHIBIT 10.a.(xix)

FIFTH AMENDMENT TO GRID NOTE

THIS AMENDMENT TO GRID NOTE executed this 28 day of November, 1997, and effective as of the first day of December 1997, 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";

W I T N E S S E T H   T H A T:

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), and 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 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:

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, 1998, UNLESS SOONER DUE AS OTHERWISE PROVIDED IN THE NOTE, AS AMENDED.

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 FIFTH 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 Fifth Amendment to Grid Note is executed by the undersigned parties as of this 28 day of November, 1997.

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/ John B. Kelley Its Vice President	

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

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

By /s/ John B. Kelley
Its Vice President

EXHIBIT 10.b.1.(ii)

ALEXANDER & BALDWIN, INC.
RESTRICTED STOCK BONUS PLAN

Amendment No. 1

The Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, restated effective April 28, 1988 (the "Plan"), is hereby amended, effective December 11, 1997, as follows:

1. Section III.A. is hereby replaced in its entirety with the following:

   "A. The maximum number of shares of Common Stock issuable under this Plan shall not exceed 1,040,000 shares (as adjusted through, and including an additional 500,000 shares of Common Stock made available on, December 11, 1997), subject to adjustment under paragraph B below. Shares of Common Stock shall be made available for issuance under this Plan solely and exclusively from Common Stock reacquired by the Company and held as treasury shares."

2. Except as modified by this Amendment No. 1, all terms and provisions of the Plan shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused this Amendment to be executed on its behalf by its duly authorized officers this 11th day of December, 1997.

ALEXANDER & BALDWIN, INC.

By /s/ Miles B. King
Its Vice President

By /s/ Alyson J. Nakamura
Its Assistant Secretary

EXHIBIT 10.b.1.(xx)

A&B EXCESS BENEFITS PLAN

Amendment No. 2

The A&B Excess Benefits Plan, as amended and restated effective February 1, 1995, is hereby amended, effective January 1, 1994, as follows:

1. Appendix B is hereby replaced in its entirety with the new Appendix B attached hereto.

2. Except as modified by this Amendment, all terms and provisions of the A&B Excess Benefits Plan shall continue in full force and effect.

IN WITNESS WHEREOF, Alexander & Baldwin, Inc. has caused its authorized officers to affix the corporate name and seal hereto this 10th day of December 1997.

ALEXANDER & BALDWIN, INC.

By /s/ Miles B. King
Its Vice President

By /s/ Alyson J. Nakamura
Its Assistant Secretary

APPENDIX B

Participant's Name			Date of	Fixed Monthly	Variable	Spouse's Name			Date of	Monthly
First	MI	Last	Birth	Benefit*	Units	First	MI	Last	Birth	Benefit**
Paul	A.	Cooper	7/15/05	437.67						None
Edwin	R.	Duncan	4/08/20	396.36		Jean	K.	Duncan	4/02/19	66 2/3%
Harry	J.	Fitzgerald	10/26/19	358.58		Kathryn	T.	Fitzgerald	5/16/26	50%
Donald	W.	Hare	5/14/19	748.20		Dorothy	P.	Hare	5/21/19	66 2/3%
Lawrence	A.	Lindsay	2/25/25	786.04		Rita	A.	Lindsay	4/05/25	66 2/3%
Neil	L.	Pennington	5/12/23	613.16		Frances	M.	Pennington	5/28/25	66 2/3%
Frederick	W.	Schwer	4/26/19	228.40		Christine	W.	Schwer	8/14/18	66 2/3%
Lawson	U.	Williams	1/01/19	350.33		Mildred	A.	Williams	7/03/20	66 2/3%
Emmett	V.	Donovan (d)	11/06/18	304.05		June		Donovan	6/10/22	66 2/3%
Edward	F.	Harder (d)	1/07/19	605.28		Bette		Harder	3/02/20	66 2/3%
Robert	O.	Nagle (Note 1)	2/10/29	1333.50	658.85	Louise	H.	Nagle	2/06/28	100%
Robert	O.	Nagle (Note 2)	2/10/29	222.53	658.85	Louise	H.	Nagle	2/06/28	100%
Harold	R.	Somerset	9/25/35	801.30	190.69	Jean	M.	Somerset	10/26/36	66 2/3%
William	H.	Stewart	9/01/29	156.51		Margaret	C.	Stewart	5/23/29	66 2/3%

Deferred Vested Participant

Raymond	L.	Knecht	4/19/48	48.43

* The fixed monthly benefit payable plus the current value of the variable units are payable to the participant during the participant's lifetime except if payment option is a 66-2/3% (last survivor). In such case, if either participant or spouse dies, the survivor will receive 66-2/3% of the fixed monthly benefit or the current value of the variable units. The current value of the variable units shall be determined in the same way such value is determined under the provisions of the C and H Pension Plan for Salaried Employees.

** The monthly benefit equal to the percentage shown multiplied times the participant's monthly benefit is payable to the spouse named above after the death of the participant during the spouse's lifetime.

(d) Deceased.

Note 1: The preceding footnotes notwithstanding, this benefit shall not be payable to Mr. Nagle or his surviving spouse on or after March 1, 1994.

Note 2: The preceding footnotes notwithstanding, this benefit shall only be payable to Mr. Nagle or his surviving spouse on or after March 1, 1994.

EXHIBIT 11

ALEXANDER & BALDWIN, INC.
COMPUTATION OF EARNINGS PER SHARE
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(In thousands, except per share amounts)

	1997	1996	1995
Basic Earnings Per Share			
Income from continuing operations	$ 81,387	$ 65,285	$ 32,419
Income from discontinued operations	-	-	23,336
Net income	$ 81,387	$ 65,285	$ 55,755
Average number of shares outstanding	45,182	45,303	45,492
Basic earnings per share from continuing operations	$ 1.80	$ 1.44	$ 0.72
Basic earnings per share from discontinued operations	-	-	0.51
Basic earnings per share	$ 1.80	$ 1.44	$ 1.23
Diluted Earnings Per Share			
Income from continuing operations	$ 81,387	$ 65,285	$ 32,419
Income from discontinued operations	-	-	23,336
Net income	$ 81,387	$ 65,285	$ 55,755
Average number of shares outstanding	45,182	45,303	45,492
Effect of assumed exercise of outstanding stock options	127	72	25
Average number of shares outstanding after assumed exercise of outstanding stock options	45,309	45,375	45,517
Diluted earnings per share from continuing operations	$ 1.80	$ 1.44	$ 0.72
Diluted earnings per share from discontinued operations	-	-	0.51
Diluted earnings per share	$ 1.80	$ 1.44	$ 1.23

EXHIBIT 13

"Hawaii has always presented special challenges, as well as unique opportunities, for those wishing to do business here. Over time, but especially in today's increasingly dynamic global economy, the arena in which Hawaii competes is becoming larger, and the standards it must meet are being raised constantly by competitors we don't even know...

[Photo caption: On the cover: A&B's operations, in Hawaii and beyond, are symbolized by the intense beauty of the Hawaiian Islands and the Pacific Ocean, as seen from a NASA satellite. Hawaii's islands are unique, geographically remote and remain at the center of A&B's increasingly diversified business portfolio. Photo courtesy of NASA.]

[Photo caption: Facing page: Providing for a new type of visitor, the stunning new Hawaii Convention Center is in "soft opening" status early in 1998. With 200,000 square feet of exhibit space, this state-of-the-art center leads the renewal of Waikiki, the heart of Hawaii's visitor industry.]

Managing a diverse portfolio of outstanding properties on the Mainland, adding new shipping routes in the Pacific, selling high-quality, branded sugar products throughout the Western states and premium estate-grown coffee in Japan and on the Mainland - A&B is stretching beyond its Hawaii roots for earnings growth and diversity."

John C. Couch
Chairman of the Board,
President and Chief Executive Officer
Alexander & Baldwin, Inc.

[Photo caption: Selective real estate investment beyond Hawaii's shores is illustrated by the Island Village Shopping Center, in Bainbridge Island, Wash. With the Northwest economy growing steadily, this and other Company investments in the area continue to increase in value.]

CORPORATE PROFILE

Contents

Alexander & Baldwin, Inc. is a diversified corporation with most of its operations centered on Hawaii. Its principal businesses are:

OCEAN TRANSPORTATION

Carrying freight, primarily between Pacific Coast ports, Hawaii ports and Guam
Conducting related shoreside operations
Arranging domestic intermodal transportation

PROPERTY DEVELOPMENT & MANAGEMENT

Developing real property, primarily in Hawaii
Selling residential and commercial property
Managing a portfolio of commercial properties

FOOD PRODUCTS

Growing sugar cane and producing raw sugar
Refining raw sugar, marketing and distributing refined sugar products
Growing, marketing and distributing coffee

Alexander & Baldwin was founded in 1870 and incorporated in 1900. A&B's corporate headquarters are located in Honolulu, Hawaii. Its common stock is traded on the NASDAQ Stock MarketSM under the symbol ALEX.

Financial Highlights

	1997	1996	Change
Revenue	$1,275,445,000	$1,239,810,000	3%
Net Income	$ 81,387,000	$ 65,285,000	25%
Per Share	$ 1.80	$ 1.44	25%
Cash Dividends	$ 39,789,000	$ 39,860,000	-0.2%
Per Share	$ 0.88	$ 0.88	-
Average Shares Outstanding	45,182,000	45,303,000	-0.3%
Total Assets	$1,704,798,000	$1,796,115,000	-5%
Shareholders' Equity	$ 719,588,000	$ 684,328,000	5%
Per Share	$ 16.03	$ 15.09	6%
Return on Beginning Shareholders' Equity	11.9%	10.0%	-
Current Ratio	1.7 to 1	1.4 to 1	-
Debt/Debt + Equity	0.32 to 1	0.40 to 1	-
Employees	2,930	2,960	-1%

A&B OPERATING PROFIT BY SEGMENT (In thousands)

Reference: Industry Segment Information (pg. 24)

1992	$113,460
1993	$147,788
1994	$141,729
1995	$100,125
1996	$150,883
1997	$167,893

LETTER TO SHAREHOLDERS

SHARES OUTSTANDING
(At year-end, in thousands)

1992	46,333
1993	46,404
1994	45,691
1995	45,280
1996	45,339
1997	44,881

[Photo caption: John C. Couch, Chairman of the Board, President and Chief Executive Officer, Alexander & Baldwin, Inc.]

A&B did well in 1997. We made significant progress in a number of areas, although overall profitability levels still fell short of our goals. Total sales grew to a record level. Net income was the highest in six years.

Shareholders' equity rose to a new high and total debt was reduced to the lowest level in eight years. The Company paid out 49 percent of its earnings in dividends, and continued the share repurchase program that has resulted in the retirement of 2 million shares since it began four years ago.

The persistent weakness of the Hawaii economy-the primary market for our major business segments-again proved to be a major obstacle to greater success. Nevertheless, we continued to benefit from the strategy of building on the strengths of our core businesses and expanding those businesses beyond Hawaii. That increasing geographic diversification contributed significantly to the success we did achieve.

There were few surprises in 1997. It was the seventh consecutive year in which there was little or no growth in the Hawaii economy. That stagnation only reinforced our commitment to continue seeking expansion opportunities beyond the State. The strength of our core ocean transportation, real estate and food products businesses has permitted us to edge out into other markets over the past few years. By so doing, we have broadened our revenue base and enhanced the Company's earnings potential. In 1997, nearly 60 percent of total revenue was generated by business activities outside Hawaii. Those activities included the operations of various A&B subsidiaries which provide Guam and Pacific Coast shipping services, stevedoring and marine terminal services in U.S. West Coast ports, and domestic intermodal transportation services. They also include the Company's income property portfolio, and sugar refining and distribution activities on the Mainland.

1997 Financial Results Good - Boosted by Insurance Settlement

NET INCOME
EARNINGS PER SHARE

1992	$0.41
1993	$1.45
1994	$1.62
1995	$1.23
1996	$1.44
1997	$1.80

TOTAL DEBT
(In thousands)

1990	$423,783
1991	$543,701
1992	$635,690
1993	$713,789
1994	$654,682
1995	$523,430
1996	$463,739
1997	$344,370

Even without a welcome financial boost from an insurance settlement, the Company's earnings from continuing operations were the highest in six years. The favorable settlement related to an insurance claim for damage to a marine container terminal in Oakland, Calif., during the 1989 Loma Prieta earthquake. Including reimbursed costs, interest and punitive damages, it added $20.0 million to 1997 pretax income.

Including the settlement, A&B's 1997 net income was $81.4 million, an increase of $16.1 million, or 25 percent, from 1996's reported net income of $65.3 million. Earnings per share were $1.80 versus $1.44 in 1996.

Excluding the insurance settlement and three other beneficial, but unusual, one-time factors, 1997 net income would be $68.3 million, which is an increase of $9.5 million, or 16 percent, above the $58.8 million in comparable earnings for 1996. Specifically, on an after-tax basis, the insurance settlement added $12.5 million, or $0.28 per share in 1997. In 1996, a special charter payment for certain vessels contributed $3.5 million, or $0.08 per share. Net income in both 1997 and 1996 benefited from reversals of portions of a financial reserve that was set up to cover the costs of closing a sugar plantation. (Actual closing costs were less than expected.) These reserve reversals boosted 1997 income by $0.6 million, or $0.01 per share, and 1996 results by $2.9 million, or $0.06 per share.

At the end of 1997, A&B's ratio of debt to total capital was 32 percent, versus

40 percent a year earlier. Cash and securities held at year-end exceeded $250 million. This improved capital structure and financial strength greatly enhances the Company's capability to meet future investment needs.

In 1997, a net total debt repayment of $119.6 million was made. A&B's "free" cash flow, i.e., cash flow from operations less cash used for investing, was $133.4 million. That cash, plus $38.3 million from the Capital Construction Fund, was used to reduce the debt, to pay out $39.8 million in dividends and to repurchase $16.6 million in stock.

The annual dividend rate was $0.88 per share during 1997. Since the end of the year, however, the Board raised it to $0.90 per share, or $0.225 a quarter, effective the first quarter of 1998.

Business Segment Highlights

Foremost among the notable accomplishments of the year was the success of Matson Navigation Company, Inc.'s (Matson's) trans-Pacific shipping alliance with American President Lines, Ltd. (APL). The alliance completed its first full year of operation in 1997 by exceeding forecast earnings. Started early in 1996, this alliance initially involved five ships serving the U.S. West Coast, Hawaii, Guam and the Far East.

During 1997, there were discussions about how the alliance might be restructured to provide better service and even better results. Agreement subsequently was reached with APL on a new alliance structure, which will improve Matson's competitive position in the Guam market and reduce its operating costs. The new alliance, involving three Matson ships and three APL ships, will serve ports in Mexico, the U.S. West Coast, Guam and the Far East. The transition to the new fleet alignment began in January 1998.

Other Matson achievements included the continued strong growth of its inter-modal (overland) transportation services subsidiary, Matson Intermodal System, Inc., which increased revenue 29 percent to $96.7 million. Also, in Matson's Pacific Coast service, the volume of loaded commercial containers carried increased more than 50 percent. Operating between Los Angeles, Seattle and Vancouver, B.C., this three-year-old service continues to gain additional support from shippers seeking an alternative to rail and truck movement along the West Coast.

Somewhat offsetting those successes were extraordinary difficulties which continued to be encountered in West Coast ports because of labor shortages, poor productivity due to lingering contract disputes, and congestion caused by the Union Pacific Railroad Company's problems in Southern California. As a result of all of these factors, cargo handling costs rose 10-15 percent above normal levels. As the year drew to a close, industry and Company efforts to resolve the problems began to produce better results. Improved performance is expected in all ports during 1998.

To deal with similar issues more effectively over the long term, Matson is planning the development of new, larger and more efficient marine terminals in Los Angeles and Seattle, and is significantly restructuring its operations in Oakland.

Another factor affecting Matson during the year, of course, was the lackluster Hawaii economy, particularly the depressed construction industry, which precluded any growth in cargo volume in Matson's core Hawaii service.

A&B-Hawaii, Inc.'s property development and management operations continued to be strong and made a solid contribution in 1997. Again, the geographic diversity of the Company's income properties (three million square feet under lease in six Western states) proved beneficial. The robust Mainland economy kept occupancy levels high, raised property values and produced some attractive sales opportunities. An industrial property in Fremont, Calif., was sold in May and a sale is pending on at least one other California property. All of these sales proceeds were reinvested in other income properties to expand our portfolio in Hawaii and on the Mainland. For example, the Company acquired a regional shopping center in Indian Wells, Calif., early in the year in a tax-deferred exchange under IRC Section 1031. And in Hawaii, where the soft office market is producing excellent purchase opportunities, we acquired two small office buildings at attractive prices. At the same time, the market for new commercial space on Maui remained active but highly selective. Several existing, as well as newly developed, commercial properties were sold by the Company at favorable prices. Finally, residential property sales on Maui proceeded at a good pace in spite of the weak economy.

During the year, we examined the possibility of establishing a real estate investment trust, or REIT, for our income properties, but concluded that the disadvantages outweighed the advantages at this time. The close relationship (operational and financial) between the Company's development and leasing activities, and the size, location and mix of our income properties, were all factors we considered in reaching this conclusion. We intend to continue to grow the Company's property development and leasing business in the years ahead. To the extent a REIT structure remains an available and appropriate option for the Company, it will be reexamined periodically.

The year's results were decidedly more mixed for our food products business segment. California and Hawaiian Sugar Company, Inc. (C&H), our West Coast sugar refinery, had another good year, benefiting from favorable market conditions and from its new, lower-cost structure. Unfortunately, market conditions in 1998 do not now appear as promising as they were in 1996-97.

We continue to explore possible strategic alliances for C&H that would enhance its long-term potential. In today's rapidly changing domestic sweetener market, alliances with other firms in the industry offer growth opportunities not now available to C&H alone.

C&H's 1997 success was almost completely offset by extremely disappointing results at our 37,000-acre Maui sugar plantation. Problems with a new sugarcane variety depressed yields per acre to the point that the plantation lost money for the first time in many years. Total production was slightly below 200,000 tons, about eight-percent below target levels. Steps now being taken should improve that situation in the next year or two, when total annual production again should reach 210,000-220,000 tons.

[Photo caption: After harvest, sugar cane travels on a plantation road network to HC&S' two mills in 65-ton haulers, like this one. Bulk raw sugar then is shipped to C&H for refining into more familiar sugar products.]

The Company's other crop, coffee grown on Kauai, did much better. Kauai Coffee Company, Inc. produced a record harvest exceeding four million pounds, up more than 70 percent from the prior year. That total was nearly 60 percent of the coffee grown in the State. Increased sales in Japan and increasing support from Mainland roasters for this new estate-grown Hawaiian coffee bode well for its future. A new visitors' center, now under construction at our 4,000-acre plantation on Kauai, will enhance consumer-marketing efforts when it opens this summer.

Hawaii's Economy

STATE OF HAWAII % CHANGE IN
REAL GROSS STATE PRODUCT

1985	4.8
1986	5.4
1987	3.6
1988	5.9
1989	4.8
1990	3.4
1991	-0.4
1992	0.9
1993	0.4
1994	0.0
1995	0.5
1996	0.9
1997	0.9

While the Company continues to grow beyond Hawaii, its core business operations remain focused on the Islands. We, therefore, are concerned about the State's lackluster economy and the prospects for its revitalization.

Largely propelled by external events, Hawaii's economy grew at the spectacular rate of four percent per year, on an inflation-adjusted basis, for the 30 years following statehood in 1959. For complex reasons, little or no growth has occurred since then. The State remains a special place, but its extraordinary economic success during those 30 years and its remoteness did not prepare it well to compete effectively in today's more demanding and increasingly interconnected global economy.

Although Hawaii remains remote, it no longer is isolated from economic events around the world. The State's lack of competitiveness in a number of areas has contributed to its economic stagnation. For example, Hawaii has the highest cost of doing business of all 50 states and its state and local tax burden is one of the heaviest in the country. Excessive regulation and duplication of services by state and county governments are other concerns. Unfortunately, it has taken seven years of dismal economic news for many in the community to realize that "business as usual" has been leading the State nowhere.

Last fall, the Governor formed an Economic Revitalization Task Force of leaders from a broad cross section of the community. Over several months, the Task Force developed recommendations for consideration by the State Legislature this winter. Bold initiatives, ranging from substantial tax cuts to more autonomy for the University of Hawaii, were advanced and are now being debated in the State House and Senate. The prospects for success of these initiatives remain uncertain, but many now believe significant change is required and that it is time to act. Hopefully, the vigorous debate now taking place will produce some meaningful change. I have the privilege of serving on the Governor's Task Force and continue to work with other A&B employees and community leaders to advocate changes that will help serve as catalysts for renewed economic growth.

At this point, however, little, if any, growth is forecast for the State's economy in 1998. Looking ahead, we do not yet know precisely what impact the economic troubles in Asia will have on Hawaii, but clearly they will not be favorable.

On the other hand, there are some positive developments to point to. To cite a few, sales of existing homes were up last year; the new Hawaii Convention Center will open formally in June 1998 with a backlog of more than 50 bookings; plans are being developed for lengthening the airport runways on Maui and Kauai (to permit more direct flights to and from the Mainland and abroad); domestic airlines have announced additional flights to the Islands; several major government and private construction projects have been announced; and Continental Airlines has agreed to locate a new regional maintenance facility in Honolulu. In addition, the strength of the Mainland economy should help boost the number of westbound visitors to the Islands.

Acknowledgements

A&B's 127th year presented its share of challenges. In spite of the adversity faced during the year, the Company grew and became stronger financially. It is now better positioned than ever to deal with the challenges ahead and better prepared to take advantage of opportunities as we continue to grow with and beyond Hawaii.

As has been the case at other times in the past, the skill, dedication and hard work of Company employees kept us moving forward. I am proud of their accomplishments, and gratefully acknowledge their many contributions to our continued success.

I also would like to thank the Board of Directors and shareholders for their continued encouragement and support. Imua!*

/s/ John C. Couch

John C. Couch
Chairman of the Board,
President and Chief Executive Officer

February 20, 1998

* Imua is a Hawaiian word meaning to progress, to go forward.

[Photo caption: The M.V. Mokihana is one of the large, modern vessels purchased by Matson in 1996 in connection with its strategic alliance with American President Lines.]

REVIEW OF OPERATIONS

[Photo caption: Facing page: Residential living on Maui's North Shore is exemplified by the 92-lot Ku'au Bayview development.]

[Photo caption: Condominium living in Maui. Kahului Ikena is a 102-unit A&B development near Maui Community College and the commercial and government centers of Maui.]

Alexander & Baldwin, Inc. (A&B) has two principal subsidiaries, A&B-Hawaii, Inc. (ABHI) and Matson Navigation Company, Inc. (Matson). ABHI has operations in property development and management, Hawaii agribusiness and food products.

Property Development And Management

In total, A&B owns about 93,000 acres of land. Value is added to these landholdings through the process of gaining entitlements for urban use. About 1,320 of the 93,000 acres are fully zoned for urban use. The Company has completed at least one step in the entitlement process for an additional 2,800 acres in Hawaii and on the Mainland, and has about 9,700 more acres with foreseeable urban-use potential. Up-to-date information on specific projects is available on A&B Properties' Internet home page, www.abprop.com.

Whether it is for watershed, cultivation of crops, lease or development, the Company strives to put its land to the highest and best use, consistent with community needs. Most of the acreage in Hawaii will be in agricultural use for many years.

A&B'S LANDHOLDINGS, BY CATEGORY

	Hawaii				
(In acres)	Maui	Kauai	Total	Mainland	Total
Fully Entitled Urban	360	810	1,170	150	1,320
Agric./Pasture/Misc.	52,800	8,100	60,900	1,900	62,800
Conservation	15,900	13,000	28,900	-	28,900
Total	69,060	21,910	90,970	2,050	93,020
Designated Urban	700	300	1,000	1,800	2,800
Urban Potential	6,200	3,500	9,700	-	9,700

Entitlements

The lengthy and complex process of gaining entitlements is the necessary first step in developing land. In 1997, A&B requested that 650 acres at Maalaea be designated as the site of a master-planned community in Maui County's 10-year update of the community plan for the Kihei-Makena area. The project received preliminary approval from the Maui County Council in December 1997, and final Council action is expected in the first half of 1998. The Company also sought to have included in the Wailuku-Kahului Community Plan 160 acres intended for industrial/commercial use in Phases II through IV of Maui Business Park.

Urban designations are being pursued before the State Land Use Commission for two proposed single-family residential subdivision projects on Maui: 200 units on 45 acres at Haliimaile and 400 units on 110 acres at Spreckelsville.

Kukui'ula is a 1,000-acre long-term, master-planned residential project on Kauai that has been idle because of soft market conditions. Plans for an initial 32-unit subdivision were advanced in 1997 and construction may begin in the second quarter of 1998.

Pilot Hill Ranch is an 1,800-acre planned community in El Dorado County, Calif., about 40 miles northeast of Sacramento. During 1997, the Company submitted a Specific Plan, the equivalent of a zoning application, and consultants completed a draft Environmental Impact Report. Public hearings are likely by mid-1998.

Development

Three new large-lot agricultural subdivisions on Maui made progress in 1997. Kauhikoa Hill Ranch, a nine-lot project, was delayed temporarily by water-source issues. By year-end, however, sales had commenced. Roads and utility services are currently under construction at the 28-lot Haiku Makai project and sales will begin shortly. The County of Maui is reviewing construction plans for the 38-lot Maunaolu project, but development probably will not take place until after 1998.

Sales

During 1997, the pace of new residential, and commercial, real estate sales in Hawaii continued to be restrained by a weak economy. Prices softened due to competitive conditions. On the Mainland, strong economic conditions created active markets for high-quality commercial properties.

At A&B's Maui Business Park, a 300,000-square-foot retail center, Maui Marketplace, held its grand opening in October 1997. During 1997, the developer of Maui Marketplace purchased a portion of the land underlying the Marketplace and has an option to complete the acquisition of the remaining land in mid-1998. Three additional leased lots also were sold. The transactions in 1997 involved a total of about eight acres and generated more than $5 million in gross margin. The 19 remaining lots in Phase I A of Maui Business Park, which total about 11 acres, continue to be marketed actively. Ultimately, Maui Business Park will encompass about 240 acres immediately adjacent to Maui's principal airport.

As shown in the table below, 65 of the homes in the 92-lot Ku'au Bayview single-family development were sold by year-end 1997. The sales in 1997 averaged $242,000 per unit. Also, since sales began in mid-1995, 69 of 102 units in the Kahului Ikena condominium project have been sold. The prices of the 17 units sold in 1997 averaged $131,000 per unit.

RESIDENTIAL PROPERTIES

Project	Total Units	Available in 1996	Sold/Leased in 1996	Available in 1997	Sold/Leased in 1997	Available in 1998
Ku'au Bayview	92	92	30	62	35	27
Kahului Ikena	102	81	31	50	17	33
Kauhikoa Hill Ranch	9	0	0	9	1	8
Ku'au Beach Estates	4	0	0	4	3	1

Property Management

Hawaii Portfolio The Hawaii commercial-property portfolio consists of 848,400 square feet of improved leasable space, plus 84 acres leased for commercial uses and 11,730 acres leased for agricultural uses. During 1997, lease rates continued to be very competitive, due to the sluggish Hawaii economy and continuing pressure on local retailers caused by the recent market entry of larger discounters. Occupancy of the commercial properties averaged 78 percent in 1997, in part due to recently acquired properties with relatively high present vacancies.

In March 1997, One Main Plaza, an 85,000-square-foot office building in Wailuku, Maui, was purchased at below-replacement cost. Although its present occupancy rate reflects Hawaii's soft economic conditions, the building's quality, location and tenant mix give it good upside potential.

Mainland Portfolio A&B's portfolio of 12 properties in five Western states consists of 2.21 million square feet of leasable space. Occupancies averaged 98 percent throughout 1997.

In May 1997, a 98,000-square-foot warehouse and office complex was sold. The proceeds were reinvested, on a tax-deferred basis, in the Village at Indian Wells, Calif., a retail center with 104,600 square feet of leasable space. Other tax-deferred funds were invested in the 46,000-square-foot Wilshire Shopping Center in Greeley, Colo., and in a two-story office building near the A&B-owned Island Village Shopping Center in Bainbridge Island, Wash.

[Photo caption: Facing page: Sugar - A&B's roots are deep in Hawaii. Here's how sugarcane products begin. Green, lush and inherently sweet, cane grows on 37,000 acres at HC&S on Maui. A mechanical cutter for harvesting "seed" cane is in the field.]

[Photo caption: A more familiar form of sugar - cubes of refined sugar - represents A&B's refining and marketing subsidiary, C&H, in Crockett, Calif. With the only cane refinery in the Western states, C&H is the leading branded sugar in the West.]

[Photo caption: Estate-grown, Kauai Coffee is A&B's newest crop. Marketing and sales efforts aim eastward and westward beyond Hawaii - with customers in Japan and on the U.S. mainland.]

Property Management & Development Outlook

Property Leasing operating profit likely will change little in 1998, due to continuing soft economic conditions in Hawaii. In Property Sales, residential and commercial developments are expected to continue to sell steadily, but slowly, in 1998. In the Mainland's present active commercial market, purchase offers for Company-owned properties will be considered on a case-by-case basis. Such offers present opportunities to create value and add to income, as is the case with the pending sale of a 246,000-square-foot office/research complex in Cupertino, Calif.

Agribusiness And Food Products

[Photo caption: Facing page: Big, fast, on schedule. A Matson C-9 vessel, M.V. Manoa, inbound under the Golden Gate. Carrying a vast portion of Hawaii's day-to-day consumer needs, Hawaii service vessels make "just-in-time" inventory practical on islands 2,000 miles or more from major production centers.]

Raw Sugar Production

Hawaiian Commercial & Sugar Company (HC&S) on Maui is the largest producer of raw cane sugar in Hawaii, with 55 percent of the State crop in 1997. During the year, however, sugar production at HC&S was reduced by cultivation and processing problems associated with a new variety of sugar cane. The experience gained in 1997 and a reexamination of agricultural practices have led to appropriate changes that should result in much-improved yields in the next few years. To ensure that HC&S remains competitive with other sweetener producers, the Company also is continuing its efforts to reduce costs in all aspects of plantation operations.

AGRIBUSINESS STATISTICS

	1997	1996	1995
Raw sugar produced (tons)			
HC&S	198,000	201,000	198,000
McBryde	-	20,000	24,000
Total	198,000	221,000	222,000
Green coffee produced (pounds)	4,300,000	2,430,000	1,770,000
Cultivated acreage			
Sugar	36,700	40,400	40,400
Coffee	3,800	4,000	4,000

Coffee

Kauai Coffee Company, Inc., the largest grower of coffee in the United States, produced more than four million pounds in 1997. Production was more than 70 percent higher than the previous record crop in 1996. The Company achieved added success in 1997 in marketing this high-quality, estate-grown coffee to customers both in the United States and in Japan. Although Kauai Coffee does not yet contribute to operating profit, its results are improving steadily.

Power, Trucking

The Company's hydroelectric plants on Maui and Kauai, as well as its sugar mills on Maui, continue to generate surplus electricity, which is sold to the local public utilities. During 1997, 109,000 megawatt-hours were sold, approximately the same volume as in 1996. The Company also has small trucking operations on both Maui and Kauai that support the agricultural operations and serve independent customers in each community.

Sugar Refining and Marketing

California and Hawaiian Sugar Company, Inc. (C&H) is the only sugarcane refiner in the western United States and produces about eight percent of the national supply of refined sugar. Through most of 1997, margins in the cane sugar refining industry benefited from relatively lower supplies of beet sugar. Although administration of the U.S. sugar import quotas kept raw cane sugar prices high on an absolute basis, prices were somewhat lower than in 1996. Operations at C&H also continued to benefit from lower costs, due to its restructuring two years ago and selected capital investments.

In the fourth quarter of 1997, refined sugar prices began to weaken in response to forecasts of greater sugar beet production in 1998, higher inventories of refined sugar, a lower consumption growth rate and new cane refining capacity that is anticipated to start up in Florida early in 1998. The U.S. Department of Agriculture also has set lower levels of raw sugar imports, which will increase the cost of the raw sugar purchased by C&H. Capping the change in outlook were strategic realignments and consolidations, which increased concentration in the industry by reducing the number of domestic sweetener suppliers. Given all these factors, it is unlikely that C&H can sustain in 1998 the level of performance that it attained during 1996 and 1997. Additionally, the two principal labor contracts at C&H expire May 31, 1998. While negotiations are expected to prove difficult, management is optimistic that a new contract can be ratified without a work stoppage.

Food Products Outlook

During 1998-99, production results at HC&S should improve and cost-reduction efforts should contribute to better results. The coffee operations are expected to edge closer to profitability as a result of greater production, higher quality and increased market awareness. Sugar refining results are likely to be lower, but are expected to remain positive.

Matson has operations in ocean shipping, marine container terminals and domestic intermodal transportation.

[Photo caption: Matson has built upon the assets of its core Hawaii service also to serve shipping customers in mid-Pacific Islands, in Asia and on the Pacific Coast.]

HAWAII SERVICE
FREIGHT (UNITS)

1992	177,900
1993	171,600
1994	173,300
1995	157,200
1996	152,100
1997	149,700

HAWAII SERVICE
AUTOMOBILES

1992	110,600
1993	109,400
1994	116,600
1995	107,100
1996	83,100
1997	78,600

Ocean Shipping And Intermodal Transportation

Hawaii Service

The core business of Matson Navigation Company, Inc. (Matson) is its Hawaii service. Matson is the leading carrier of containerized cargo and automobiles between the U.S. Pacific Coast and the Islands. During 1997, continuing slow economic growth and declines in construction activity in Hawaii slightly reduced the cargo carried. Longshore productivity problems, which had affected costs in 1996 and early 1997, were being resolved. Other labor issues, however, delayed a return to normal productivity and adversely affected shipping schedules and costs. These issues were: a strike by harbor pilots in Los Angeles, the Union Pacific Railroad's problems and a shortage of longshore workers in Southern California. In addition, a shipboard fire forced Matson to take a vessel out of service temporarily, which also disrupted schedules and raised costs.

HAWAII CARGO VOLUME

	1997	1996	1995
Freight (units)	149,700	152,100	157,200
Automobiles	78,600	83,100	107,100

In December 1997, Matson announced that it would defer an across-the-board increase in Hawaii service rates, in recognition of the weak economic conditions in Hawaii. Also, an existing fuel surcharge was reduced from 1.75 percent to 1.5 percent, effective January 15, 1998.

Guam Service

1997 was the first full year of Matson's service to Guam under the Company's alliance with American President Lines, Ltd. (APL). Customers' acceptance of the service continued to be good, and although Guam's economic growth moderated, cargo volume was higher than in 1996.

On December 17, 1997, Typhoon Paka hit Guam with exceptionally high winds. Although the damage to homes and other structures was extensive, shipping services resumed shortly after the storm passed.

Matson and APL renegotiated the terms of their alliance late in 1997 and implemented new vessel schedules (reflected in the map on the facing page) in January 1998. The new alliance agreement is expected to produce substantial benefits for both Matson and APL and will result in better service for Guam customers.

The new alliance also will contribute to lower cargo-handling costs, higher terminal productivity and improved vessel schedule reliability.

[Photo caption: Matson's "hub" is the Sand Island Terminal in Honolulu, one of the world's busiest container terminals. Sand Island is the destination for Oahu-bound cargo, the transshipment point for Neighbor Island and mid-Pacific cargo, and the point of departure for Hawaii's products.]

[Photo caption: At Matson's bustling Seattle container terminal, cargo moves both to Hawaii and on the Pacific Coast shuttle. This innovative coastwise service is changing decades-old transportation patterns and challenging the dominance of trucks and rails for time-sensitive cargo.]

Pacific Coast Service

Matson's West Coast shuttle service enjoyed steady growth in the volume of full commercial containers carried during 1997. This increase was partially offset by a reduction in the volume of empty containers carried for repositioning. Rates are higher, however, for full containers. Also, the same labor issues in Southern California that affected the Hawaii service negatively affected costs. In August 1997, a new relationship with Canadian National Railway was announced. This will increase the volume of southbound cargo. Profitability in the Pacific Coast service continues to improve.

Mid-Pacific Service

Matson's container-barge service to Johnston Island, Kwajalein, Majuro and Ebeye enjoyed higher volume in 1997 than in 1996. A high level of construction activity in the first half of the year contributed to the increase. Following extended negotiations with the U.S. Department of Defense, rates for military cargo to Kwajalein were reduced in July 1997.

Matson Intermodal System, Inc. (MIS)

Continued growth in volume helped MIS to modestly increase its 1997 contribution to operating profit. During its 10 years in business, MIS has benefited from the continuing trend among companies in many industries to outsource transportation management. Annual MIS revenue is nearing $100 million.

Early in 1998, Matson created a new subsidiary, Matson Logistics Solutions, Inc., to respond to customers' needs for more comprehensive transportation services.

Matson Terminals, Inc. (MTI)

MTI is the stevedore for Matson and outside customers at Matson-operated container terminals. During 1997, longshore productivity continued to be a problem for all terminals on the West Coast. Late in the year, transportation congestion in Southern California due to problems in the rail industry, plus shortages of longshore labor in Southern California ports, added to costs just as productivity trends began to improve. Increased registration of new longshore workers and industry training programs were leading to improvements by early 1998. In Matson's terminals, productivity should continue to improve, due in part to planned changes in container-handling techniques at its Oakland, Calif., terminal. The reconfiguration of the Guam service also will reduce congestion in Matson's terminals by transferring much of the West Coast cargo handling for that service to APL's terminals.

Ocean Transportation Outlook

1998 results are expected to benefit modestly from higher Hawaii and coastwise freight, improved cargo-handling productivity, the restructured operating alliance with APL and greater intermodal volume. These improvements, however, will not be sufficient to offset the effect of the 1997 insurance settlement (which contributed $20.0 million to operating profit), reductions in other cargo categories and expected higher costs. During 1998, an important project for Matson will be to continue to develop plans for the orderly renewal of its fleet. Based on the current fleet age and expected service needs, the Company may begin replacing its fleet within the next five years.

FINANCIAL REPORT

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, 1997 and 1996, and the related statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997 (pages 24 and 28 to 40). 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Honolulu, Hawaii
January 22, 1998

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

	1997	1996	1995	1994	1993	1992
Annual Operations:						
Net sales and other operating revenue	$1,275,445	$1,239,810	$1,033,593	$1,144,033	$ 923,804	$ 703,948
Deduct:						
Cost of goods sold and operating expenses	1,119,297	1,101,696	948,210	1,019,700	794,880	583,593
Interest expense	28,936	34,081	33,429	27,702	28,802	23,881
Hurricane loss	-	-	-	-	-	24,803
Income taxes	45,825	38,748	19,535	32,652	41,386	19,044
Income from continuing operations	81,387	65,285	32,419	63,979	58,736	52,627
Income (loss) from discontinued operations	-	-	23,336	10,629	8,253	7,878
Cumulative effect of change in accounting principle	-	-	-	-	-	(41,551)
Net income	$ 81,387	$ 65,285	$ 55,755	$ 74,608	$ 66,989	$ 18,954
Comprehensive income	$ 88,326	$ 73,660	$ 66,512	$ 70,031	-	-
Basic and Diluted Earnings per Share:						
Income from continuing operations	$1.80	$1.44	$0.72	$1.39	$1.27	$1.14
Income (loss) from discontinued operations	-	-	0.51	0.23	0.18	0.17
Cumulative effect of change in accounting principle	-	-	-	-	-	(0.90)
Net income	$1.80	$1.44	$1.23	$1.62	$1.45	$0.41
Return on beginning equity	11.9%	10.0%	8.8%	12.7%	12.0%	3.3%
Cash dividends per share	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88	$ 0.88
Average number of shares outstanding	45,182	45,303	45,492	46,059	46,338	46,294
Gross profit percentage	20.6%	20.0%	20.2%	21.2%	24.9%	29.1%
Effective income tax rate	36.0%	37.3%	37.6%	33.8%	41.3%	26.6%
Market price range per share:						
High	$ 29.375	$ 29.250	$ 25.500	$ 28.250	$ 28.000	$ 30.500
Low	24.375	22.500	20.500	21.250	22.500	21.500
Close	27.313	25.000	23.000	22.250	26.750	24.750
At Year End:						
Shareholders of record	5,481	5,881	6,357	6,729	7,056	7,507
Shares outstanding	44,881	45,339	45,280	45,691	46,404	46,333
Shareholders' equity	$ 719,588	$ 684,328	$ 649,678	$ 632,614	$ 587,006	$ 559,099
Per-share	16.03	15.09	14.35	13.85	12.65	12.07
Total assets	1,704,798	1,796,115	1,801,237	1,925,775	1,904,742	1,676,635
Working capital	114,806	95,579	84,399	58,392	64,884	40,013
Cash and cash equivalents	21,623	23,824	32,150	8,987	32,295	20,827
Property-net	1,036,515	1,061,190	973,514	975,672	1,032,983	888,621
Real estate developments-noncurrent	68,056	70,144	56,104	66,371	54,919	50,977
Long-term debt-noncurrent	290,885	345,618	380,389	519,605	576,390	549,960
Capital lease obligations-noncurrent	2,000	12,039	24,186	35,274	44,495	59,816
Current ratio	1.7 to 1	1.4 to 1	1.4 to 1	1.3 to 1	1.3 to 1	1.4 to 1
Capital stock price/earnings ratio at December 31	15.2 to 1	17.4 to 1	18.7 to 1	13.7 to 1	18.5 to 1	60.4 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

	1991	1990	1989	1988	1987
Annual Operations:					
Net sales and other operating revenue	$ 715,984	$ 747,550	$ 845,936	$ 701,908	$ 655,276
Deduct:					
Cost of goods sold and operating expenses	565,105	552,236	512,499	495,234	470,928
Interest expense	24,575	29,602	26,965	27,406	21,104
Hurricane loss	-	-	-	-	-
Income taxes	42,359	58,820	107,461	61,535	62,167
Income from continuing operations	83,945	106,892	199,011	117,733	101,077
Income (loss) from discontinued operations	4,861	1,075	(310)	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income	$ 88,806	$ 107,967	$ 198,701	$ 117,733	$ 101,077
Comprehensive income	-	-	-	-	-

Basic and Diluted Earnings per Share:					
Income from continuing operations	$1.82	$2.32	$4.30	$2.35	$1.93
Income (loss) from discontinued operations	0.10	0.02	(0.01)	-	-
Cumulative effect of change in accounting principle	-	-	-	-	-
Net income	$1.92	$2.34	$4.29	$2.35	$1.93
Return on beginning equity	16.7%	23.5%	45.2%	31.7%	21.4%
Cash dividends per share	$ 0.88	$ 0.86	$ 0.80	$ 0.77	$ 0.68
Average number of shares outstanding	46,213	46,133	46,326	50,079	52,444
Gross profit percentage	31.9%	36.0%	48.5%	38.8%	37.2%
Effective income tax rate	33.5%	35.5%	35.1%	34.3%	38.1%
Market price range per share:					
High	$ 29.500	$ 38.000	$ 39.500	$ 36.750	$ 32.000
Low	21.000	19.000	31.250	20.875	16.000
Close	28.250	22.250	37.500	31.500	21.625
At Year End:					
Shareholders of record	7,749	7,860	7,650	7,201	6,859
Shares outstanding	46,229	46,201	46,096	50,099	50,347
Shareholders' equity	$ 578,669	$ 530,298	$ 459,712	$ 439,729	$ 371,007
Per-share	12.52	11.48	9.97	8.78	7.37
Total assets	1,547,648	1,364,165	1,141,671	1,070,483	981,737
Working capital	23,195	55,340	33,906	35,974	42,262
Cash and cash equivalents	18,675	47,351	23,389	22,794	26,695
Property-net	882,513	799,942	691,194	548,066	520,124
Real estate developments-noncurrent	36,362	14,156	-	-	-
Long-term debt-noncurrent	452,279	315,851	196,954	174,715	172,014
Capital lease obligations-noncurrent	69,717	86,392	95,241	100,306	106,935
Current ratio	1.2 to 1	1.5 to 1	1.4 to 1	1.4 to 1	1.5 to 1
Capital stock price/earnings ratio at December 31	14.7 to 1	9.5 to 1	8.7 to 1	13.4 to 1	11.2 to 1

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

INDUSTRY SEGMENT INFORMATION
(In thousands)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

	1997	1996	1995	1994	1993
REVENUE:					
Ocean transportation	$ 712,654	$ 661,586	$ 593,807	$ 604,754	$ 551,687
Property development and management:					
Leasing	37,148	35,916	34,073	33,387	32,606
Sales	35,916	31,909	25,835	60,767	32,559
Food products	486,912	506,909	377,082	441,209	304,007
Other	2,815	3,490	2,796	3,916	2,945
Total revenue	$1,275,445	$1,239,810	$1,033,593	$1,144,033	$ 923,804
OPERATING PROFIT:					
Ocean transportation	$ 100,350*	$ 81,618	$ 87,769	$ 97,319	$ 91,194
Property development and management:					
Leasing	24,559	23,875	23,063	23,163	22,975
Sales	13,262	15,307	14,497	18,522	18,570
Food products	27,083	26,863	(27,797)	(418)	12,692
Other	2,639	3,220	2,593	3,143	2,357
Total operating profit	167,893	150,883	100,125	141,729	147,788
Interest expense, net	(28,936)	(34,081)	(33,429)	(27,702)	(28,802)
General corporate expenses	(11,745)	(12,769)	(14,742)	(17,396)	(18,864)
Income from continuing operations before income taxes	$ 127,212	$ 104,033	$ 51,954	$ 96,631	$ 100,122
IDENTIFIABLE ASSETS:					
Ocean transportation	$ 930,636	$1,005,741	$ 997,230	$ 853,933	$ 882,335
Property development and management	317,622	312,829	297,927	271,073	268,581
Food products	382,109	386,986	413,675	399,717	418,724
Other	74,431	90,559	92,405	87,362	39,094
Assets of continuing operations	1,704,798	1,796,115	1,801,237	1,612,085	1,608,734
Discontinued operations - container leasing	-	-	-	313,690	296,008
Total assets	$1,704,798	$1,796,115	$1,801,237	$1,925,775	$1,904,742
CAPITAL EXPENDITURES:					
Ocean transportation	$ 20,828	$ 171,110	$ 46,872	$ 29,676	$ 53,745
Property development and management	8,620	4,141	8,613	14,376	34,772
Food products	18,806	12,058	13,650	18,665	26,637
DEPRECIATION AND AMORTIZATION:					
Ocean transportation	$ 62,192	$ 62,055	$ 57,619	$ 55,663	$ 55,738
Property development and management	6,281	6,214	5,561	5,246	4,860
Food products	19,538	20,144	20,390	21,340	15,974

*Includes $20 million from the settlement of a lawsuit that
involved insurance claims for earthquake damage to port facilities in 1989.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

RESULTS OF OPERATIONS

CONSOLIDATED EARNINGS AND REVENUE

Net income in 1997 was $81,387,000, or $1.80 per share. This was a 25-percent improvement compared with net income of $65,285,000 in 1996, or $1.44 per share. Net income in 1997 included $12,478,000, or $0.28 per share, resulting from the favorable settlement of protracted litigation related to an insurance claim. Net income in 1996 included a one-time vessel charter hire that contributed $3,545,000, or $0.08 per share. Income in both 1997 and 1996 benefited from partial reversals of a financial reserve that was set up to cover the costs of closing a sugar plantation: 1997 income included $600,000, or $0.01 per share, and 1996 income included $2,900,000, or $0.06 per share. Excluding these factors, 1997 income was $68,309,000, an increase of $9,469,000, or 16 percent, from $58,840,000 in 1996. Revenue in 1997 was $1,275,445,000, compared with revenue of $1,239,810,000 in 1996, primarily reflecting slightly higher ocean transportation revenue and property sales.

1997 COMPARED WITH 1996

OCEAN TRANSPORTATION revenue of $712,654,000 increased eight percent and operating profit of $100,350,000 increased 23 percent in 1997 compared with 1996. Excluding the insurance settlement, however, which contributed $19,965,000, pre-tax, to operating profit in 1997, and the one-time vessel charter hire, which contributed $5,634,000, pretax, to operating profit in 1996, operating profit for the ocean transportation segment rose six percent.

Hawaii's continuing slow economic growth and decline in construction caused reduced cargo volumes for the Hawaii service. Compared with 1996, total Hawaii container volume was down two percent and total automobile volume was down five percent in 1997. In an effort to support Hawaii's economic revitalization, Matson announced that it would defer an increase in Hawaii service rates and would reduce an existing fuel surcharge from 1.75 percent to 1.5 percent, in January 1998.

Despite the decline in Guam's economic growth rate, Matson's Guam service, which completed its first full year in 1997, continued to contribute significantly to Matson's results. Matson and APL renegotiated the terms of their alliance in late 997. A new vessel schedule will be implemented in early 1998 and will benefit both carriers and their customers by reducing transit times. Although longshore labor disruptions continued into 1997, the relatively poor terminal productivity and increased cargo handling costs improved somewhat. After adjusting for volume effects, overall terminal labor costs increased by 6 percent in 1997, after 15-percent increase in 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 the previous year. That decrease was due primarily to properties acquired in early 1997 that have 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 residential 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. Six of the 1997 and four of the 1996 sales were completed on a tax-deferred basis.

The mix of property sales 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 sale of undeveloped land and subdivision lots generally provides a greater contribution margin than does the sale 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, property sales revenue trends and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability for this segment.

FOOD PRODUCTS revenue of $486,912,000 in 1997 was four-percent lower than the prior year's 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. Operating results also were impacted by the previously noted partial reversals of the reserve established in 1995 for a plantation closure.

During most of 1997, margins in the cane sugar refining industry continued to benefit from relatively low supplies of beet sugar. However, toward the end of 1997, the prospects of a larger sugar beet crop and decreasing beet sugar prices began to tighten margins throughout the industry. This factor, combined with other competitive pressures and continuing low cane sugar import quotas, will make it difficult for the refining business to sustain 1997-level earnings into 1998. The Company's coffee-growing and marketing operations had losses for both 1997 and 1996, although results are improving, due to higher production volume (4,300,000 pounds of green beans in 1997 versus 2,400,000 pounds in 1996), improved quality and a stronger marketing effort.

During 1997, the Company addressed concerns about the decline in sugar production at its Maui sugar plantation. The decline was due primarily to excessive rainfall early in the year and to disappointing sugar yields from a new plant variety. Changes in cultivation and ripening processes are expected to improve future yields. Cost-reduction efforts also have been implemented throughout the plantation operations.

1996 COMPARED WITH 1995

OCEAN TRANSPORTATION revenue increased 11 percent, reflecting primarily the start-up of the Guam service, but operating profit declined seven percent in 1996, compared with 1995. Operating and overhead costs increased in 1996, due primarily to the implementation of the Guam service and to disruptive labor actions during the third and fourth quarters, related to the West Coast longshore contract. Operating profit also was affected adversely by higher fuel prices and higher fuel consumption. Together, these factors obscured the synergies of the newly combined shipping services and other cost reduction initiatives. Operating results for 1996 also benefited from the previously noted one-time vessel charter payment.

PROPERTY DEVELOPMENT AND MANAGEMENT - LEASING revenue rose five percent and operating profit rose four percent compared with 1995. These 1996 increases were due to full-year contributions from properties added to the leased portfolio in the second half of 1995. Occupancy levels for the Company's Mainland leased real estate portfolio averaged 97 percent in 1996, the same rate as for 1995. Occupancy levels for the Company's Hawaii leased real estate portfolio averaged 86 percent in 1996, versus 90 percent in 1995, reflecting the weak real estate market in Hawaii and the increased presence of large discount retailers in the market. Both of these factors limited the absorption of new and vacant space.

PROPERTY DEVELOPMENT AND MANAGEMENT - SALES revenue of $31,909,000 for 1996 was 24-percent higher than in 1995; however, operating profit increased only six percent for 1996 compared with 1995. 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. Sales in 1995 included a 5.5-acre parcel at Maui Business Park, three individual lots in Maui Business Park, eight developed industrial lots, a 38-acre agricultural-subdivision parcel and 47 residential properties. Four of the 1996 sales were completed on a tax-deferred basis. No tax-deferred sales were completed in 1995.

FOOD PRODUCTS revenue of $506,909,000 for 1996 was 34-percent greater than the 1995 revenue of $377,082,000. Operating profit was $26,863,000 for 1996, compared with a loss of $27,797,000 for 1995. Operating profit in 1996 included $4,600,000, pre-tax, for the partial reversal of an $8,100,000, pre-tax, charge for the closure of sugar-growing operations on Kauai recorded in 1995. Operating profit for 1995 had been affected adversely by a refinery workers' strike, the $8,100,000, pre-tax, charge, a $3,800,000, pre-tax, write-down of an operating asset, high raw sugar costs and low refined sugar prices.

FINANCIAL CONDITION AND LIQUIDITY

The Company's principal liquid resources, which consist of cash and cash equivalents, trade receivables, sugar and coffee inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled $509,176,000 at December 31, 1997, an increase of $709,000 from December 31, 1996. Amounts available under lines of credit increased $25,500,000, due primarily to lower commercial paper balances outstanding at year-end. Accounts receivable increased $8,406,000, due principally to higher receivables at Matson. Sugar and coffee inventories decreased $22,652,000, due principally to the timing of raw sugar purchases. Accrued deposits to the CCF decreased by $8,344,000. Cash and cash equivalents decreased by $2,201,000, due primarily to debt repayments.

Working capital of $114,806,000 at December 31, 1997 was $19,227,000 higher than the amount at the end of 1996. This increase was due primarily to a decrease in short-term debt, partially offset by lower inventories.

Net cash provided by operations, before capital expenditures for real estate developments held for sale, was $187,505,000 and $149,801,000 for 1997 and 1996, respectively. Net operating cash flows were used principally for capital expenditures, payments of debt, deposits into the CCF, repurchases of capital stock and dividends. Withdrawals from the CCF were used to repay debt.

In 1997, capital expenditures were $48,496,000, compared with $187,721,000 in 1996. Ocean transportation capital additions in 1997 of $20,828,000 were primarily for the acquisition of container and terminal equipment. Property development and management capital additions in 1997 of $8,620,000 were for real-estate developments held for investment purposes and for improvements to leased properties. Food products capital additions in 1997 of $18,806,000 were primarily for sugar refinery modifications and for power generation, harvesting, and factory equipment for the Company's sugar- and coffee-growing operations.

Capital expenditures approved, but not yet spent, were $84,222,000 at December 31, 1997. These expenditures are primarily for Year 2000 remediation, container equipment, real-estate developments held for investment purposes, improvements to leased properties, and irrigation, factory and power generation equipment for the Company's sugar-growing operations. For 1998, 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 STANDARDS: The Company adopted two new accounting standards in 1997: Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings Per Share" and SFAS No. 130 "Reporting Comprehensive Income." In accordance with

SFAS 128, the Company renamed its Primary Earnings per Share (EPS) to Basic EPS and disclosed its Diluted EPS. Due to the immaterial impact of the Company's stock options, Basic and Diluted EPS are the same amount. In accordance with SFAS 130, the Company added the measure of comprehensive income, consisting of net income plus unrealized holding gains on securities, to its Statements of Income. Comprehensive income, however, is not used in the calculation of EPS. See also Note 1 to the Company's Financial Statements.

INSURANCE LITIGATION: In February 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 $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.

LEGISLATION: In September 1997, the Secretary of Agriculture established, under the Federal Agriculture Improvement and Reform Act and in accordance with the Harmonized Tariff Schedule, the aggregate quantity of sugars and syrups that can be imported into the United States. The maximum import quantity for fiscal year 1998 was set at 1,800,000 metric tons raw value (mtrv) with an initial release of 1,200,000 mtrv and the remaining 600,000 mtrv to be released in 200,000 mtrv increments in January, March, and May if, in those months, the stocks-to-use ratio, as published in the World Agricultural Supply and Demand Estimate (WASDE), is not greater than 15.5 percent. In January 1998, the WASDE stocks-to-use ratio was 15.7 percent. As a result, the first 1998 increment was cancelled and the maximum import quantity for fiscal year 1998 is now 1,600,000 mtrv.

TAX-DEFERRED REAL ESTATE EXCHANGES: In 1997, the Company sold five parcels of land for $16,689,000. Proceeds of $11,000,000 were reinvested in 1997 and the remaining proceeds are expected to be reinvested in 1998, both on a tax-deferred basis. Also, in 1997, the Company received $699,000 from a sale of land under threat of condemnation. Proceeds of this condemnation are also expected to be reinvested on a tax-deferred basis. Proceeds of $4,000,000 from prior condemnation sales were reinvested in 1997 on a tax-deferred basis. The proceeds from these sales and condemnation are reflected in the Condensed Statements of Cash Flows under the caption "Non-cash Activities."

SHARE REPURCHASES: In 1997, the Company repurchased 624,050 shares of its common stock, for an aggregate of $16,585,000 ($26.58 per share, average).

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.

YEAR 2000: Beginning in 1996, the Company initiated 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. Areas which have the greatest risk of impacting operations are being corrected first; however, all work related to primary systems and applications is expected to be completed substantially by the end of 1998. Many of the primary systems are already Year 2000 compliant. The plans consist of upgrading, modifying or replacing various systems for approximately $6,000,000 to $8,000,000. The costs incurred in connection with the Year 2000 compliance are being treated as an operating expense unless a system is being replaced for operating reasons as well as Year 2000 compliance, in which case costs are being capitalized. The Company believes that its systems and applications necessary to operate and manage its businesses will be replaced, modified or upgraded in advance of the Year 2000 and that the related costs will not have a material impact on the operations, cash flows, financial condition or segment results of future periods.

OUTLOOK: Information about the Company's outlook for 1998 and its plans to address issues affecting primary business units are included in the Letter to Shareholders on pages 5 through 9 and in the business unit discussions included on pages 10 through 20 of the Annual Report to Shareholders, which sections are incorporated herein by reference.

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 environment 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 raw sugar suppliers and other third-party suppliers; (6) fuel prices; (7) labor relations; and (8) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

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 21).

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/ John C. Couch

John C. Couch
Chairman of the Board, President
and Chief Executive Officer

STATEMENTS OF INCOME
(In thousands, except per-share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

Year Ended December 31,	1997	1996	1995
REVENUE:			
Transportation and terminal services	$ 566,705	$ 547,427	$ 511,673
Food products	471,967	495,149	363,751
Rentals and other services	159,153	143,392	100,423
Property development and other	35,519	31,424	25,334
Interest	23,131	15,085	19,571
Gain on sale of property and other	16,119	4,577	10,158
Dividends	2,851	2,756	2,683
Total revenue	1,275,445	1,239,810	1,033,593
COSTS AND EXPENSES:			
Cost of services	585,739	550,745	473,757
Cost of goods sold	425,979	437,976	361,492
Selling, general and administrative	107,579	112,975	112,961
Interest	28,936	34,565	37,365
Interest capitalized	-	(484)	(3,936)
Total costs and expenses	1,148,233	1,135,777	981,639
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	127,212	104,033	51,954
INCOME TAXES	45,825	38,748	19,535
INCOME FROM CONTINUING OPERATIONS	81,387	65,285	32,419
DISCONTINUED OPERATIONS:			
Income From Operations of Matson Leasing Company, Inc. (Net of income taxes of $3,228)	-	-	5,336
Gain on Sale of Matson Leasing Company, Inc. (Net of income taxes of $8,954)	-	-	18,000
NET INCOME	81,387	65,285	55,755
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Unrealized holding gains on securities (Net of income taxes of $3,977 in 1997, $3,961 in 1996 and $6,391 in 1995)	6,939	8,375	10,757
COMPREHENSIVE INCOME	$ 88,326	$ 73,660	$ 66,512
BASIC AND DILUTED EARNINGS PER SHARE OF COMMON STOCK:			
Continuing Operations	$ 1.80	$ 1.44	$ 0.72
Discontinued Operations	-	-	0.51
Net Income	$ 1.80	$ 1.44	$ 1.23

AVERAGE COMMON SHARES OUTSTANDING	45,182	45,303	45,492

See notes to financial statements.

STATEMENTS OF CASH FLOWS (In thousands)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

Year Ended December 31,	1997	1996	1995
CASH FLOWS FROM OPERATIONS:			
Income from continuing operations	$ 81,387	$ 65,285	$ 32,419
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	88,558	88,951	85,127
Plantation closure (reversal)	(990)	(4,624)	8,100
Loss (gain) on disposal of property, investments and other assets	(872)	(1,686)	226
Changes in assets and liabilities:			
Accounts and notes receivable	(5,532)	(5,225)	(32,889)
Inventories	24,276	(16,616)	2,640
Prepaid expenses and other assets	1,973	103	6,153
Accounts and income taxes payable	(672)	7,062	14,580
Deferred income taxes payable	13,168	10,420	42,965
Other liabilities	(13,791)	6,131	(8,771)
Capital expenditures for real estate developments held for sale	(5,636)	(16,799)	(19,734)
Discontinued leasing operations	-	-	(59,160)
Net cash provided by operations	181,869	133,002	71,656
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures for property	(45,598)	(185,142)	(63,908)
Capital expenditures for real estate developments held for investment	(2,898)	(2,579)	(5,581)
Receipts from disposal of income producing property, investments and other assets	728	10,897	362,501
Deposits into Capital Construction Fund	(11,656)	(11,481)	(136,484)

Withdrawals from Capital Construction Fund	50,000	145,500	999
Reduction (increase) in investments - net	(822)	1,184	(1,518)
Discontinued leasing operations:			
Capital expenditures	-	-	(30,061)
Other	-	-	900
Net cash provided by (used in) investing activities	(10,246)	(41,621)	126,848
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	34,500	43,000	40,000
Payments of long-term liabilities	(109,082)	(81,888)	(189,764)
Proceeds (payments) of short-term commercial paper borrowings - net	(45,000)	(21,000)	25,000
Repurchases of capital stock	(16,585)	(1,250)	(11,580)
Proceeds from issuance of capital stock	2,132	1,291	468
Dividends paid	(39,789)	(39,860)	(40,035)
Net cash used in financing activities	(173,824)	(99,707)	(175,911)
CASH AND CASH EQUIVALENTS:			
Net increase (decrease) for the year	(2,201)	(8,326)	22,593
Balance, beginning of year	23,824	32,150	9,557
Balance, end of year	$ 21,623	$ 23,824	$ 32,150
OTHER CASH FLOW INFORMATION:			
Interest paid, net of amounts capitalized	$ 30,956	$ 36,472	$ 41,277
Income taxes paid, net of refunds	29,775	26,360	53,014
NON-CASH ACTIVITIES.Tax-deferred property sales	17,388	12,325	-

See notes to financial statements.

BALANCE SHEETS
(In thousands, except per-share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

December 31,	1997	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 21,623	$ 23,824
Accounts and notes receivable:		
Trade, less allowances of $18,005 and $10,294	152,098	134,552
Other	24,067	33,207
Inventories:		
Sugar and coffee	38,888	61,540
Materials and supplies	30,321	35,330
Real estate held for sale	12,563	17,383
Deferred income taxes	9,404	17,708
Prepaid expenses and other assets	9,977	12,114
Accrued deposits to Capital Construction Fund	(10,000)	(1,656)
Total current assets	288,941	334,002
INVESTMENTS	102,813	91,602
REAL ESTATE DEVELOPMENTS	68,056	70,144
PROPERTY:		
Land	66,161	61,869
Buildings	218,116	204,588
Vessels	815,805	811,774
Machinery and equipment	697,095	676,830
Water, power and sewer systems	83,334	78,726
Other property improvements	94,512	88,529
Total	1,975,023	1,922,316
Less accumulated depreciation and amortization	938,508	861,126
Property.net	1,036,515	1,061,190
CAPITAL CONSTRUCTION FUND	148,610	178,616
PENSION ASSETS	1,192	-
OTHER ASSETS.NET	58,671	60,561
Total	$1,704,798	$1,796,115

See notes to financial statements.

December 31,	1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 24,453	$ 31,966
Current portion of capital lease obligations	10,032	12,116
Short-term commercial paper borrowings	17,000	62,000
Accounts payable	46,835	50,496
Payrolls and vacation pay	20,561	21,996
Uninsured claims	15,265	16,129
Post-retirement benefit obligations.current portion	5,164	5,710
Taxes other than income	4,551	5,445
Accrued interest payable	2,158	3,313
Accrued and other liabilities	28,116	29,252
Total current liabilities	174,135	238,423
LONG-TERM LIABILITIES:		
Long-term debt	290,885	345,618
Capital lease obligations	2,000	12,039
Post-retirement benefit obligations	112,125	116,047
Uninsured claims	9,249	7,902
Pension obligations	-	3,651
Other	37,062	37,194
Total long-term liabilities	451,321	522,451
DEFERRED INCOME TAXES	359,754	350,913
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Capital stock.common stock without par value; authorized, 150,000 shares ($.75 stated value per share); outstanding, 44,881 shares in 1997 and 45,339 shares in 1996	36,769	37,150
Additional capital	49,437	43,377
Unrealized holding gains on securities	55,144	48,205
Retained earnings	591,135	568,969
Cost of treasury stock	(12,897)	(13,373)
Total shareholders' equity	719,588	684,328
Total	$1,704,798	$1,796,115

STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per-share amounts)
ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

Three Years Ended December 31, 1997

	Capital Stock						
	Issued		In Treasury				
	Shares	Stated Value	Shares	Cost	Additional Capital	Unrealized Holding Gains	Retained Earnings
BALANCE, DECEMBER 31, 1994	49,991	$ 37,493	4,300	$(14,724)	$ 38,862	$ 29,073	$541,910
CHANGES IN 1995:							
Shares repurchased and retired	(511)	(383)					(11,196)
Stock options exercised	24	18			669		
Acquired in payment of options	(2)	(1)					(40)
Issued--incentive plans	8	6	(70)	907	607		
Unrealized holding gains on securities						10,757	
Net income							55,755
Cash dividends -- $.88 per share							(40,035)
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

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all subsidiaries, after elimination of significant intercompany amounts.

COMPREHENSIVE INCOME: The Statements of Income include a new measure called Comprehensive Income. This is intended to report a measure of all changes in Shareholders' Equity that result 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 sheet. When construction is complete, the costs are reclassified either as Property or as Real Estate Held For Sale, 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 are capitalized during the development period and depreciated over the estimated productive lives of the orchards. 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.

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

OTHER NON-CURRENT ASSETS: Other non-current assets consist principally of sugar supply contracts and intangible assets. These assets are being amortized using the straight-line method over periods not exceeding 30 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, fair value is determined by reference to the sales of similar property, market studies, tax assessments and discounted cash flows. For commercial property, fair value is determined using recent comparable sales, tax assessments and cash flow analysis. 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 reasonably estimated.

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 1996 and 1995 financial statements have been reclassified to conform with the 1997 presentation.

RESTATEMENTS: The financial statements for all periods presented have been restated to reflect the sale of certain net assets of the Company's container leasing segment, as described in Note 2.

2. DISCONTINUED OPERATIONS

In June 1995, the Company sold the net assets of its container leasing subsidiary, Matson Leasing Company, Inc., for approximately $362 million in cash, and realized an after-tax gain of $18 million. Sales and gross profit of the discontinued operation were $35,251,000 and $14,762,000, respectively, in 1995.

3. INVESTMENTS

At December 31, 1997 and 1996, investments principally consisted of marketable equity securities, limited partnership interests and purchase-money mortgages.

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, 1997 and 1996 were as follows (in thousands):

	1997	1996
Market value	$ 96,597	$85,796
Less historical cost	9,851	9,966
Unrealized holding gains	86,746	75,830
Less deferred income taxes	31,602	27,625
Net unrealized holding gains	$ 55,144	$48,205

The investments in limited partnership interests and purchase-money mortgages are recorded at cost, which approximated market values, of $6,216,000 and $5,806,000 at December 31, 1997 and 1996, respectively. The purchase money mortgages are intended to be held to maturity. The value of the underlying investments of the limited partnership interests are assessed annually and are approximately equal to the original cost.

See Note 4 for a discussion of market values of investments in the Capital Construction Fund.

4. 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 1997 will be used or committed for qualified purposes prior to the expiration of the applicable 25-year periods.

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 sheet 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, 1997 and 1996, the balances on deposit in the CCF are summarized in Table 1.

TABLE 1 (In thousands)

	1997			1996		
	Amortized Cost	Fair Value	Unrealized Gain (Loss)	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Mortgage-backed securities	$ 69,451	$ 68,738	$ (713)	$ 84,642	$ 80,871	$(3,771)
Cash and cash equivalents	69,159	69,159	-	92,318	92,318	-
Accrued deposits	10,000	10,000	-	1,656	1,656	-
Total	$148,610	$147,897	$ (713)	$178,616	$174,845	$(3,771)

Fair value of the mortgage-backed securities ("MBS") was determined by an outside investment management company, based on the experience of trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter.

At the end of 1997, the fair value of the Company's investments in MBS is less than amortized cost, due to interest rate sensitivity inherent in the fair value determination of such securities. While an unrealized market loss exists, the Company intends to hold these investments to maturity, which ranges from 2005 through 2028. The MBS have a weighted average life of approximately 5.6 years. The Company earned $5,897,000 in 1997, $6,838,000 in 1996 and $7,655,000 in 1995 on its investments in MBS.

Fair values of the remaining CCF investments were based on quoted market prices, if available. If a quoted market price was not available, fair value was estimated using quoted market prices of similar securities and investments. These remaining investments mature in 1998.

During 1997 and 1996, there were no sales of securities classified as "held-to-maturity" included in the CCF.

5. EMPLOYEE BENEFIT PLANS

Total contributions to the multi-employer pension plans covering personnel in shoreside and seagoing bargaining units were $5,828,000 in 1997, $5,552,000 in 1996 and $5,903,000 in 1995. 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 the Employee Retirement Income Security Act of 1974, as amended, and are paying premiums to the Pension Benefit Guarantee Corporation (PBGC). The statutes provide that an employer which 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 $2,896,000 for the year ended December 31, 1997, 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.

The net pension benefit and components for 1997, 1996 and 1995, of single-employer defined benefit pension plans, which cover substantially all other employees, were as follows (in thousands):

	1997	1996	1995
Service cost--benefits earned during the year	$ 6,692	$ 6,326	$ 6,210
Interest cost on projected benefit obligations	23,807	23,295	21,785
Actual return on plan assets	(84,027)	(47,980)	(78,713)
Net amortization and deferral	48,272	14,599	50,298
Curtailments and terminations	412	(779)	(1,761)
Net pension benefit	$ (4,844)	$ (4,539)	$ (2,181)

The funded status of the single-employer plans at December 31, 1997 and 1996 was as follows (in thousands):

	1997	1996
Actuarial present value of benefit obligations:		
Vested benefits	$ 310,593	$ 284,755
Non-vested benefits	9,395	8,415
Accumulated benefit obligations	319,988	293,170
Additional amounts related to projected compensation levels	34,895	32,925
Projected benefit obligations	354,883	326,095
Plan assets at fair value	443,248	380,909
Excess of plan assets over projected benefit obligations	(88,365)	(54,814)
Prior service costs to be recognized in future years	(5,707)	(3,518)
Unrecognized actuarial net gain	91,011	59,119
Unrecognized net asset at January 1, 1987 (being amortized over periods of 4 to 15 years)	1,869	2,864
Accrued pension liability (asset)	$ (1,192)	$ 3,651

At December 31, 1997 and 1996, the projected benefit obligations were determined using a discount rate of 7.25 percent and 7.5 percent, respectively, and assumed increases in future compensation levels of 4.25 percent and 4.5 percent, respectively. The expected long-term rate of return on assets was 9 percent for 1997 and 1996. The assets of the plans consist principally of listed stocks and bonds. Gains and losses are amortized using the minimum method allowed by Statement of Financial Accounting Standards (SFAS) No. 87.

Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under 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 $10,654,000 and $9,844,000 at December 31, 1997 and 1996, respectively.

6. POST-RETIREMENT BENEFIT PLANS

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 net periodic cost for post-retirement health care and life insurance benefits during 1997, 1996 and 1995 included the following (in thousands):

	1997	1996	1995
Service cost	$ 1,310	$ 1,351	$ 1,512
Interest cost	6,250	6,605	7,031
Net amortization	(6,683)	(2,016)	(1,524)
Curtailment gain	-	(2,476)	(2,045)

Post-retirement benefit cost	$ 877	$ 3,464	$ 4,974

The unfunded accumulated post-retirement benefit obligations at December 31, 1997 and 1996 are summarized below (in thousands):

	1997	1996
Retirees	$ 52,668	$ 54,951
Fully-eligible active plan participants	12,120	10,865
Other active plan participants	26,324	27,780
Unrecognized prior service cost	3,824	3,643
Unrecognized net gain	22,353	24,518
Accumulated post-retirement benefit obligations	117,289	121,757
Current obligation	5,164	5,710
Non-current obligation	$112,125	$116,047

At December 31, 1997 and 1996, the weighted average discount rates used in determining the accumulated post-retirement benefit obligations were 7.25 percent and 7.5 percent, respectively, and the assumed health care cost trend rate used in measuring the accumulated post-retirement benefit obligations was 10 percent through 2001, decreasing to 5 percent thereafter. For 1997, gains and losses are being amortized over five years. For 1996 and previous years, gains and losses were amortized using the minimum method allowed by SFAS No. 106. This change did not significantly affect financial results for 1997. If the assumed health care cost trend rate were increased by one percentage point, the accumulated post-retirement benefit obligation as of December 31, 1997 and 1996 would have increased by approximately $11,113,000 and $11,105,000, respectively, and the net periodic post-retirement benefit cost for 1997 and 1996 would have increased by approximately $1,172,000 and $1,208,000, respectively.

7. LONG-TERM DEBT, CREDIT AGREEMENTS

At December 31, 1997 and 1996, long-term debt consisted of the following (in thousands):

	1997	1996
Commercial paper, 1997 high 6.70%, low 5.15%	$130,852	$225,632
Bank variable rate loans (1997 high 6.325%, low 5.570%) due after 1997	41,500	22,000
Term loans:		
7.18%, payable through 2007	67,500	75,000
8%, payable through 2000	27,500	37,500
9.05%, payable through 1999	14,815	21,285
9.8%, payable through 2004	14,583	16,667
9%, payable through 1999	10,588	15,882
7.43%, payable through 2007	15,000	15,000
7.65%, payable through 2001	10,000	10,000
11.78%, repaid in 1997	-	618
Total	332,338	439,584
Less current portion	24,453	31,966
Commercial paper classified as current	17,000	62,000
Long-term debt	$290,885	$345,618

VARIABLE RATE LOANS: The Company and a subsidiary have a revolving credit and term loan agreement with five commercial banks, whereby they may borrow up to $155,000,000, under revolving loans to November 30, 1999, at varying rates of interest. Any revolving loan outstanding on that date may be converted into a term loan, which would be payable in 16 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, 1997 and 1996, $25,000,000 and $15,000,000, respectively, were outstanding under this agreement.

The Company and a subsidiary have an uncommitted $45,000,000 short-term revolving credit agreement with a commercial bank. The agreement extends to November 30, 1998, but may be canceled by the bank at any time. At December 31, 1997 and 1996, $11,500,000 and $7,000,000, respectively, were outstanding under this agreement.

The Company and a subsidiary have an uncommitted $25,000,000 revolving credit agreement with a commercial bank. The agreement extends to September 8, 2000. At December 31,1997, $5,000,000 was outstanding under this agreement. No amount was outstanding at December 31, 1996.

A subsidiary has a $50,000,000 one-year revolving credit agreement with a two-year term option. Up to $25,000,000 of this agreement serves as a commercial paper liquidity back-up line, with the balance available for general corporate funds. At December 31, 1997 and 1996, there were no amounts outstanding under this agreement.

A subsidiary has an uncommitted $15,000,000 revolving credit agreement with a commercial bank. The Agreement extends to November 28, 2000. At December 31, 1997 and 1996, there were no amounts outstanding under this agreement.

TERM LOAN: The Company and a subsidiary have a shelf facility under which they may borrow up to $50,000,000 in $5,000,000 term loan increments. At December 31, 1997 and 1996, $15,000,000 had been borrowed.

COMMERCIAL PAPER: At December 31, 1997, there were two commercial paper programs. The first program was used by a subsidiary to finance the construction of a vessel, which was delivered in 1992. At December 31, 1997, $99,852,000 of commercial paper notes was outstanding under this program. Maturities ranged from 3 to 34 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 is used by a subsidiary to fund the purchases of sugar inventory from Hawaii sugar growers and to provide working capital for sugar refining and marketing operations. At December 31, 1997, $31,000,000 of commercial paper notes was outstanding under this program. Maturities ranged from 22 to 26 days. The interest cost and certain fees on the borrowings relating to sugar inventory advances to growers are reimbursed by the growers. Of the total commercial paper borrowing outstanding at December 31, 1997, $17,000,000 was classified as current. The commercial paper is supported by a $100,000,000 backup revolving credit facility with five commercial banks. Both the commercial paper program and the backup facility are guaranteed by the subsidiary's parent and by the Company.

LONG-TERM DEBT MATURITIES: At December 31, 1997, maturities and planned prepayments of all long-term debt during the next five years totaled $24,453,000 for 1998, $32,616,000 for 1999, $19,583,000 for 2000, $17,083,000 for 2001 and $9,583,000 for 2002.

8. LEASES

THE COMPANY AS LESSEE: Various subsidiaries of the Company lease a vessel and certain land, buildings and equipment under both capital and operating leases. Capital leases include one vessel leased for a term of 25 years ending in 1998; containers, machinery and equipment for terms of 5 to 12 years expiring through 1998; and a wastewater treatment facility in California, the title to which will revert to a subsidiary in 2002. Principal operating leases cover office and terminal facilities for periods which expire between 1998 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 $45,560,000, $45,559,000 and $46,680,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Contingent rents and income from sublease rents were not significant.

Assets recorded under capital lease obligations and included in property at December 31, 1997 and 1996 were as follows (in thousands):

	1997	1996
Vessel	$55,253	$55,253
Machinery and equipment	42,039	42,468
Total	97,292	97,721
Less accumulated amortization	95,866	90,462
Property under capital leases--net	$ 1,426	$ 7,259

Future minimum payments under all leases and the present value of minimum capital lease payments as of December 31, 1997 were as follows (in thousands):

	Capital Leases	Operating Leases
1998	$ 11,081	$ 27,539
1999	609	17,321
2000	578	14,448
2001	547	12,412
2002	516	11,705
Thereafter	-	90,191
Total minimum lease payments	13,331	$173,616
Less amount representing interest	1,299	
Present value of future minimum payments	12,032	
Less current portion	10,032	
Long-term obligations at December 31, 1997	$ 2,000	

A subsidiary 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 $8,257,000 and $7,713,000 at December 31, 1997 and 1996, respectively, included in other long-term liabilities, provides for a pro-rata portion of the principal due on these bonds.

THE COMPANY AS LESSOR: Various Company subsidiaries lease land, buildings and land improvements under operating leases. The historical cost of and accumulated depreciation on leased property at December 31, 1997 and 1996 were as follows (in thousands):

	1997	1996
Leased property	$267,569	$246,802
Less accumulated amortization	47,253	42,722
Property under operating leases--net	$220,316	$204,080

Total rental income under these operating leases for the three years ended December 31, 1997 was as follows (in thousands):

	1997	1996	1995
Minimum rentals	$ 35,535	$ 34,556	$ 28,164
Contingent rentals (based on sales volume)	1,048	1,232	880
Total	$ 36,583	$ 35,788	$ 29,044

Contingent rentals are based on sales volume.

Future minimum rental income on non-cancelable leases at December 31, 1997 was as follows (in thousands):

	Operating Leases
1998	$ 23,057
1999	19,960
2000	16,288
2001	13,738
2002	11,525
Thereafter	130,618
Total	$ 215,186

9. INCOME TAXES

The income tax expense for the three years ended December 31, 1997 consisted of the following (in thousands):

	1997	1996	1995
Current:			
Federal	$ 30,181	$ 23,549	$(23,833)
State	2,476	4,779	403
Total	32,657	28,328	(23,430)
Deferred	13,168	10,420	42,965
Income tax expense	$ 45,825	$ 38,748	$ 19,535

Total income tax expense for the three years ended December 31, 1997 differs from amounts computed by applying the statutory Federal rate to pre-tax income, for the following reasons (in thousands):

	1997	1996	1995
Computed income tax expense	$ 44,525	$ 36,412	$ 18,184
State tax on income, less applicable Federal tax	3,732	2,605	326
Low-income housing credits	(1,214)	(1,219)	(1,224)
Fair market value over cost of donations	(1,306)	(11)	-
Other-net	88	961	2,249
Income tax expense	$ 45,825	$ 38,748	$ 19,535

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 1997 and 1996 were as follows (in thousands):

	1997	1996
Accelerated depreciation	$178,570	$171,815
Capital Construction Fund	104,408	111,064
Tax-deferred gains on real estate transactions	77,784	73,890
Unrealized holding gains on securities	31,602	27,625
Post-retirement benefits	(48,014)	(49,398)
Insurance reserves	(6,907)	(6,791)
Alternative minimum tax benefit	-	(3,905)
Other-net	12,907	8,905
Total	$350,350	$333,205

The Internal Revenue Service (IRS) has completed its audits of the Company's tax returns through 1991. No settlement 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 1992 through 1995. Management believes that the resolution of the current audit will not have a material effect on the Company's financial position or results of operations.

10. CAPITAL STOCK AND STOCK OPTIONS

The Company has a stock option plan ("1989 Plan") under which key employees may be granted stock purchase options and stock appreciation rights. A second stock option plan terminated in 1993, but shares previously granted under the plan are still exercisable. Under the 1989 Plan, option prices may not be less than the fair market value of a share of the Company's common stock on the dates of grant, and each option generally becomes exercisable in-full one year after the date granted. Payment for options exercised, to the extent not reduced by the application or surrender of stock appreciation rights, may be made in cash or in shares of the Company's stock. If payment is made in shares of the Company's stock, the option holder may receive, under a reload feature of the 1989 Plan, a new stock option grant for the number of shares equal to that surrendered, with an option price not less than the fair market value of the Company's stock on the date of exercise. During 1997, new options to purchase 565,212 shares were granted under the 1989 Plan. This included reload options to purchase 57,132 shares.

The 1989 Plan also permits 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 plan. The number of incentive shares issued during 1997 or outstanding at the end of the year was not material.

The Company also has a Directors' stock option plan, under which 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 average fair market value of the shares for the five consecutive trading days prior to the grant date. Each option becomes exercisable six months after the date granted. During 1997, new options to purchase 21,000 shares were granted, options to purchase 15,000 shares were exercised and options to purchase 9,000 shares were canceled. At December 31, 1997, options to purchase 183,000 shares were outstanding under the plan.

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 1989 Plan and the Directors' stock option plan had been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," the after-tax cost for grants made in 1997, 1996 and 1995 would have been approximately $1,800,000, $900,000 and $1,300,000, respectively. Earnings per share for 1997, 1996 and 1995 would have declined by $0.04, $0.02 and $0.03, respectively.

Changes in shares under all option plans, for the three years ended December 31, 1997, were as follows:

	Shares	Price Range Per Share
1994: Outstanding, December 31	2,444,032	$17.375-37.875
1995: Granted	551,800	21.750-22.500
Exercised	(23,550)	17.375-24.750
Canceled	(385,531)	24.250-36.250
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 (2,600,337 EXERCISABLE)	3,206,038	$21.750-37.875

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. If not renewed, the Plan will expire in 1998.

11. RELATED PARTY TRANSACTIONS, COMMITMENTS AND CONTINGENCIES

At December 31, 1997, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately $84,222,000. However, there is no contractual obligation to spend this entire amount.

The Company has arranged for standby letters of credit of approximately $19,930,000 necessary to qualify as a self-insurer for state and federal workers' compensation liabilities. The Company also has other letters of credit outstanding for normal operating matters, which total approximately $3,958,000.

A subsidiary is a party, acting as the steam host, to a Steam Purchase Agreement with a developer which constructed and operates a cogeneration facility contiguous to the subsidiary's California refinery. The agreement provides that, during the 30-year period of the agreement, the subsidiary will receive steam necessary for refinery operations at a reduced price, compared to the market price of fuel which previously had to be purchased to generate its steam requirements.

A subsidiary 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 the other Hawaii sugar growers. Under the terms of this contract, the subsidiary 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. The subsidiary made purchases of raw sugar totaling $126,629,000 and $190,188,000 under the contract during 1997 and 1996, respectively. The contract also requires that the subsidiary provide cash advances to HSTC prior to the physical receipt of the sugar at its refinery (see Note 7). Such advances are determined by the estimated raw sugar market prices. Amounts due to HSTC are credited against outstanding advances to HSTC upon delivery of raw sugar to the subsidiary's refinery.

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 1997, 1996 and 1995, on page 24, is incorporated herein by reference. Segments are:

Ocean transportation -- carrying freight between various U.S. and Canadian West Coast, Hawaii and other Pacific ports, and providing terminal services.

Property development and management -- developing, managing and selling residential, commercial and industrial properties.

Food products -- growing, processing and marketing sugar, molasses and coffee, and generating and selling electricity.

As discussed in Note 2, the net assets of the container leasing segment were sold in 1995.

Quarterly Results
(Unaudited)
Segment results by quarter for 1997 and 1996 are listed below (in thousands, except per-share amounts):

	1997				1996			
	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Revenue:								
Ocean Transportation	$177,423	$179,106	$175,005	$181,120	$167,462	$168,701	$173,201	$152,222
Property Development & Management:								
Leasing	9,103	9,320	9,609	9,116	9,025	8,918	9,085	8,888
Sales	13,245	4,080	14,480	4,111	9,324	15,299	5,125	2,161
Food Products	134,777	132,816	118,131	101,188	146,235	140,970	121,337	98,367
Other	711	684	703	717	759	1,393	673	665
Total Revenue	$335,259	$326,006	$317,928	$296,252	$332,805	$335,281	$309,421	$262,303
Operating Profit:								
Ocean Transportation	$ 19,088	$ 24,405	$ 22,807	$ 34,050	$ 16,711	$ 20,646	$ 26,648	$ 17,613
Property Development & Management:								
Leasing	5,787	6,105	6,433	6,234	5,658	6,032	6,243	5,942
Sales	7,345	1,257	3,080	1,580	3,407	8,673	2,995	232
Food Products	5,913	11,778	6,949	2,443	13,207	11,848	2,696	(888)
Other	653	652	671	663	623	1,356	628	613
Total Operating Profit	38,786	44,197	39,940	44,970	39,606	48,555	39,210	23,512
Interest Expense	6,421	6,770	7,803	7,942	8,426	8,469	8,376	8,810
General Corporate Expenses	2,925	2,865	2,891	3,064	3,563	2,970	2,858	3,378
Income Before Income Taxes	29,440	34,562	29,246	33,964	27,617	37,116	27,976	11,324
Income Taxes	9,429	12,690	10,967	12,739	10,418	13,991	10,206	4,133
Net Income	$ 20,011	$ 21,872	$ 18,279	$ 21,225	$ 17,199	$ 23,125	$ 17,770	$ 7,191
Basic and Diluted Earnings per Share	$ 0.45	$ 0.48	$ 0.40	$ 0.47	$ 0.38	$ 0.51	$ 0.39	$ 0.16

Certain amounts have been reclassified to conform with the current presentation.

GENERAL INFORMATION

Board of Directors

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

At the Annual Meeting of Shareholders on April 24, 1997, shareholders elected a total of nine directors, all of whom were nominated by the Board. Re-elected 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. R. J. Pfeiffer, Chairman of the Board from 1980 to 1995 and a director from 1978 to 1995, continues to hold the honorary position of Chairman Emeritus.

Management, Organization

Glenn R. Rogers, vice president, chief financial officer and treasurer of A&B, was appointed executive vice president, chief financial officer and treasurer of A&B, effective July 1, 1997.

Ronald H. Rothman, vice president, industrial relations of Matson, will retire, effective May, 1, 1998. Ronald J. Forest was appointed vice president, labor relations of Matson, effective December 11, 1997.

Credit Ratings

As discussed in Note 7 to the financial statements, Matson had outstanding commercial paper notes at December 31, 1997 of $100 million. The Matson notes are rated A-1/P-1/D-1 by Standard & Poor's, Moody's, and Duff & Phelps, respectively. Standard & Poor's rates Matson's senior debt as A-.

C&H had outstanding commercial paper notes of $31 million at December 31, 1997. The C&H notes are rated A-2/P-2 by Standard & Poor's and Moody's, respectively.

DIRECTORS AND OFFICERS

ALEXANDER & BALDWIN, INC.

Directors

MICHAEL J. CHUN (54)*
President, The Kamehameha Schools
(educational institution)

JOHN C. COUCH (58)
Chairman of the Board, President and
Chief Executive Officer,
Alexander & Baldwin, Inc.
Chairman of the Board,
A&B-Hawaii, Inc.
Chairman of the Board,
Matson Navigation Company, Inc.

LEO E. DENLEA, JR. (66)**
Retired Chairman of the Board, President
and Chief Executive Officer,
Farmers Group, Inc. (insurance)

WALTER A. DODS, JR. (56)*
Chairman of the Board and
Chief Executive Officer,
First Hawaiian, Inc.
Chairman of the Board and
Chief Executive Officer,
First Hawaiian Bank (banking)

CHARLES G. KING (52)**
President, King Auto Center
(automobile dealership)

CARSON R. McKISSICK (65)*
Managing Director,
The Corporate Development Company
(financial advisory services)

C. BRADLEY MULHOLLAND (56)
President and Chief Executive Officer,
Matson Navigation Company, Inc.

MARYANNA G. SHAW (59)*
Private investor

CHARLES M. STOCKHOLM (65)**
Managing Director,
Trust Company of the West
(investment management services)

R. J. PFEIFFER (78)
Chairman Emeritus of the Board,
Alexander & Baldwin, Inc.
Chairman Emeritus of the Board,
A&B-Hawaii, Inc.
Chairman Emeritus of the Board,
Matson Navigation Company, Inc.

Advisory Director

ALEXANDER C. WATERHOUSE (86)
Vice Chairman, Waterhouse Properties, Inc.
(private investments)

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

ALEXANDER & BALDWIN, INC.

Officers

JOHN C. COUCH (58)
Chairman of the Board, President and
Chief Executive Officer

GLENN R. ROGERS (54)
Executive Vice President, Chief Financial
Officer and Treasurer

MEREDITH J. CHING (41)
Vice President (Government &
Community Relations)

JOHN B. KELLEY (52)
Vice President (Investor Relations)

MILES B. KING (50)
Vice President and Chief Administrative Officer

MICHAEL J. MARKS (59)
Vice President, General Counsel and Secretary

ROBERT K. SASAKI (57)
Vice President (Properties)

JUDITH A. WILLIAMS (54)
Vice President
(Corporate Planning & Development)

THOMAS A. WELLMAN (39)
Controller

A&B-HAWAII, INC.

Officers

JOHN C. COUCH (58)
Chairman of the Board

W. ALLEN DOANE (50)
President and Chief Executive Officer

G. STEPHEN HOLADAY (53)
Senior Vice President
(Plantation General Manager, HC&S)

MILES B. KING (50)
Senior Vice President (Human Resources)

DAVID G. KONCELIK (56)
Senior Vice President (President and Chief
Executive Officer, California and Hawaiian Sugar Company, Inc.)

MICHAEL J. MARKS (59)
Senior Vice President and General Counsel

GLENN R. ROGERS (54)
Senior Vice President,
Chief Financial Officer and Treasurer

ROBERT K. SASAKI (57)
Senior Vice President (Properties)

NORBERT M. BUELSING (47)
Vice President (Property Management)

MEREDITH J. CHING (41)
Vice President (Government &
Community Relations)

JOHN F. GASHER (64)
Vice President (Human Resources Development)

KEITH A. GOTO (54)
Vice President (Labor Relations)

JOHN B. KELLEY (52)
Vice President

STANLEY M. KURIYAMA (44)
Vice President
(Land Planning & Entitlements)

THOMAS A. WELLMAN (39)
Vice President and Controller

JUDITH A. WILLIAMS (54)
Vice President
(Corporate Planning & Development)

ALYSON J. NAKAMURA (32)
Secretary

MATSON NAVIGATION COMPANY, INC.

Officers

JOHN C. COUCH (58)
Chairman of the Board

C. BRADLEY MULHOLLAND (56)
President and Chief Executive Officer

RAYMOND J. DONOHUE (61)
Senior Vice President and
Chief Financial Officer

MILES B. KING (50)
Senior Vice President (Human Resources)

GARY J. NORTH (53)
Senior Vice President (Operations)
(President and Chief Operating Officer, Matson Terminals, Inc.)

KEVIN C. O'ROURKE (51)
Senior Vice President and General Counsel

PAUL E. STEVENS (45)
Senior Vice President (Marketing)

RICHARD S. BLISS (59)
Vice President (Area Manager, Hawaii)

ROBERT L. DAWDY (53)
Vice President (West Coast Operations)

BRANTON B. DREYFUS (44)
Vice President
(Area Manager, Southern California)

JOHN C. GOSLING (61)
Vice President (Engineering)

PHILIP M. GRILL (50)
Vice President (Government Relations)

DALE B. HENDLER (44)
Vice President (Information Services)

MERLE A. K. KELAI (66)
Vice President (Community Relations and
Government Affairs)

RONALD J. FOREST (42)
Vice President (Labor Relations)

MICHAEL J. MARKS (59)
Secretary

TIMOTHY H. REID (51)
Treasurer

JOSEPH A. PALAZZOLO (49)
Controller

All positions as of December 31, 1997
All ages as of March 31, 1998

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 23, 1998.

Investor Information

Shareholders having questions about A&B are encouraged to write to John C. Couch, Chairman of the Board, 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.

Tansfer 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 8 a.m. and 8 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 68,734 shares a day in 1997, compared with 67,425 shares a day in 1996 and 86,022 in 1995. Currently, 14 firms make a market in ALEX.

High and low sales prices per share, by quarter, for 1997 and 1996 were:

Quarter	1997	1996
First	$ 29-3/8 - 24-1/2	$ 24-1/4 - 22-1/2
Second	27-3/4 - 24-3/8	29-1/4 - 23-3/4
Third	28-1/8 - 25-3/8	26-1/4 - 23-1/4
Fourth	28-1/4 - 26	28-1/2 - 23

Dividends

A&B strives to pay the highest possible dividends commensurate with operating and capital needs. The Company has paid cash dividends in every quarter since 1903. An increase in the quarterly dividend rate from 22 cents a share to 22.5 cents will be effective in the first quarter of 1998. In 1997, total dividend payments to shareholders were $39.8 million, 49 percent of reported earnings for the year.

The following dividend schedule for 1998 has been set, subject to final approval by the A&B Board of Directors:

Quarterly Dividend	Declaration Date	Record Date	Payment Date
First	Jan. 22	Feb. 13	March 5
Second	April 23	May 7	June 4
Third	June 25	Aug. 6	Sept. 3
Fourth	Oct. 22	Nov. 5	Dec. 3

PARENT COMPANY, PRINCIPAL SUBSIDIARIES AND AFFILIATES1

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
California and Hawaiian Sugar Company, Inc.	Crockett, California
East Maui Irrigation Company, 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
Hawaiian Sugar & Transportation Cooperative2	Crockett, California

1 Wholly owned unless otherwise indicated
2 A cooperative owned with other Hawaii sugar companies

Alexander & Baldwin, Inc.
822 Bishop Street
Honolulu, Hawaii 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, 1998

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
California and Hawaiian Sugar 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
McBryde Sugar Company, Limited	Hawaii
Subsidiary: Kauai Coffee Company, Inc.	Hawaii
South Shore Community Services, Inc.	Hawaii
South Shore Resources, Inc.	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.

EXHIBIT 23

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 and 33-54825 of Alexander & Baldwin, Inc. and its subsidiaries on Form S-8 of our reports dated January 22, 1998, 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, 1997.

/s/ Deloitte & Touche LLP

March 27, 1998

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1,000

12-MOS
DEC-31-1997
DEC-31-1997
(1,077)
22,700
194,170
18,005
69,209
288,941
1,975,023
938,508
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290,885
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36,769
682,819
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1,275,445
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1,011,718
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0
28,936
127,212
45,825
81,387
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81,387
1.80
1.80