

WITH MORE THAN 90,600 ACRES IN HAWAII, A&B IS THE FIFTH LARGEST PRIVATE LANDOWNER IN THE STATE. A&B PURSUES OPPORTUNITIES TO ADD VALUE TO THESE HOLDINGS, AND TO ADD ACTIVELY, BUT SELECTIVELY, TO ITS REAL ESTATE, PRIMARILY IN HAWAII.

ALEXANDER & BALDWIN PROPERTIES

LEGEND



COVER: A VIEW FROM A&B'S NEW RESIDENTIAL DEVELOPMENT, THE SUMMIT AT KAANAPALI

PORTFOLIO DIVERSITY

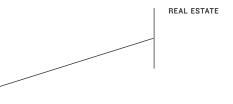
A&B's present core businesses are transportation and real estate.

Both are centered on Hawaii, but also have significant activities elsewhere. Both have their historic roots in the Company's original business – the growing of sugar cane in the Islands. Ocean transportation brought supplies from the Mainland and delivered raw sugar for refining. Real estate development was the logical evolution of company-owned plantation housing.

Today, those two businesses provide the preponderance of A&B's earnings.

FINANCIAL HIGHLIGHTS

	2001	2000	Change
Revenue	\$1,190,073,000	\$1,068,646,000	11%
Operating Profit	\$247,624,000	\$158,576,000	56%
Net Income	\$110,628,000	\$90,574,000	22%
Per Basic Share	\$2.73	\$2.21	24%
Cash Dividends	\$36,488,000	\$36,785,000	-1%
Per Share	\$0.90	\$0.90	-
Average Shares Outstanding	40,535,000	40,898,000	-1%
Total Assets	\$1,544,419,000	\$1,666,012,000	-7%
Shareholders' Equity	\$710,667,000	\$693,651,000	2%
Per Share	\$17.54	\$17.19	2%
Return on Beginning			
Shareholders' Equity	15.9%	13.5%	-
Debt/Debt + Equity	24%	34%	-



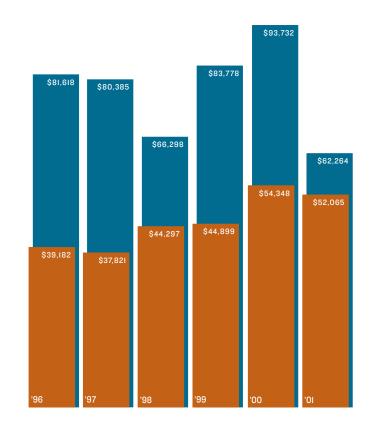
Developing real property, primarily in Hawaii Selling residential and commercial property Managing a portfolio of commercial properties

TRANSPORTATION

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

FOOD PRODUCTS

Growing sugar cane and producing raw sugar Growing, marketing and distributing coffee



OPERATING PROFIT:

OCEAN TRANSPORTATION

PROPERTY DEVELOPMENT

AND MANAGEMENT



CHARLES M. STOCKHOLM W. ALLEN DOANE

LETTER TO SHAREHOLDERS

Alexander & Baldwin is privileged to report earnings per share of \$2.73 in 2001, a 24 percent increase from the year 2000. The Company's performance benefited from one-time events that more than offset declines in the general economic environment that influenced our results.

As you would expect, the year is really two separate stories – one before September 11, and a completely different story for the remainder of the year. Although growth in the United States was slowing and Japan's economy continued to perform poorly, Hawaii was maintaining its momentum through the summer tourism season. The impact of 9/11 on Hawaii's tourism industry was stunning, creating, for a few weeks, virtual ghost towns in several resort areas. Quickly, however, despair gave way to optimism, as visitor counts from the United States mainland began to increase weekly. By the end of the year, visitors from the U. S. were at 90–95 percent of prior year levels, a dramatic improvement. The prospect for such a recovery from Japanese visitors to Hawaii is not as bright, because economic issues and the purchasing power of the yen have added additional burdens to recovery. Although these economic influences have had a significant impact on A&B, particularly Matson, the prevailing view is that Hawaii's economy will recover completely from these recent events, but that it will take some time. Most likely, the recovery will be more evident during the second half of 2002.

Within the context of 9/11, Matson had a very difficult year. Its operating profit declined by 34 percent to \$62 million – the majority of that decline taking place in the fourth quarter.

Because it is much less affected by short-term changes in the visitor industry, A&B Properties continued to perform strongly. The real estate business's \$52 million operating profit was just 4 percent lower than the exceptionally good results achieved in 2000.

Results from food products' activities were off 25 percent, to about \$6 million. This reduction was due primarily to lower results from a minority interest in a sugar refining company. For the year, raw sugar prices were higher and fairly stable, but the sugar crop, affected by an extended drought, was smaller than in 2000.

During 2001, Matson undertook a major modification to the mode of operation at its Sand Island container terminal in Honolulu. The change involved a combination of leading-edge technology, including utilization of an advanced global positioning system, and a change in the mode of handling containers. This \$32 million project was implemented in an environment of ongoing terminal operations. The disruptions to operations and complete integration of the new approach were more difficult than anticipated. In early 2002, some five months after its start, the terminal was operating at an improved level, but still below expectations.

Separately, to address the fall-off in cargo since 9/11, Matson adjusted its fleet capacity in early 2002 to better match the lower volume of shipments to Hawaii, reducing the number of vessels in service from eight to seven.

A&B Properties did have an excellent year, with six opportunistic property acquisitions totaling \$63 million in initial investment. Three of these were income-producing commercial properties, and three were development projects. Four are on Oahu, with one each

LETTER TO SHAREHOLDERS

on the Big Island of Hawaii and on the United States mainland. Other highlights included the opening of Home Depot and Wal-Mart stores at the Company's Maui Business Park in Kahului. In addition, exceptional results were achieved in the sale of 70 single-family homes at The Vintage on Maui. Best of all, A&B Properties' commercial lease properties enjoyed a robust 13 percent increase in operating profit.

For a number of years, A&B had held substantial equity positions in Hawaii's two largest banks. During 2001, we sold our investments in both Pacific Century Financial Corporation (formerly Bank of Hawaii) and BancWest Corporation (formerly First Hawaiian Bank). We sold the first in the open market and the second as part of a purchase tender by BNP Paribas SA for all of the remaining BancWest stock that it did not already own. The BancWest sale benefited A&B's bottom line by \$68.4 million, or \$1.69 per share, and the Pacific Century sale by \$9.4 million, or \$0.23 per share. We are pleased with the financial result, but also believe that Hawaii's banking community will be strengthened by BNP's ownership of First Hawaiian.

The timing and magnitude of the sale of BancWest stock left A&B's balance sheet in an unusually strong position, with year-end total debt of \$227 million and a debt-to-capital ratio of just 24 percent. This will moderate somewhat when taxes of \$42 million due on the transaction are paid in March 2002. To emphasize a key point, the Company has the capacity to maintain and grow its current businesses, to invest in attractive acquisition opportunities, to maintain its dividend and to make selective repurchases of its shares when circumstances are appropriate.

During 2001, A&B paid \$36 million to its shareholders in dividends. Over the year, A&B's share price rose about 2 percent – not approaching the 15 percent rise in 2000, but still better these last two years than the major stock indexes.

BUSINESS DIRECTION

A&B's core businesses are transportation and real estate. Although the severity of recent events requires us to focus on what might be characterized as "tactical" responses, it is equally important to consider and act on strategic decisions – ones that affect long-term growth and share value.

Matson is employing its information technology and its Hawaii customer relationships, plus its intermodal transportation activities, to become one of the preeminent U.S. domestic intermodal carriers.

A&B Properties is well on its way to being Hawaii's most successful real estate company, coupling its experience and accelerated investment activity with the development of its extensive land holdings.

OCEAN TRANSPORTATION In the near-term, Matson will focus on realizing the benefits of its Sand Island terminal investment, and will balance its service levels and costs to shipper demand. Matson also will remain directly involved in the oversight of its investments in a shipping operation in Puerto Rico and in a stevedoring joint venture. Overcapacity has

LETTER TO SHAREHOLDERS

affected the former negatively and pending moves to new, larger-sized terminals are key issues in 2002 for the latter.

REAL ESTATE The Company continues to be highly active in the Hawaii real estate market, having made a number of opportunistic acquisitions. In addition to landholdings that make A&B the fifth largest private landowner in the State, in the past three years alone, A&B has announced 13 acquisitions of Hawaii real estate, with a total investment of nearly \$200 million. Less-than-robust economic conditions in Hawaii and Japan make the market environment ideal for value-adding acquisitions of real estate.

A&B Properties expects to proceed this year with a joint venture relationship at its 1,045-acre Kukui'Ula development on Kauai. This will be a key first step in what is expected to be a large and successful resort-residential development.

FOOD PRODUCTS Although it now is a relatively small part of the Company, sugar is the historical origin of A&B. At HC&S, the consolidation to one mill in 2001 was successful from a cost viewpoint, and 2002 will be a test of its ability to process a larger crop. Specialty sugars also hold promise for growing margins and brand identity. Kauai Coffee continues to make noticeable improvements in its production and marketing.

2002 OUTLOOK With the events of 9/11 still near at hand, economic forecasting and business planning have had to reflect new levels of risk and unpredictability. It does appear that the external forces that influence Matson, the largest contributor to A&B's earnings, are beginning to improve. In planning for 2002, the Company initiated a number of actions to reduce the effects of a near-term downturn, and may initiate more as the year progresses. Driven by Matson's income contribution, it is likely that A&B's earnings from its core operations in 2002 will be lower than those in 2001, at least for the first two, and possibly three, quarters.

In spite of these near-term challenges, A&B is making a number of shorter-term tactical decisions to improve performance. At the same time, we remain focused on the longer-term strategic direction of the Company and will take those actions that will increase shareholder value.

No one could have foreseen the intense events that marked 2001. More than ever, our employees made contributions that are allowing us to weather difficult times. For this, we are most appreciative. At the same time, our Board of Directors continues to provide invaluable guidance to the Company. We are confident about the path ahead and optimistic about our future.

We thank you, our shareholders, for your support.

CHARLES M. STOCKHOLM

CHAIRMAN OF THE BOARD

FEBRUARY 15, 2002

W. ALLEN DOANE

PRESIDENT & CHIEF EXECUTIVE OFFICER

05

WHAT DOES IT TAKE?

ALEXANDER & BALDWIN HAS WEATHERED THE STORMS OF MANY ECONOMIC UPS AND DOWNS SINCE ITS FOUNDING IN 1870.

OVER THE YEARS, WE HAVE CULTIVATED HAWAII'S LAND AND PLIED ITS WATERS – TO BECOME A LEADER IN LAND STEWARDSHIP AND DEVELOPMENT, OCEAN TRANSPORTATION AND AGRICULTURE. WE HAVE GROWN IN PARTNERSHIP WITH THE COMMUNITIES WE SERVE, BRINGING BENEFITS BOTH TO THE PEOPLE OF HAWAII AND TO OUR SHAREHOLDERS.

2001 TESTED OUR COUNTRY, OUR STATE AND OUR COMPANY IN WAYS THAT NO ONE COULD HAVE FORESEEN. MOREOVER, THE RAMIFICATIONS OF THE EVENTS OF 2001 WILL AFFECT ALL OF US FOR MANY YEARS.

IT HAS TAKEN RESILIENCE FOR A COMPANY LOCATED MORE THAN 2,000 MILES FROM THE CLOSEST MAJOR POPULATION CENTER TO SURVIVE, PROSPER AND GROW. OVER THE YEARS, A&B HAS DRAWN UPON THAT QUALITY, BUT IT SELDOM HAS BEEN TESTED AS SEVERELY AS IT HAS BY THE PRESENT CIRCUMSTANCES.

A&B RESPONDED FORCEFULLY TO THE EVENTS OF 2001, AND IT WILL CONTINUE TO DO SO, MINDFUL OF BOTH THE NECESSITY FOR SHORT-TERM RESPONSES AND THE NEED FOR LONGER-TERM GROWTH.



"SO MUCH OF WHAT HAPPENS RIGHT IN REAL ESTATE IS ANTICIPATING THE MARKET," says Paul Hallin, the energetic A&B project manager for both The Vintage at Kaanapali, a "best seller" in 2001, and a companion project at higher elevation, The Summit at Kaanapali. "So, the key to success with The Vintage was A&B's ability to act quickly when the Neighbor Islands resort home market was starting to take off. That meant buying entitled land from others, quite an unusual step for a Company that already owns 90,000 acres! But, selling out the project – more than 70 units in 2001 – speaks for itself."



"WAL-MART IS THE LATEST ADDITION TO MAUI BUSINESS PARK, joining Home Depot, which opened earlier in 2001. This area has become literally the new 'focal point' for commercial development on Maui," says Rick Stack, A&B's manager for the project. "In all, 296,000 square feet of retail and commercial space were added to the Park and to A&B's adjacent projects in the past two years. It is just a great example of growing value for the shareholders – correctly anticipating market demand, and then successfully pursuing development and marketing the project."



SINCE THE '60s MATSON HAD USED STRADDLE CARRIERS, which are large and complex machines, to move containers in its terminals. With growing costs to acquire, operate and maintain "strads," Matson set out to fundamentally transform its busy Honolulu terminal during 2001 – with operations continuing 24/7. Lek Friel, who manages planning and equipment control at Sand Island, is in the center of the "storm." Says Friel, "It was time to change, but there is no way to make big changes right at the hub of a busy transportation system without feeling 'heat' all the time. We aren't 'there' yet, but you can feel growing familiarity with the new technology, and enthusiasm for the improvements."



"WHEN THE CELL PHONE RINGS, I HAVE TO BE READY FOR ANYTHING," says Keahi Birch, who is Hawaii-born and a highly trained environmental engineer. "I am the 'go to' person they ask – and I need to be ready with the answer – or to find it right then. Matson cares deeply about Hawaii's environment and the sea. It is my job to make sure everything we do is consistent with that." Linked at a moment's notice to Matson headquarters, she provides highly specialized guidance to the ships regarding cargo and seagoing procedures, to terminal operations regarding cargo-handling and daily maintenance issues, as well as to community groups engaged in Matson's community work day programs.



THE SUGAR BUSINESS IS TOUGH. EVERYONE IN IT KNOWS THAT. As a result, the employees of HC&S put extra energy and persistence into a project that received its "trial by fire" in 2001. Robert Lu'uwai is factory manager at the Puunene Mill, where A&B now processes every bit of the cane that yields about 200,000 tons of raw sugar a year. "In the past, we had two mills running, so we had backup and some options. But, that was 'insurance' that we just could not afford any longer. Mill consolidation demanded much higher reliability, better maintenance and planning. We did well in 2001, proving the concept, even in a year when a drought hurt our production. With a larger crop expected in 2002, we are really going to show how well consolidation works. Just watch!"

		HAWAII							
(ACRES)	MAUI	KAUAI	OAHU	TOTAL	MAINLAND	TOTAL			
Fully Entitled Urban	294	916	36	1,246	254	1,500			
Agriculture/Pasture/Misc	52,459	7,641	-	60,100	10	60,110			
Conservation	15,956	13,335	-	29,291	-	29,29			
Total	68,709	21,892	36	90,637	264	90,90			

PROPERTY DEVELOPMENT AND MANAGEMENT

SEGMENT ACTIVITY At year-end 2001, the Company owned a total of about 90,900 acres. Of these, 1,500 acres were fully zoned for urban use. At least one step in the entitlement process has been completed for an additional 1,710 acres, and 8,670 acres have been identified as having long-term urban-use potential. Most of the remaining acreage will be in agricultural or conservation use for the foreseeable future.

The Company creates value through an integrated program of entitlement, development and asset management. It realizes value through sales and invests for growth, with a priority on investments in Hawaii real estate.

DEVELOPMENTS & SALES On the island of Kauai, A&B pursued planning and engineering for development of its I,045-acre Kukui'Ula project, near Poipu Beach. Negotiations now are nearing completion with a prominent joint venture partner, a very successful developer of master-planned communities. This firm already has engaged in large-scale planning efforts during 200I focused on project themes, concepts, marketing and land use plans.

In January 2001, the Company completed the sale of its properties on Bainbridge Island, near Seattle. A 97,000-square-foot shopping center and two smaller adjacent buildings were sold for about \$16 million.

STATUS OF A&B'S COMMERCIAL/INDUSTRIAL PROJECTS IN HAWAII									
PROJECT	TOTAL	AVAILABLE	SOLD	AVAILABLE	SOLD	AVAILABLE			
	UNITS	IN 2000	IN 2000	IN 2001	IN 2001	IN 2002			
Maui Business Park	42	18	3	25	4	2I			
Mill Town Center	61	16	4	50		39			

At the Company's Maui Business Park in Kahului, the Company announced in early February 2001 that Wal-Mart Stores, Inc. purchased a I4-acre parcel for a I42,000-square-foot store. The new store opened in November 2001, joining the nearby newly opened Home Depot. Four smaller lots in Maui Business Park also were sold or leased during the year.

All 70 remaining residential resort homes at The Vintage at Kaanapali were sold in the first seven months of 2001. The average price was nearly \$600,000. A&B is developing a second project nearby,

with a total of 55 homes at a higher elevation and with commanding views. Called The Summit at Kaanapali, the project is being built in three phases. By year-end 200I, five of the I7 homes in the first phase had been sold and another eight homes were in escrow. The average price of these homes was \$1.1 million. Construction of an I8-unit second phase is expected to commence in March 2002.

STATUS OF A&B'S RESIDENTIAL PROJECTS IN HAWAII									
PROJECT	TOTAL UNITS	AVAILABLE IN 2000	SOLD IN 2000	AVAILABLE IN 2001	SOLD IN 2001	AVAILABLE IN 2002			
Koloa Estates	32	27	17	10	6	4			
The Vintage At Kaanapali	73	3	3	70	70	Sold Out			
The Summit At Kaanapali	55	-	-	17	5	50			
HoloHolo Ku	44	-	-	-	-	24			

Also in the Kaanapali area, construction of a 35,500-square-foot retail center was completed in December 200I. Leasing of this project likely will be slower than planned, due to its focus on visitor-oriented businesses, which have been affected by the 9/II slowdown.

At Kahului, Maui, A&B constructed two buildings at its Triangle Square development. One, a 6,200-square-foot BMW automobile dealership, opened in October 2001. The 15,000-square-foot commercial building features a Denny's restaurant and Supercuts. Leasing continues.

On Kauai, a 26,000-square-foot retail center is under construction at Port Allen. This project is the first part of a long-term plan for phased development of 80 acres near a small-boat harbor.

On Oahu, sales continued at the 37-acre Mill Town Industrial Park. Of note, a three-acre parcel was sold to Fuji Film for its Hawaii headquarters and four smaller lots also were sold in 2001.

In September and October, respectively, the Company announced two joint ventures to develop residential projects. The first, Kai Lani, consists of II6 townhouse condominiums at the Ko Olina resort. This is A&B's first substantial residential project on Oahu. Construction began in February 2002. The second venture consists of 44 single-family condominium ranch homes which are being built on the island of Hawaii in Waimea, on land adjoining Parker Ranch pastures. This project, called HoloHolo Ku, is the Company's first project on the Big Island.

Another new project was announced in early November 2001: A&B purchased a I.6-acre parcel in Waikiki, the primary visitor area on Oahu. With the potential for unobstructed views of the ocean and Fort DeRussy park, this acquisition was one of the last undeveloped parcels of fee-simple land in the area. Development options, including a multi-story residential tower, are being explored.

ENTITLEMENTS A&B strives to put its land to the highest and best use consistent with community needs.

On Maui, a zoning application is before the County Council for development of a 196-unit, single-family subdivision on 67 acres at Haliimaile. Council approval also is pending for the development of a 140-room hotel, proposed on a 3.4-acre site close to Kahului Airport. The planned hotel would be operated under the Courtyard by Marriott brand.

The long-anticipated Wailuku-Kahului Community Plan still is not final. Community concerns arose over the proximity of an expanded Maui Business Park to Maui's major airport, and efforts are ongoing for the Community Plan to include future phases of Maui Business Park.

ASSET AND PROPERTY MANAGEMENT—MAINLAND PORTFOLIO At year-end 2001, A&B's portfolio of 19 income properties in six Western states consisted of 4.0 million square feet of leasable space. Occupancies averaged 93 percent throughout 2001. In June 2001, an 85,000-square-foot neighborhood shopping center, Carefree Court, was acquired in Carefree, Arizona.

ASSET AND PROPERTY MANAGEMENT—HAWAII PORTFOLIO At the end of 2001, A&B's Hawaii property portfolio consisted of 1.5 million square feet of leasable commercial space, plus ground leases totaling 275 acres for commercial uses and 10,930 acres for agricultural uses. Occupancy of the commercial properties averaged 90 percent throughout 2001. In June 2001, a 124,600-square-foot grocery and drugstore-anchored shopping center, Kaneohe Bay Shopping Center, was acquired in Kaneohe, on Oahu.

INVESTMENTS During 200I, a total of \$63 million was invested in the acquisition of improved properties, in development joint ventures and in land for a development project. Of the \$51 million to buy income properties, \$42 million was funded through Internal Revenue Code Section IO3I reinvestments of proceeds from property sales in 200I.

PROPERTY DEVELOPMENT AND MANAGEMENT OUTLOOK Assuming a soft but recovering Hawaii economy in 2002, operating profit from the Company's real estate operations in 2002 is likely to be modestly lower than the results of 2001. Property leasing activity is forecast to continue rising, primarily on the contributions of recently acquired properties. Revenue from property sales is projected to be higher, but subdivision sales will be lower, with total operating profit from sales likely to be somewhat lower than in 2001. Efforts to attain important entitlements on Maui will continue. Investment opportunities, in developments and income-producing properties, and especially in Hawaii, remain a primary focus for growth.

OCEAN TRANSPORTATION

SEGMENT ACTIVITY A&B's ocean transportation segment consists of both asset- and information-based activities in U.S. domestic transportation.

HAWAII SERVICE The historical core business of Matson Navigation Company, Inc. (Matson) is its Hawaii service. Total Hawaii container carriage during 2001 was I percent lower and autos 7 percent lower than in 2000. A weakening in demand, attributable to the slowing of the U.S. economy during the first eight months, was exacerbated by the events of 9/II. The latter decline was felt especially in commodities, like restaurant foods, that are prominent in the visitor industry; in rental car movements; and in military household goods, which became subject to a moratorium.

Matson operated eight vessels in the Hawaii trade during 2001. The decline of cargo demand led, however, to an announcement in November that Matson planned to withdraw one vessel from the service. The revised schedule, implemented early in 2002, has seven Hawaii arrivals every I4 days, for a total of I82 round-trip voyages annually. Matson also announced that it is prepared to adjust its capacity upward as soon as demand warrants.

A major portion of vessel operating costs is bunker fuel. The Matson fleet consumed about I.8 million barrels of fuel in 2001, but the cost per barrel moderated irregularly from the very high levels that prevailed during 2000. In response, Matson reduced its 4.25 percent fuel surcharge to 3.25 percent, effective November 25, 2001. Separately, Matson increased Hawaii shipping rates by 3.5 percent, effective February I4, 2001.

HAWAII SERVICE CARGO STATISTICS								
(UNITS)	2001		2000		1999			
Freight Containers Automobiles	149,600 122,400		151,500 132,200		151,200 101,100			

Three-year longshore labor agreements with the International Longshore and Warehouse Union will expire during 2002. Sequential negotiations for West Coast and Hawaii locals will target the June 30 expiration of the West Coast contracts.

In 2002, all of Matson's vessels except the *MV R.J. Pfeiffer* will be over 20 years of age. Six will be between 29 and 32 years old. As a result, Matson has been actively exploring the construction of one or more new vessels. A decision is expected in the first half of 2002.

GUAM SERVICE Matson serves Guam through a trans-Pacific operating alliance with American President Lines, Ltd. Guam's tourist-based economy remained relatively weak in 200I, and that weakness was exacerbated after 9/II. Those factors, and competitive pressures, led to a 5 percent decline in total 200I container shipments versus 2000.

MATSON TERMINALS, INC. (MTI) During 2001, MTI converted its Sand Island container terminal in Honolulu from a straddle carrier-based container-handling system to a chassis-based (wheeled) system. In addition, new terminal control software was installed, featuring the use of global positioning technology. The \$32 million investment is intended to increase the terminal's capacity to handle future growth, improve customer service and reduce cargo-handling costs. In the period following implementation of the new move in August 2001, however, productivity fell short of projections, with unfavorable effects on customer service and competitive market share for Matson. By early 2002, productivity was improving and continued progress is anticipated.

MATSON INTERMODAL SYSTEM, INC. (MIS) MIS links Matson's and other companies' seagoing services with inland shippers. Near year-end, MIS' operations expanded with the addition of nearly 70 experienced sales and operating employees, formerly employed by another intermodal marketing company that had discontinued its operations. Already well on their way to being fully assimilated, these new MIS staffers have brought considerably greater volume to MIS.

JOINT VENTURES, INVESTMENTS Matson's West Coast terminal operating joint venture, SSA Terminals, LLC, did not perform at expected levels in 2001 because of a loss of customers due to the realignment of a shipping consortium and overall softness in shipping markets. Plans are proceeding for moving to new, larger and more efficient terminals in Seattle, Oakland and Long Beach during 2002. Matson also has a minority ownership in Sea Star Line, LLC, serving the Puerto Rico trade. That trade continues to suffer from severe overcapacity and all of the participating carriers are struggling as a result.

OCEAN TRANSPORTATION OUTLOOK The performance of this segment depends upon the pace of improvement in the U.S. economy, the consequent effect on Hawaii, improvements in operations, particularly at Sand Island, and performance by affiliates. With economic improvement, better Sand Island productivity and continuing cost-reduction measures, it appears that results will begin to grow at an acceptable rate in the second half of the year.

FOOD PRODUCTS

SEGMENT ACTIVITY A&B employs about 40,500 acres in Hawaii for the production of raw cane sugar and coffee. In addition, some 47,000 acres of owned or leased land are employed in the gathering and transmission of water for irrigation and other purposes.

In December 1998, the Company sold a majority of its equity interest in cane refiner California and Hawaiian Sugar Company, Inc. (C&H) to an investor group. Food products results since then reflect primarily A&B's sugar- and coffee-growing activities. At year end 2001, the value of A&B's investment in C&H was reduced from \$40.1 to \$11.5 million, a \$28.6 million pretax change. This impairment reflects C&H's highly leveraged capital structure and the uncertainty of future cash flows required to meet the dividend and redemption requirements of the preferred securities held by A&B.

RAW SUGAR PRODUCTION Hawaiian Commercial & Sugar Company (HC&S), located on Maui, is Hawaii's largest producer of raw cane sugar, growing 70 percent of the state's 200I crop. HC&S' total production in 200I – I92,000 tons of raw sugar – was about 9 percent below that of 2000, primarily due to numerous detrimental effects of prolonged drought conditions. U. S. domestic prices for sugar during 200I were higher than during 2000, in part because of lessened overproduction and more effective restrictions on several types of imports.

Production costs at HC&S in 200I benefitted from consolidating its sugar processing in one factory. Changes in market conditions and production problems led to the closure and write-off of assets used to produce environment-friendly panelboard made from sugarcane bagasse, a residual commodity. HC&S did produce and package more food-grade specialty sugar products – such as washed raw sugar – in conjunction with a national distributor, and plans call for still greater production of these very attractive products.

COFFEE PRODUCTION AND MARKETING Kauai Coffee Company, Inc. continued profitable operations during 2001, the result of successful marketing and sales efforts, and aggressive cost controls. The 2001 harvest was 3.8 million pounds, well above that of 2000, but its quality mix was affected adversely by the drought.

POWER, TRUCKING The Company's hydroelectric plants on Maui and Kauai, as well as co-generation units on Maui, generate surplus electricity, which is sold to the local public utilities. During 2001, drought conditions continued to reduce hydropower output and increase internal power demands for irrigation pumping. The Company also has trucking operations on both Maui and Kauai that support its agricultural operations and serve independent customers in each community.

SUGAR REFINING AND MARKETING Raw sugar produced by HC&S continues to be sold to C&H under a long-term contract that expires in 2003.

FOOD PRODUCTS OUTLOOK Stable raw sugar prices, forward-pricing of the crop, the end of drought conditions, and a consequent increase in production should combine to boost expected operating profit from food products in 2002.

During 2001, A&B enjoyed success in numerous areas of its real estate activities. Residential developments were completed and sold; new owners built attractive homes on house lots; new businesses occupied leased and purchased commercial facilities. Meanwhile, as we look ahead, more residential development is under way and new, appealing properties have been added to A&B's investment portfolio. These will contribute to this year's earnings, and beyond.





OI THE VINTAGE AT KAANAPALI STRONG DEMAND FOR SINGLE-FAMILY DETACHED CONDOMINIUMS CLOSED OUT SALES AT THE VINTAGE AT KAANAPALI IN LESS THAN A YEAR. 02 KOLOA ESTATES ON KAUAI, THE SELLING REGIME AT KOLOA ESTATES FEATURES LOT SALES, SO OWNERS MAY BUILD CUSTOM-DESIGNED UNITS, WITHIN GUIDELINES. 03 KELE CENTER/BMW DEALERSHIP A&B'S BUILD-TO-SUIT FOR A BMW DEALERSHIP OPENED DURING 2001 IN KAHULUI, MAUI. 04 MAUI BUSINESS PARK/WAL-MART RETAIL ACTIVITY ON MAUI CHANGED MATERIALLY WITH THE NOVEMBER OPENING OF WAL-MART, IN A&B'S MAUI BUSINESS PARK.







05 THE SUMMIT AT KAANAPALI THE SUMMIT AT KAANAPALI FEATURES SWEEPING VIEWS FROM GOOD ELEVATIONS. 06 HOLOHOLO KU A&B'S FIRST DEVELOPMENT VENTURE ON THE BIG ISLAND IS "THEMED" TO SUIT THE RURAL PANIOLO LIFESTYLE. IT FEATURES RANCH AND COTTAGE HOMES NEAR SCENIC WAIMEA TOWN. 07 CAREFREE COURT SHOPPING CENTER A 2001 ACQUISITION ON THE MAINLAND WAS THE ATTRACTIVE CAREFREE COURT SHOPPING CENTER, IN CAREFREE, ARIZONA.



- OI THE VINTAGE AT KAANAPAL
- 02 KOLOA ESTATES
- 03 KELE CENTER/BMW DEALERSHIP
- 04 MAUI BUSINESS PARK/WAL-MART
- 05 THE SUMMIT AT KAANAPALI
- 06 НОГОНОГО КО
- 07 CAREFREE COURT SHOPPING CENTER

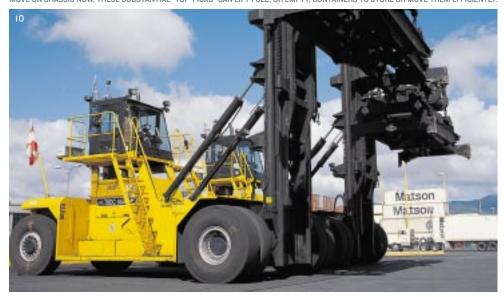


2001 activities in ocean transportation and agriculture included Company-sponsored community cleanups, investments in hardware and technology, changes in service in response to events, streamlining facilities to process sugar more efficiently and brand development of specialty sugars. Each of these efforts will benefit operations and financial performance in the years to come.





08 MATSON'S ENVIRONMENTAL PROGRAM ENERGETIC YOUNGSTERS CLEAN UP AND EARN FUNDS FOR THEIR NON-PROFIT ORGANIZATION IN MATSON'S KA IPU'AINA (CONTAINER FOR THE LAND) PROGRAM. 09 GPS IN THE CAB = HIGH TECH GLOBAL POSITIONING AND NEW COMMUNICATIONS TECHNOLOGIES HAVE CHANGED CONTAINER LOCATING AND HANDLING DRAMATICALLY; THE SCREEN IN THIS TRACTOR CAB WILL COMMUNICATE ALL MOVEMENT INSTRUCTIONS TO THE OPERATOR. 10 THE NEW HARDWARE ALTHOUGH MOST OF MATSON'S LOADED CONTAINERS MOVE ON CHASSIS NOW, THESE SUBSTANTIAL "TOP-PICKS" CAN LIFT FULL, OR EMPTY, CONTAINERS TO STORE OR MOVE THEM EFFICIENTLY.







II SAND ISLAND'S "NEW LOOK" STRADS HAVE DISAPPEARED FROM MATSON'S BUSY CONTAINER TERMINAL IN HONOLULU. WITH 300,000-400,000 CONTAINER HANDLINGS ANNUALLY, SAND ISLAND IS INTENSELY BUSY. IZ EXPANSE OF LAND FOR AG AND, ULTIMATELY, FOR OTHER USES WITH SUGAR CANE VIRTUALLY AS FAR AS THE EYE CAN SEE, MUCH OF A&B'S LAND IS PRODUCTIVE IN AGRICULTURE, ALTHOUGH PORTIONS WITH GREATER VALUE TO THE COMMUNITY FOR DEVELOPMENT OFTEN ARE PART OF A&B'S ENTITLEMENT EFFORT. IS MAUI BRAND'S SUGARS MAUI BRAND SPECIALTY SUGARS ARE A GROWING GOURMET PRODUCT, WITH SUGAR IN THE RAW" NOW PACKAGING HC&S' TURBINADO SUGAR.

- 08 MATSON'S ENVIRONMENTAL PROGRAM
- 09 GPS IN THE CAB
- 10 THE NEW HARDWARE
- II SAND ISLAND'S "NEW LOOK"
- 12 EXPANSE OF LAND
- 13 MAUI BRAND SUGARS



ALEXANDER & BALDWIN - A UNIQUE COMPANY THAT DEFIES TRADITIONAL WALL STREET CATEGORIES

	IDENTIFIABLE	SNAPSHOT OF OPERATIONS							
	ASSETS	HAWAII	OUTSIDE HAWAII						
OCEAN TRANSPORTATION	\$888million	Flagship Hawaii Service: Leading Carrier in the Trade	Guam Service: Weekly, via Pacific Alliance Ships Mid-Pacific Service: Monthly Barge Matson Intermodal: All-Modes Domestic Service Provider SSAT Partnership: Three Large West Coast Terminals Sea Star Partnership: Puerto Rico Liner Service, Two Ships Matson Logistics: Special Cargoes						
PROPERTY DEVELOPMENT AND MANAGEMENT	\$476 _{MILLION}	Own 90,600 Acres, Fifth Largest Private Landowner in Hawaii Property Development: Residential Commercial Light Industrial I.5 M Square Feet of Income Properties Active Pursuit of Entitlements	4.0 M Square Feet of Income Properties in Six Western States Industrial, Retail and Office Holdings Manage Portfolio Actively						
FOOD PRODUCTS	\$140 _{MILLION}	Basic Crops: Sugar Cane 37,000 Acres Coffee 3,400 Acres Co-generated and Hydropower	Sales of Raw Sugar to C&H for Refining and Marketing Sugar In The Raw™ Packets Maui Brand® Specialty Sugars Kauai Coffee™ Sales to Japan						
INVESTMENTS, OTHER	\$40 _{MILLION}	3.4 M Shares of BancWest (NYSE:BWE) I.I M Shares of Pacific Century Financial (NYSE:BOH)							
CONSOLIDATED	\$1,544 MILLION		\$128 Other 62 Ocean Transportation 52 Property Development And Management 6 Food Products						

OPERATING PI	ROFIT	2001 ACCOMPLISHMENTS,						
2001	VS. 2000	EVENTS OF NOTE						
\$62 _{MILLION}	-34%	Adjusted Hawaii Service Capacity, Schedules to Post 9/II Demand Rolled Back Bunker Fuel Surcharge Pursued Ship Replacement Program Converted Honolulu Terminal to Wheels, New Control Systems Prepared for West Coast Terminal Relocations Expanded Intermodel Business with 75% Increase in Staffing	Matson Intermodal System	Matson. Terminals Matson. Logistics Solutions				
\$52 _{MILLION}	-4%	Sustained Operating Profit in Difficult Circumstances Sold Maui Business Park Fee Parcel to Wal-Mart Sold All Homes at The Vintage At Kaanapali Began Development, Initial Sales of The Summit At Kaanapali Resumption of Development Activity at Kukui'Ula Six Opportunistic investments, including Precedent-Setting Acquisitions on Oahu, Big Island	A&B PROPERTIES, INC.					
\$6 _{MILLION}	-25%	First Year of Consolidated Raw-Sugar Processing in One Mill Revalued C&H Investment Wrote Off Panelboard Assets		i Brand WAIIAN CANE SUGARS				
\$128 _{MILLION}	43x	Sold Positions in Both Bank Stocks, in Entirety						
\$248 _{MILLION}	+56%	Proceeds From Bank Stock Sales Boosted Earnings, Strengthened Balance Sheet EPS Grew 24% 2001 ROE 15.9%; Year-End Debt/ Total Capitalization 0.24 New Repurchase Authorization: I M Shares Responded Forcefully to Economy, 9/II Persisting in Search for Opportunistic Investments in Core Areas, Transportation and Real Estate	ALEXANDER & BA	ldwin, Inc.				

BOARD OF DIRECTORS



- OI MICHAEL J. CHUN (58)² PRESIDENT AND HEADMASTER, THE KAMEHAMEHA SCHOOLS (EDUCATIONAL INSTITUTION)
- 02 LEO E. DENLEA, JR. (70)² RETIRED CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER, FARMERS GROUP, INC. (INSURANCE)
- 03 W. ALLEN DOANE (54) PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALEXANDER & BALDWIN, INC.
- 04 WALTER A. DODS, JR. (60)¹ CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, BANCWEST CORPORATION, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER, FIRST HAWAIIAN BANK (BANKING)
- 05 CHARLES G. KING (56)² PRESIDENT, KING WINDWARD NISSAN, PRESIDENT, KING AUTO CENTER (AUTOMOBILE DEALERSHIPS)
- **06 CARSON R. McKISSICK (69)**¹ MANAGING DIRECTOR, THE CORPORATE DEVELOPMENT COMPANY (FINANCIAL ADVISORY SERVICES)

- 07 C. BRADLEY MULHOLLAND (60) EXECUTIVE VICE PRESIDENT,
 ALEXANDER & BALDWIN, INC., PRESIDENT AND CHIEF EXECUTIVE
 OFFICER, MATSON NAVIGATION COMPANY, INC.
- 08 LYNN M. SEDWAY (60)¹ PRESIDENT, SEDWAY GROUP, A CB RICHARD ELLIS COMPANY (REAL ESTATE CONSULTING)
- 09 MARYANNA G. SHAW (63)1 PRIVATE INVESTOR
- IO CHARLES M. STOCKHOLM (69)² CHAIRMAN OF THE BOARD, ALEXANDER & BALDWIN, INC., MANAGING DIRECTOR, TRUST COMPANY OF THE WEST (INVESTMENT MANAGEMENT SERV-ICES)
- II R. J. PFEIFFER (82) CHAIRMAN EMERITUS OF THE BOARD, ALEXANDER & BALDWIN, INC., CHAIRMAN EMERITUS OF THE BOARD, MATSON NAVIGATION COMPANY, INC.

AUDIT COMMITTEE MEMBER

²COMPENSATION AND STOCK OPTION COMMITTEE MEMBER

OFFICERS

ALEXANDER & BALDWIN, INC.

CHARLES M. STOCKHOLM (69) CHAIRMAN OF THE BOARD
W. ALLEN DOANE (54) PRESIDENT AND CHIEF EXECUTIVE
OFFICER

C. BRADLEY MULHOLLAND (60) EXECUTIVE VICE PRESIDENT

12 JAMES S. ANDRASICK (58) SENIOR VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURER

MEREDITH J. CHING (45) VICE PRESIDENT (GOVERNMENT & COMMUNITY RELATIONS)

JOHN F. GASHER (68) VICE PRESIDENT (HUMAN RESOURCES)

I3 G. STEPHEN HOLADAY (57) VICE PRESIDENT (PLANTATION GENERAL MANAGER, HC&S)

JOHN B. KELLEY (56) VICE PRESIDENT (INVESTOR RELATIONS)

14 STANLEY M. KURIYAMA (48) VICE PRESIDENT (PROPERTIES GROUP) (CHIEF EXECUTIVE OFFICER AND VICE CHAIRMAN OF THE BOARD. A&B PROPERTIES. INC.)

MICHAEL J. MARKS (63) VICE PRESIDENT, GENERAL COUNSEL AND ASSISTANT SECRETARY

THOMAS A. WELLMAN (43) CONTROLLER AND ASSISTANT

ALYSON J. NAKAMURA (36) SECRETARY

MATSON NAVIGATION COMPANY, INC.

CHARLES M. STOCKHOLM (69) CHAIRMAN OF THE BOARD
W. ALLEN DOANE (54) VICE CHAIRMAN OF THE BOARD
C. BRADLEY MULHOLLAND (60) PRESIDENT AND CHIEF
EXECUTIVE OFFICER

IS RAYMOND L. SMITH (47) CHIEF OPERATING OFFICER

MATTHEW J. COX (40) SENIOR VICE PRESIDENT, CHIEF
FINANCIAL OFFICER AND CONTROLLER

GARY J. NORTH (57) SENIOR VICE PRESIDENT (OPERATIONS) (PRESIDENT AND CHIEF OPERATING OFFICER, MATSON TERMINALS, INC.)

KEVIN C. O'ROURKE (55) SENIOR VICE PRESIDENT AND GENERAL COUNSEL

PAUL E. STEVENS (49) SENIOR VICE PRESIDENT (MARKETING)
RICHARD S. BLISS (63) VICE PRESIDENT (AREA MANAGER,
HAWAII)

ROBERT L. DAWDY (57) VICE PRESIDENT (AREA MANAGER, PACIFIC NORTHWEST)

BRANTON B. DREYFUS (48) VICE PRESIDENT (PRESIDENT, MATSON LOGISTICS SOLUTIONS, INC.)

RONALD J. FOREST (46) VICE PRESIDENT (PRESIDENT & CHIEF EXECUTIVE OFFICER, MATSON INTERMODAL SYSTEM, INC.)

PHILIP M. GRILL (54) VICE PRESIDENT (GOVERNMENT RELATIONS)

DALE B. HENDLER (48) VICE PRESIDENT (E-COMMERCE AND TECHNOLOGY)

MERLE A. K. KELAI (70) VICE PRESIDENT (COMMUNITY RELATIONS AND GOVERNMENT AFFAIRS)

JUDITH A. WILLIAMS (58) VICE PRESIDENT (CORPORATE PLANNING & DEVELOPMENT)

MICHAEL J. MARKS (63) SECRETARY TIMOTHY H. REID (55) TREASURER

A & B PROPERTIES, INC.

W. ALLEN DOANE (54) CHAIRMAN OF THE BOARD

STANLEY M. KURIYAMA (48) VICE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

ROBERT K. SASAKI (6I) PRESIDENT

NORBERT M. BUELSING (50) EXECUTIVE VICE PRESIDENT

PAUL W. HALLIN (40) VICE PRESIDENT (DEVELOPMENT)

CHARLES W. LOOMIS (45) VICE PRESIDENT, GENERAL COUNSEL AND ASSISTANT SECRETARY

MICHAEL J. MARKS (63) VICE PRESIDENT AND ASSISTANT SECRETARY

THOMAS H. SHIGEMOTO (53) VICE PRESIDENT (KAUAI)

MERCER K. VICENS (66) VICE PRESIDENT (MAUI)

THOMAS A. WELLMAN (43) VICE PRESIDENT, TREASURER AND CONTROLLER

MICHAEL G. WRIGHT (42) VICE PRESIDENT (ACQUISITIONS & INVESTMENTS)

ALYSON J. NAKAMURA (36) SECRETARY

POSITIONS AS OF DECEMBER 31, 2001 AGES AS OF MARCH 31, 2002









ALEXANDER & BALDWIN, INC., HONOLULU, HAWAII

PRINCIPAL SUBSIDIARIES AND AFFILIATES

DIVISION:

HAWAIIAN COMMERCIAL & SUGAR COMPANY

PUUNENE,MAUI

SUBSIDIARIES:

A&B PROPERTIES, INC.

HONOLULU

EAST MAUI IRRIGATION COMPANY, LIMITED

PUUNENE, MAUI

KAHULUI TRUCKING & STORAGE, INC.

KAHULUI, MAUI

KAUAI COFFEE COMPANY, INC.

ELEELE, KAUAI

KAUAI COMMERCIAL COMPANY, INCORPORATED

PUHI, KAUAI

KUKUI'ULA DEVELOPMENT COMPANY, INC.

POIPU, KAUAI

MATSON NAVIGATION COMPANY, INC.

SAN FRANCISCO

SUBSIDIARIES:

MATSON INTERMODAL SYSTEM, INC.

SAN FRANCISCO

MATSON LOGISTICS SOLUTIONS, INC.

SAN FRANCISCO

MATSON TERMINALS, INC.

SAN FRANCISCO

HAWAIIAN SUGAR & TRANSPORTATION COOPERATIVE²

PUUNENE, MAUI

WHOLLY OWNED, UNLESS OTHERWISE INDICATED

² A COOPERATIVE, OWNED WITH ANOTHER HAWAII SUGAR COMPANY

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[✔] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

> For the fiscal year ended December 31, 2001 Commission file number 0-565

ALEXANDER & BALDWIN, INC.

(Exact name of registrant as specified in its charter)

Hawaii (State or other jurisdiction of incorporation or organization) 99-0032630 (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 14, 2002: 40,606,808

Aggregate market value of Common Stock held by non-affiliates at February 14, 2002: \$937,859,339

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 V 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 11, 2002 (Part III of Form 10-K).

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ALEXANDER & BALDWIN, INC.

FORM 10-K

Annual Report for the Fiscal Year Ended December 31, 2001

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. Real property and food products operations are conducted by A&B and certain other wholly-owned subsidiaries of A&B.

The industry segments of A&B are as follows:

- A. Ocean Transportation—carrying freight, primarily between various ports on the United States Pacific Coast and major Hawaii ports and Guam; chartering vessels to third parties; providing terminal, stevedoring and container equipment maintenance services in Hawaii; arranging intermodal transportation in North America; and providing supply and distribution services.
- B. Property Development and Management—purchasing, developing, selling, managing and leasing retail, office, industrial, commercial and residential properties, in Hawaii and on the U.S. Mainland.
- C. Food Products—growing sugar cane and coffee in Hawaii; producing bulk raw sugar, specialty food-grade sugars, molasses and green coffee; 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, 2001, see Note 14 ("Industry Segments") to A&B's financial statements in Item 8 below.

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 California 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 2001, Matson carried 149,636 containers (compared with 151,496 in 2000) and 122,389 motor vehicles (compared with 132,186 in 2000) between those destinations. In response to a weakening Hawaii economy and declining demand, Matson reduced its Hawaii Service fleet from eight vessels to seven vessels in January 2002. Principal westbound cargoes carried by Matson to Hawaii include refrigerated commodities, dry containers of mixed commodities,

packaged foods, motor vehicles, and building materials. Principal eastbound cargoes carried by Matson from Hawaii include motor vehicles, household goods, canned pineapple, refrigerated containers of fresh pineapple, and dry containers of mixed commodities. The preponderance of Matson's Hawaii Service revenue is derived from the westbound carriage of containerized freight and motor vehicles.

Matson's Guam Service provides containership freight service between the United States Pacific Coast and Guam and Micronesia. Matson's Guam Service is a component of the Pacific Alliance Service, a strategic alliance established in 1996 by Matson and American President Lines, Ltd. ("APL") to provide freight service between the United States Pacific Coast and Hawaii, Guam, and several Far East ports. In 2001, Matson carried 17,225 containers (compared with 18,165 in 2000) and 2,750 automobiles (compared with 2,616 in 2000) in the Guam Service. The alliance currently utilizes five vessels (three Matson vessels and two APL vessels) in a schedule which provides service from the United States Pacific Coast to Guam and Micronesia, continuing through Far East ports, and returning to California.

Matson's 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, two 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 seventeen vessels represent an investment of approximately \$694,618,000 expended over the past 31 years. The majority of vessels in the Matson cargo fleet have been acquired with the assistance of withdrawals from a Capital Construction Fund established under Section 607 of the Merchant Marine Act, 1936, as amended. Matson's fleet is aging and includes six vessels that will be between 29 and 32 years old in 2002. During 2001, Matson actively began pursuing vessel replacement alternatives.

Currently, three containerships are time-chartered to APL in connection with the Pacific Alliance Service. Two container/trailerships previously bareboat-chartered to Sea Star Line, LLC, which operates the vessels in the Florida-Puerto Rico trade, and in which Matson has a minority investment interest, were sold to Sea Star Line, LLC in January 2002.

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

As a complement to its fleet, Matson owns approximately 15,000 containers, 10,670 container chassis, 730 autoframes and miscellaneous other equipment. Capital expenditures by Matson in 2001 for vessels, equipment and systems totaled approximately \$28,000,000.

(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 its 108-acre marine terminal in Honolulu. Matson Terminals owns and operates seven cranes at the terminal, which handled 383,506 containers in 2001 (compared with 402,500 in 2000) and can accommodate three vessels at one time. In 2001, Matson Terminals substantially completed a \$32 million terminal improvement project at the Honolulu terminal, which included the conversion from a straddle carrier-based container handling system to a wheeled chassis-based system. The conversion is expected to increase terminal storage density, improve productivity, and reduce costs. Matson Terminals' lease with the State of Hawaii runs through September 2016.

MATSON NAVIGATION COMPANY, INC. FLEET—2/1/02

							Usable Cargo Capacity							
			Year		Maximum	Maximum			Conta	ainers		Ve	hicles	Molasses
Vessel Name	Official Number	Year Built	Recon- structed	Length	Speed (Knots)	Deadweight (Long Tons)	20'	24'	40'	Reefer Slots	TEUs (1)	Autos	Trailers	Short Tons
Diesel-Powered Ships														
R.J. PFEIFFER	979814	1992		713'6"	23.0	27,100	48	171	988	300	2,229	_	_	_
MOKIHANA (2)	655397	1983		860'2"	23.0	30,167	182	0	1,340	408	2,824	_	_	
MAHIMAHI (2)	653424	1982		860'2"	23.0	30,167	182	0	1,340	408	2,824	_	_	_
MANOA (2)	651627	1982		860'2"	23.0	30,187	182	0	1,340	408	2,824		_	_
Steam-Powered Ships														
KAUAI	621042	1980	1994	720'5 1/2"	22.5	26,308	_	458	538	300	1,626	44	_	2,600
MAUI	591709	1978	1993	720'5 1/2"	22.5	26,623	—	458	538	300	1,626	_	_	2,600
MATSONIA	553090	1973	1987	760'0"	21.5	22,501	16	128	771	201	1,712	450	56	4,300
LURLINE	549900	1973	1982	826'6"	21.5	22,213	6	162	713	292	1,379	220	81	2,100
EWA (3)	530140	1972	1978	787'8"	21.0	38,747	286	276	681	228	1,979	_	_	
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	27,109	26	160	659	221	1,536		_	5,300
MANUKAI (3)	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

^{(1) &}quot;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.

N

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

⁽³⁾ Reserve Status

⁽⁴⁾ Roll-on/Roll-off Barge

⁽⁵⁾ Container Barge

SSA Terminals, LLC, a joint venture formed by Matson and Stevedoring Services of America in July 1999, provides terminal and stevedoring services at West Coast terminal facilities in Los Angeles, Long Beach, Oakland and Seattle.

Capital expenditures incurred by Matson Terminals for terminals and equipment totaled approximately \$31,100,000 in 2001.

(4) Other Services

Matson Intermodal System, Inc. ("Matson Intermodal") 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 40 offices and manages 30 equipment depots across the United States Mainland.

In July 2001, Matson Services Company, Inc. ("Matson Services"), a wholly-owned subsidiary of Matson, sold the two tugboats which it had employed in Hawaiian waters to provide harbor assistance to vessels calling at the islands of Hawaii and Maui. Matson Services was dissolved effective December 31, 2001.

Matson Logistics Solutions, Inc. ("Matson Logistics"), a wholly-owned subsidiary of Matson, provides supply chain, transportation management, and project cargo management services to Matson customers and others. In 2001, Matson Logistics entered the air freight business by entering into an alliance with an existing international air freight forwarder.

(5) Competition

Matson's Hawaii and Guam Services have one major containership competitor, which serves Long Beach, Oakland, Tacoma, Honolulu and Guam.

Other competitors in the Hawaii Service include two common carrier barge services, unregulated proprietary and contract carriers of bulk cargoes, and air cargo services. Although air freight competition is intense for time-sensitive or perishable cargoes, historic and projected inroads of such competition in cargo volume are limited by the amount of cargo space available in passenger aircraft and by generally higher air freight rates.

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. Under its current schedule, Matson operates 182 Hawaii round-trip voyages per year, 75 percent more than its closest competitor, and arranges additional voyages when cargo volumes require additional capacity. This service is attractive to customers because more frequent arrivals permit customers to lower inventory 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.

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, New Zealand and South Pacific islands have direct foreign-flag services to Hawaii.

In response to coordinated efforts by various interests to convince Congress to repeal the Jones Act, Matson joined other businesses and organizations in 1995 to form the Maritime Cabotage Task Force, which supports the

retention of the Jones Act and other cabotage laws. Repeal of the Jones Act would allow all foreign-flag vessel operators, which do not have to abide by U.S. laws and regulations, to sail between American ports, in direct competition with Matson and other U.S. operators which must comply with such laws and regulations. The Task Force seeks to inform elected officials and the public about the economic, national security, commercial, safety and environmental benefits of the Jones Act and similar cabotage laws.

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

(6) Labor Relations

The absence of strikes and the availability of labor through hiring halls are important to the maintenance of profitable operations by Matson. Matson's operations have not been disrupted significantly by strikes in the past 30 years. 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 with respect to its domestic rates. A rate in the noncontiguous domestic trade is presumed reasonable and will not be subject to investigation if the aggregate of increases and decreases is not more than 7.5 percent above, or more than 10 percent below, the rate in effect one year before the effective date of the proposed rate, subject to increase or decrease by the percentage change in the U.S. Producer Price Index. Matson filed a 3.5 percent across-the-board increase in its Hawaii Service shipping rates, which became effective on February 14, 2001. Also in 2001, Matson reduced its fuel surcharge in its Hawaii and Guam Services by one percentage point, from 4.25 percent to 3.25 percent, effective November 25, 2001.

B. Property Development and Management

(1) General

A&B and its subsidiaries own approximately 90,900 acres of land, consisting of approximately 90,600 acres in Hawaii and approximately 300 acres elsewhere, as follows:

Location	No. of Acres
Oahu	36
Maui	68,709
Kauai	21,892
California	122
Texas	65
Washington	13
Arizona	35
Nevada	
Colorado	10
TOTAL	90,901

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, watershed land, and conservation reserves. The balance is used or planned for development or other urban uses. An additional 3,270 acres on Maui and Kauai are leased from third parties.

Current Use	No. of Acres
Hawaii	
Fully-entitled urban (defined below)	1,246
Agricultural, pasture and miscellaneous	60,100
Watershed land/conservation	29,291
U.S. Mainland	
Fully-entitled urban	254
Agriculture, pasture and miscellaneous	10
TOTAL	

A&B and its subsidiaries are actively involved in the entire spectrum of land development, including planning, zoning, financing, constructing, purchasing, managing and leasing, and selling and exchanging real property.

(2) Planning and Zoning

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

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

The entitlement process is complicated by the conditions, restrictions and exactions that are placed on these approvals, including, among others, 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.

A&B 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. A&B designates a parcel as "fully-entitled" or "fully-zoned" when all necessary government land use approvals have been obtained.

As described in more detail below, in 2001, work to obtain entitlements for urban use focused on (i) obtaining Community Plan designations for various A&B lands on Maui, and (ii) obtaining County entitlements for a proposed single-family subdivision and proposed hotel on Maui. The Community Plans serve to guide planning and development activity on Maui. A&B has obtained and continues to seek various urban designations for its undeveloped lands within the four Community Plans where most of its Maui lands are located.

(3) Residential Projects

A&B is pursuing a number of residential projects in Hawaii, including:

(a) Kukui'Ula. Kukui'Ula is a 1,045-acre master planned resort residential community located in Poipu, Kauai. Approximately 837 acres are fully entitled for up to 900 hotel and vacation ownership (timeshare) units, 3,000 residential units, a golf course, and commercial uses. The balance of the project is partially entitled and planned for

up to 750 residential units. During 2001, the Company engaged in a number of development activities intended to position the project for development and for securing joint venture partners, including the following:

- Civil engineering design commenced on Koloa Plantations, Kukui'Ula's second residential project.
 Approximately 95 one-half acre lots are planned.
- The project's water master plan was updated, and two potential water sources were identified to supply potable water for the initial phase of development. Agreements defining the Company's participation in these water projects are undergoing final review by the Department of Water of the County of Kauai.
- Preliminary civil engineering design of backbone infrastructure commenced for the major project roadway.
- The initial phase of beach improvements was implemented, and archaeological mitigation and preservation plans were prepared for inventoried archaeological sites.

In September 2001, a non-binding letter of intent was entered into with a Mainland-based developer of masterplanned communities, for the joint venture development of Kukui'Ula. Based on due diligence activities completed to date, a joint venture agreement could be finalized in the first quarter of 2002.

Sales at Koloa Estates, Kukui'Ula's first for-sale residential project, neared completion in 2001. Lot sales at this 32-lot subdivision commenced in September 1999. As of January 31, 2002, 28 lots have been sold, with three lots in escrow and one lot reserved. The average sales price of the 31 lots sold or in escrow was \$149,200.

- **(b)** The Vintage at Kaanapali. Located on 17 acres in the Kaanapali Golf Estates project in Kaanapali, Maui, and surrounded by the Kaanapali South Golf Course, this project was developed as 73 detached single-family homes under a condominium regime. Home construction began in February 2000 and was completed in June 2001. All 73 homes were sold by July 2001. The units were sold at an average price of \$590,000.
- (c) The Summit at Kaanapali. In January 2000, the Company acquired an additional 17 acres in the Kaanapali Golf Estates project. This land is being developed into 55 single-family homes or house lots. Site work construction was completed in May 2001 and construction of the 17 homes in Phase I commenced in June 2001. Five units were completed and closed as of December 31, 2001, at an average price of \$1.1 million. As of January 31, 2002, an additional eight units were in escrow.
- (d) HoloHolo Ku. In October 2001, the Company entered into a joint venture with Kamuela Associates LLC for the development of 44 detached single-family homes under a condominium regime, on an 8.5-acre parcel in Kamuela on the island of Hawaii. An additional 7.2-acre estate lot is available for sale. Construction commenced early November 2001 and sales are projected to begin closing in the fourth quarter of 2002. As of January 31, 2002, there were 28 binding sales contracts in escrow.
- (e) Kai Lani. In September 2001, the Company entered into a joint venture agreement with Armstrong Kai Lani Corporation for the development of 116 townhouse units on an 11-acre parcel in the Ko Olina Resort on Oahu. Construction commenced February 2002.
- (f) Waikiki Project. On November 1, 2001, the Company acquired a 1.63-acre vacant, fee simple development site in Waikiki, Oahu, for approximately \$3.6 million. The property, located at the entrance to Waikiki, is zoned for high-rise residential use and limited commercial uses. Planning and design work for a high-rise condominium development is expected to take place in 2002.
- (g) Other Maui Subdivisions. The Company continues to seek entitlements for two other single-family subdivisions on Maui: (i) an approximately 200-unit subdivision on 67 acres in Haliimaile (Upcountry, Maui), and (ii) an approximately 400-unit subdivision on 210 acres in Spreckelsville, which includes the possible expansion of the nearby nine-hole Maui Country Club golf course into an 18-hole course. A final decision by the Maui County Council on the Company's zoning application for the Haliimaile project was anticipated in 2001. However, due to general water and traffic issues for the Upcountry region, final Council action is not anticipated until the second half of 2002. Approval of the Spreckelsville project was sought from the Maui County Council as part of its ten-year update of the Wailuku-Kahului Community Plan. Primarily in response to concerns raised over potential traffic impacts, the

Council Planning Committee, in September 2001, voted against including Spreckelsville in the Community Plan. However, because of the project's positive planning features, the Committee recommended that the Company file a separate Community Plan application in order to have the project impacts evaluated under an environmental impact assessment.

In May 2001, a Disposition Agreement was entered into for the bulk sale of the 86.4-acre Maunaolu agricultural subdivision (minimum two-acre sized lots). Closing could be accomplished in the first half of 2002.

(4) Commercial and Industrial Properties

An important source of property revenue is the lease rental income the Company receives from nearly 5.4 million leasable square feet of industrial and commercial building space, ground leases on 275 acres for commercial/industrial use, and leases on 10,930 acres for agricultural/pasture use.

(a) Hawaii Commercial/Industrial Properties

In Hawaii, most of the approximately 1.5 million square feet of income-producing commercial and industrial properties owned by the Company are located in the central Kahului/Wailuku area of Maui and in central Oahu. They consist primarily of three shopping centers and ten office buildings, as well as twelve other improved commercial and industrial properties. The average occupancy for the Hawaii improved commercial properties increased to 90% in 2001, from 86% in 2000. The improvement was due primarily to the high tenancies in recently-acquired properties.

The Pacific Guardian Complex, consisting of an eighteen-story office building and an adjacent two-story commercial complex, having a total leasable area of 136,100 square feet, was acquired in February 2001. The property is located in the Kapiolani business district on the island of Oahu. In June 2001, the 124,600-square-foot Kaneohe Bay Shopping Center, located in the suburban community of Kaneohe, Oahu, was added to the portfolio. Both properties were 98% occupied at the time of acquisition. These acquisitions were made through tax-deferred exchanges under Section 1031 of the Internal Revenue Code, as amended ("Code").

The primary Hawaii commercial/industrial properties are as follows:

Property	Location	Туре	Leasable Area (sq. ft.)
Maui Mall	Kahului, Maui	Retail	192,600
Pacific Guardian Complex	Honolulu, Oahu	Office	136,100
Kaneohe Bay Shopping Center	Kaneohe, Oahu	Retail	124,600
P&L Warehouse	Kahului, Maui	Warehouse	104,100
Kahului Shopping Center	Kahului, Maui	Retail	99,400
Ocean View Center	Honolulu, Oahu	Office	99,200
Hawaii Business Park	Pearl City, Oahu	Warehouse	85,200
Haseko Center	Honolulu, Oahu	Office	84,200
One Main Plaza	Wailuku, Maui	Office	81,600
Wakea Business Center	Kahului, Maui	Warehouse/Retail	61,500
Kahului Office Building	Kahului, Maui	Office	55,400
Fairway Shops at Kaanapali	Kaanapali, Maui	Retail	35,000
Kahului Office Center	Kahului, Maui	Office	31,000
Apex Building	Kahului, Maui	Retail	28,100
Stangenwald Building	Honolulu, Oahu	Office	27,100
Judd Building	Honolulu, Oahu	Office	20,200

A number of other commercial and industrial projects are being developed on Maui, Oahu and Kauai, including:

- (i) Triangle Square. Construction of Kele Center, a 15,000-square-foot commercial building at Triangle Square, near the Kahului Airport on Maui, was completed in June 2001. A 4,500-square-foot national franchise restaurant opened in October 2001, and a 1,200-square-foot national haircare salon is scheduled to open in early 2002. Construction of a 6,200-square-foot automobile dealership was completed in October 2001, and the dealership opened for business that same month. Ground leases and build-to-suit opportunities are being pursued for the remaining 4.5 acres at Triangle Square.
- (ii) Maui Business Park. Located in Kahului, Maui, the initial phase of Maui Business Park consists of Phase IA (37.4 saleable acres), completed in 1995, and Phase IB (32.0 saleable acres), completed in 2000.

Phase IA includes the 349,305-square-foot Maui Marketplace retail center, which is owned by a third party and occupies 20.3 acres of the subdivision. Maui Marketplace includes national tenants such as Lowe's Home Improvement Warehouse, Office Max, Sports Authority, Old Navy, Border's Books and Music, and Pier 1. The remaining area of Phase IA consists of 30 lots with an average size of 22,900 square feet, of which one lot was sold and one lot was leased in 2001. Thirteen lots (7.3 saleable acres) remain available for sale or lease.

In Phase IB, Home Depot completed construction of a 135,000-square-foot store in May 2001. In February 2001, Wal-Mart purchased a 14.0-acre parcel in the subdivision and completed construction of a 142,000-square-foot store in October 2001. The remaining area consists of 10 lots with an average size of 18,800 square feet, of which one lot was sold and one lot was leased in 2001. Eight lots (3.7 saleable acres) remain available for sale or lease.

As part of the County of Maui's ten-year update of the Wailuku-Kahului Community Plan, referred to above, the Company is seeking the approval of approximately 175 acres for future expansion of Maui Business Park. Based on concerns raised by Maui County Council members over, among other things, whether the expansion areas were too close to Kahului Airport, the Council Planning Committee voted against recommending approval of the expansion areas. Following the Company's efforts to address these concerns, on January 11, 2002, the County Council voted to send the expansion proposal back to the Planning Committee for reconsideration.

(iii) Kahului Airport Hotel. In January 2001, land use applications were filed with the County of Maui for the development of a 140-room, moderately-priced hotel on 3.4 acres, at the entrance to Kahului Airport. The hotel, to be operated under the Courtyard by Marriott brand, requires Community Plan, zoning and special management area approvals before development can proceed. A required environmental assessment for the project was completed in July 2001. In September 2001, the Maui Planning Commission recommended approval of the land use applications to

the Maui County Council, and in January 2002, the Council's Land Use Committee recommended approval of the land use applications to the Council. Final Council action is anticipated in the second quarter of 2002.

- (iv) Fairway Shops at Kaanapali. Construction of this 35,500-square-foot resort retail center in Kaanapali, Maui commenced in July 2001 and was completed in December 2001. The center is located on a 3.2-acre site along Honoapiilani Highway, the main corridor between Lahaina and Kapalua. Leasing activities have commenced, but have been adversely affected by the September 11 impacts on tourism.
- (v) *Port Allen Marina Center*. Pursuant to a long-term master plan for the development of 80 acres at Port Allen, Kauai, construction began in October 2001 on a 26,000-square-foot retail center located on 1.7 acres. Construction is expected to be complete by the third quarter of 2002.
- (vi) Mill Town Center. Located in Waipahu, Oahu (approximately 12 miles from Honolulu), the Mill Town Center is a light-industrial subdivision consisting of 27.5 saleable acres being developed in two phases. Phase IA (10.2 saleable acres), completed in 1999, consists of 23 fee simple industrial lots. Four lots were sold to commercial and industrial businesses in 2001 and eight lots (3.2 saleable acres) remain available for sale or lease.

Construction of infrastructure improvements for Phase IB (17.3 saleable acres) was delayed in 2001 due to the discovery of lead contamination in approximately four acres of the subdivision. Infrastructure construction commenced in August 2001 on the unaffected portion of the site. Remediation activities on the affected portion commenced in December 2001 and are expected to be completed in early 2002. Construction of the remaining infrastructure for Phase IB is expected to be completed by mid-2002. Marketing activities commenced in 2001. In November 2001, an affiliate of Japan-based Fuji Photo Film Co., Ltd. purchased a 3.0-acre parcel in Phase IB and commenced construction of a 54,000-square-foot office, film processing and warehouse facility. The remaining portion of Phase IB consists of 31 lots (14.3 saleable acres), with an average size of 20,100 square feet.

(b) U.S. Mainland Commercial/Industrial Properties

On the U.S. Mainland, the Company owns a portfolio of commercial and industrial properties, acquired primarily by way of tax-deferred exchanges under Code Section 1031, comprising a total of approximately 4.0 million square feet of leasable area, as follows:

Property	Location	Туре	Leasable Area (sq. ft.)
Ontario Distribution Center	Ontario, CA	Warehouse	895,500
Great Southwest Industrial	Dallas, TX	Warehouse	842,900
Ontario-Pacific Business Centre	Ontario, CA	Warehouse	246,100
Valley Freeway Corporate Park	Kent, WA	Warehouse	229,100
Airport Square	Reno, NV	Retail	170,800
San Pedro Plaza	San Antonio, TX	Office	163,800
2868 Prospect Park	Sacramento, CA	Office	160,700
Day Creek Industrial	Ontario, CA	Warehouse	147,300
Arbor Park	San Antonio, TX	Retail	139,500
Mesa South Center	Phoenix, AZ	Retail	133,600
Moulton Plaza	Laguna Hills, CA	Retail	133,600
San Jose Avenue Warehouse	City of Industry, CA	Warehouse	126,000
Southbank II	Phoenix, AZ	Office	120,800
Village at Indian Wells	Indian Wells, CA	Retail	104,600
2450 Venture Oaks	Sacramento, CA	Office	99,000
Northwest Business Center	San Antonio, TX	Service Center/Warehouse	87,100
Carefree Court	Carefree, AZ	Retail	85,000
Wilshire Center	Greeley, CO	Retail	46,700
Market Square	Greeley, CO	Retail	43,300

In January 2001, the Company sold its Bainbridge Property portfolio located on Bainbridge Island, WA. This portfolio included two retail properties and an office building, having a combined leasable area of 114,600 square feet. In June 2001, the Company acquired the Carefree Court shopping center, located in the resort community of Carefree, AZ, situated north of Scottsdale, AZ. This property was acquired as part of a Code Section 1031 exchange. In February 2002, the Company sold the Great Southwest Industrial property, located in Dallas, TX.

A&B's Mainland commercial properties achieved an average occupancy rate of 93%, as compared to the 2000 average of 96%. The decrease primarily resulted from an increase in available space in the Great Southwest Industrial property.

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, and production of coffee in Hawaii since 1987. A&B's current food products operations consist of a sugar plantation on the island of Maui, operated by its Hawaiian Commercial & Sugar Company ("HC&S") division, and a coffee farm on the island of Kauai, operated by its Kauai Coffee Company, Inc. ("Kauai Coffee") subsidiary.

HC&S is Hawaii's largest producer of raw sugar, having produced 191,512 tons of raw sugar in 2001, or about 70% of the raw sugar produced in Hawaii, compared with 210,269 tons of raw sugar in 2000. The decrease in production was due primarily to an extended drought. Total Hawaii sugar production, in turn, amounted to approximately four percent of total United States sugar production. HC&S harvested 15,101 acres of sugar cane in 2001, compared with 17,266 acres in 2000. The decrease in acres harvested was due primarily to a later-than-expected factory startup in 2001 and unexpected factory problems and weather delays toward the end of the 2001 harvesting season. Yields averaged 12.7 tons of sugar per acre in 2001, compared with 12.2 tons per acre in 2000. The average cost per ton of sugar produced at HC&S was \$371 in 2001, compared with \$331 in 2000. The increase in cost per ton was attributable to higher operating costs and lower sugar production. As a by-product of sugar production, HC&S also produced 71,207 tons of molasses in 2001, compared with 70,551 tons in 2000.

In 2001, 8,848 tons of the raw sugar produced by HC&S were produced as specialty food-grade raw sugars and sold under HC&S's Maui Brand® trademark. A \$2.4 million expansion of the production facilities for these sugars was completed in February 2001. Further expansion is planned for 2002.

During 2001, Kauai Coffee had approximately 3,400 acres of coffee trees under cultivation. The harvest of the 2001 coffee crop yielded approximately 3.8 million pounds of green coffee, compared with 2.8 million pounds in 2000. The increased production was due primarily to better weather conditions in 2001.

Due to weaknesses in the panelboard market, production problems and poor operating results, a development panelboard plant ceased operations and was abandoned. The plant, operated by Hawaiian DuraGreen, Inc., a whollyowned subsidiary of A&B, produced panelboard from bagasse, a by-product in the production of sugar. A&B recorded operating losses and closure costs of \$2,964,000, and a \$11,387,000 write-down of the production assets, as a result of this action.

HC&S and McBryde Sugar Company, Limited ("McBryde"), the parent company of Kauai Coffee, produce electricity for internal use and for sale to the local electric utility companies. HC&S's power is produced by burning bagasse, 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. (See "Energy" below.)

Kahului Trucking & Storage, Inc., a subsidiary of A&B, 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 A&B, provides similar services on Kauai, as well as general trucking services.

(2) Marketing of Sugar and Coffee

Substantially all of the raw sugar produced in Hawaii is purchased, refined and marketed by C&H Sugar Company, Inc. ("C&H"), of which A&B owns a 36 percent common stock interest. The results of A&B's equity investment in C&H are reported in A&B's financial statements as an investment in an affiliate. C&H processes the raw cane sugar at its refinery at Crockett, California, and markets the refined products primarily in the western and central United States. HC&S markets its specialty food-grade raw sugars to food and beverage producers and to retail stores under its Maui Brand® label, and to distributors which repackage the sugars under their own labels. HC&S's largest food-grade raw sugar customers are Cumberland Packing Corp. and Sugar Foods Corporation, which repackage HC&S's turbinado sugar for their "Sugar in the Raw" products.

Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative consisting of the two remaining sugar cane growers in Hawaii (including HC&S), has a ten-year supply contract with C&H, ending in June 2003, pursuant to which the growers sell their raw sugar to C&H at a price equal to the New York #14 Contract settlement price, less a discount and less costs of sugar vessel discharge and stevedoring. This price, 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. Notwithstanding the ten-year supply contract, HC&S arranged directly with C&H for the forward pricing of a substantial portion of its 2001 harvest, as described in Item 7A ("Quantitative and Qualitative Disclosures About Market Risk") below. In addition, as of January 15, 2002, 30% of the expected 2002 harvest has been forward priced.

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

(3) Competition and Sugar Legislation

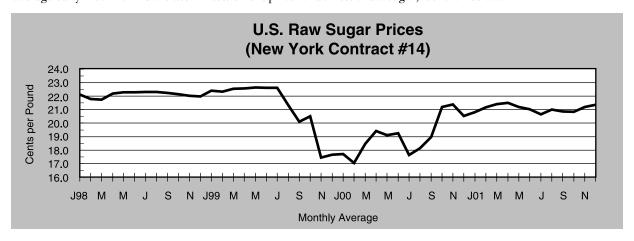
Hawaii sugar growers produce more sugar per acre than other major producing areas of the world, but that advantage is partially offset by Hawaii's high labor costs and the distance to the U.S. Mainland market. Hawaiian refined sugar is marketed primarily west of Chicago. This is also the largest beet 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 in the refined sugar market for the Hawaiian sugar industry.

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

The U.S. Congress historically has sought, through legislation, to assure a reliable domestic supply of sugar at stable and reasonable prices. The current protective legislation for domestic sugar, the Federal Agriculture Improvement and Reform Act (the "1996 Farm Bill"), 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. The loan rate represents the value of sugar given as collateral for government price-support loans. The government is required to administer the sugar program at no net cost, and this is accomplished by adjusting fees and quotas for imported sugar to maintain the domestic price at a level that discourages producers from defaulting on loans. The ten-year supply contract between HS&TC and C&H limits HC&S's ability to place sugar under loan pursuant to the sugar loan program. The 1996 Farm Bill 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.

During 2001, legislation was developed for a new omnibus farm bill ("2002 Farm Bill"). A House farm bill, entitled the Farm Security Act of 2001, was approved by the U.S. House of Representatives on October 5, 2001. Among other things, that bill seeks to continue for ten years the current marketing loan program at current loan rates for sugar, and seeks to reestablish marketing allotments which are expected to stabilize prices. A Senate farm bill, with identical provisions for sugar, was approved by the U.S. Senate on February 13, 2002. The 2002 Farm Bill is expected to be approved in 2002.

In 2001, U.S. domestic raw sugar prices averaged 21.09 cents per pound, above the 20-year lows experienced in 2000, but still below historical averages. The pricing situation has improved, but continues to be challenging, even to efficient producers like HC&S. A chronological chart of the average U.S. domestic raw sugar prices, based on the average daily New York Contract #14 settlement price for domestic raw sugar, is shown below:



Liberalized international trade agreements, such as the GATT, include provisions relating to agriculture which can 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 sugar producers' concerns by limiting Mexico's exports of sugar to the U.S. under NAFTA. However, the export ceiling provided for in the side agreement increased to 250,000 tons of sugar in 2000, and will be eliminated in 2007. The increased sugar supply could affect domestic sugar prices adversely.

Kauai Coffee competes with coffee growers located worldwide, including Hawaii. Due to an oversupply of coffee in the marketplace, coffee commodity prices dropped significantly in 2000 and continued to drop to record lows in 2001.

(4) Properties and Water

The HC&S sugar plantation, the largest in Hawaii, consists of approximately 43,300 acres of land, including 2,000 acres leased from the State of Hawaii and 1,300 acres under lease from private parties. Over 37,000 acres are under cultivation, and the balance either is used for contributory purposes, such as roads and plant sites, or is not suitable for cultivation.

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

Large quantities of water are needed by HC&S and Kauai Coffee for their sugar cane and coffee growing operations. 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. All of the cultivated cane land farmed by HC&S is drip irrigated. All of Kauai Coffee's fields also are drip irrigated.

A&B owns 16,000 acres of watershed lands on Maui, which supply a portion of the irrigation water used by HC&S. A&B 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 since been extended as revocable permits that are renewable annually. In 2001, a request was made to the State Board of Land and Natural Resources to replace these revocable permits with a long-term water lease. Pending a contested case hearing before the Board on the request for the long-term lease, the Board approved a month-to-month holdover of the existing permits.

D. Employees and Labor Relations

As of December 31, 2001, A&B and its subsidiaries had approximately 2,054 regular full-time employees. About 916 regular full-time employees were engaged in the growing of sugar cane and coffee and the production of raw sugar and green coffee, 927 were engaged in ocean transportation, 44 were engaged in property development and management, and the balance was in administration and miscellaneous operations. Approximately 55% were covered by collective bargaining agreements with unions.

As of December 31, 2001, Matson and its subsidiaries also had approximately 317 seagoing employees. Approximately 26% of Matson's regular full-time employees and all of the seagoing employees were covered by collective bargaining agreements.

Historically, collective bargaining with longshore and seagoing unions has been complex and difficult. However, Matson and Matson Terminals consider their relations with those unions, other unions, and their non-union employees generally to be satisfactory.

Matson's seagoing employees are represented by six unions, three representing unlicensed crew members and three representing licensed crew members. Matson negotiates directly with these unions. Collective bargaining agreements with the unions representing unlicensed crew members are expected to be renewed in mid-2002 without service interruption.

SSA Terminals LLC ("SSAT"), the previously-described joint venture of Matson and Stevedoring Services of America ("SSA"), provides stevedoring and terminal services for Matson vessels calling at U.S. Pacific Coast ports. Matson, SSA, and SSAT are members of the Pacific Maritime Association ("PMA") which, on behalf of its members, negotiates collective bargaining agreements with the International Longshore Workers Union ("ILWU") on the Pacific Coast. Matson Terminals provides stevedoring and terminal services to Matson vessels calling at Honolulu. Matson Terminals is a member of the Hawaii Stevedore Industry Committee which, on behalf of its members, negotiates with the ILWU in Hawaii. Collective bargaining agreements with ILWU longshore workers on the Pacific Coast and in Hawaii are expected to be renewed in mid-2002 without service interruption.

During 2001, Matson renewed its collective bargaining agreement with ILWU clerical workers at Los Angeles for a three-year term and expects to renew its agreement with ILWU clerical workers at Oakland in mid-2002 without service interruption.

Matson contributed during 2001 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 10 to A&B's financial statements in Item 8 below.

Bargaining unit employees of HC&S are covered by two collective bargaining agreements with the ILWU. The agreements with the HC&S production unit employees and clerical bargaining unit employees were extended in 2001 and will expire January 31, 2003. A collective bargaining agreement with the ILWU for production employees of

Hawaiian DuraGreen, Inc. was negotiated, but all production employees subsequently were terminated in connection with the shutdown of the panelboard plant. The collective bargaining agreements covering the two ILWU bargaining units at Kahului Trucking & Storage, Inc. will expire on March 31, 2006 and on June 30, 2002 (the latter is expected to be renewed without service interruption). The two collective bargaining agreements with Kauai Commercial Company, Incorporated employees represented by the ILWU were renegotiated in 2001 and will expire April 30, 2004. The collective bargaining agreement with the ILWU for the production unit employees of Kauai Coffee was renegotiated in 2001 and will expire on January 31, 2004.

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 2001, Matson vessels consumed approximately 1.8 million barrels of residual fuel oil, the same as in 2000.

Residual fuel oil prices paid by Matson started in 2001 at \$127.50 per metric ton and ended the year at \$103.00 per metric ton. A high of \$180.50 per metric ton occurred in June, and a low of \$92.00 per metric ton occurred in November. Sufficient fuel for Matson's requirements is expected to be available in 2002.

As has been the practice with sugar plantations throughout Hawaii, HC&S uses bagasse, the residual fiber of the sugar cane 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, HC&S uses diesel fuel oil, boiler fuel oil, and coal to produce power, principally for pumping irrigation water during the factory shutdown period when bagasse is not being produced. Since 1992, when suppliers of boiler fuel oil to HC&S discontinued regular shipments as a result of unlimited liability concerns arising from federal and state environmental laws, boiler fuel oil has been provided to HC&S on a space available basis. In 2001, HC&S produced 203,650 MWH of electric power and sold 61,074 MWH, compared with 217,279 MWH produced and 67,105 MWH sold in 2000. The reduction in power produced and sold was caused by HC&S's increased need to pump irrigation water, due to drought conditions. HC&S's oil use decreased to 68,999 barrels in 2001, from the 100,313 barrels used in 2000. Coal use for power generation increased, from 61,222 short tons in 2000 to 62,389 short tons in 2001. The decrease in fuel oil used is attributed to HC&S's shutdown of one of its two sugar mills in 2000.

In 2001, McBryde produced 30,637 MWH of hydroelectric power, compared with 31,971 MWH of hydroelectric power produced in 2000. Power sales in 2001 amounted to 21,216 MWH, compared with 23,375 MWH sold in 2000. The reduction in power production and sales was due primarily to continued drought conditions in 2001.

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.

On September 14, 1998, Matson was served with a complaint filed by the Government of Guam with the Surface Transportation Board ("STB"), alleging that Sea-Land Services, Inc. ("Sea-Land"), American President Lines, Ltd. ("APL") and Matson have charged unreasonable rates in the Guam trade since January 1991. Matson did not enter the trade until February 1996. On November 12, 1998, Matson filed an answer, denying that its rates have been unreasonable. Matson, Sea-Land and APL filed a joint motion to dismiss the complaint on February 16, 1999. On November 15, 2001, the STB issued a decision, granting the motion in part and denying it in part. The STB dismissed the claim of discrimination, dismissed the aggregate rate challenge for shipments prior to September 10, 1996, dismissed APL as a defendant based on the statute of limitations, and permitted the Caribbean Shippers Association to intervene. The parties have until April 9, 2002 to file initial briefs addressing the appropriate rate reasonableness methodology to be applied to the remaining issue of whether the aggregate rates charged by Matson and Sea-Land in the Guam trade after September 10, 1996 are reasonable. Reply briefs will be due on June 3, 2002.

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 results of operations or 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

A&B common stock is listed on The Nasdaq Stock Market and trades under the symbol "ALEX". As of February 14, 2002, there were 4,233 shareholders of record 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.

A summary of daily stock transactions is listed in the Nasdaq National Market Issues section of major newspapers. Trading volume averaged 135,600 shares a day in 2001, compared with 98,900 in 2000 and 105,800 in 1999. Currently, 19 firms make a market in ALEX.

The quarterly high and low sales prices and closing prices, as reported by The Nasdaq Stock Market, and cash dividends paid per share of common stock, for 2000 and 2001, were as follows:

	D: :1 1		Market Price		
2001	Dividends Paid	High	Low	Close	
First Quarter	\$0.225	\$29.609	\$21.063	\$21.375	
Second Quarter	0.225	25.840	20.610	25.750	
Third Quarter	0.225	26.430	21.120	23.410	
Fourth Quarter	0.225	27.920	21.600	26.700	
2000					
First Quarter	\$0.225	\$22.783	\$17.938	\$20.625	
Second Quarter	0.225	24.625	19.250	22.063	
Third Quarter	0.225	27.500	21.875	26.000	
Fourth Quarter	0.225	28.250	21.625	26.250	

Although A&B expects to continue paying quarterly cash dividends on its common stock, the declaration and payment of dividends in the future are subject to the discretion of the Board of Directors and will depend upon A&B's financial condition, results of operations, cash requirements and other factors deemed relevant by the Board of Directors. A&B strives to pay the highest possible dividends commensurate with operating and capital needs. A&B has paid cash dividends in every quarter since 1903. The most recent increase in the quarterly dividend rate was effective in the first quarter of 1998, from 22 cents a share to 22.5 cents. In 2001, dividend payments to shareholders

totaled \$36.5 million, which was 33% of reported net income for the year. The following dividend schedule for 2002 has been set, subject to final approval by the Board of Directors:

Quarterly Dividend	Declaration Date	Record Date	Payment Date
First	January 24	February 14	March 7
Second	April 25	May 6	June 6
Third	June 27	August 1	September 5
Fourth	October 24	November 7	December 5

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

The number of shares of A&B common stock repurchased by A&B during each of the three years ended December 31, 2001 was as follows:

Year		(per share)
2001	105,000	\$21.61
2000	2,378,195	\$20.29
1999	1,564,500	\$22.26

ITEM 6. SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with Item 8, "Financial Statements and Supplementary Data," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations":

		2001		2000		1999		1998		1997
	(dollars and shares in thou				usands, excep	ot p	er-share amo	un	ts)	
ANNUAL OPERATIONS										
Total revenue ¹ Deduct:	\$1,	190,073	\$	1,068,646	\$	999,998	\$1	1,343,475	\$	1,310,176
Cost of goods sold and operating expenses ¹	9	908,777		849,375		812,783]	1,174,881		1,065,470
Depreciation and amortization		75,433		72,304		73,901		88,500		88,558
Interest expense		18,658		24,252		17,774		24,799		28,936
Income taxes		67,392	_	44,391	_	32,961		24,352	_	45,825
Income from continuing operations before										
accounting changes		119,813		78,324		62,579		30,943		81,387
Discontinued operations		(9,185)		_		_		_		_
Cumulative effect of change in accounting methods		_		12,250		_		(5,801)		_
	ф.	110,628	\$		\$	62.570	ф		ф	01 207
Net income	D	110,628	D	90,574	₽	62,579	\$	25,142	\$	81,387
Comprehensive income Earnings per share before accounting changes:	\$	48,691	\$	103,050	\$	48,711	\$	33,327	\$	88,326
Basic	\$	2.96	\$	1.92	\$	1.45	\$	0.69	\$	1.80
Diluted	\$	2.94	\$	1.91	\$	1.45	\$	0.69	\$	1.80
Return on beginning equity		15.9%	6	13.5%	Ó	9.0%		3.5%	6	11.9%
Cash dividends per share	\$	0.90	\$	0.90	\$	0.90	\$	0.90	\$	
Average number of shares outstanding		40,535		40,898		43,206		44,760		45,182
Gross profit percentage ¹		23.6%		23.0%		22.1%		17.0%		20.1%
Effective income tax rate		36.0%	6	36.5%	34.5%		34.5% 45.4%		9	36.0%
MARKET PRICE RANGE PER SHARE										
High	\$	29.609	\$	28.250	\$	27.125	\$	31.125	\$	29.375
Low		20.610		17.938		18.625		18.813		24.375
Close		26.700		26.250		22.813		23.250		27.313
AT YEAR END										
Shareholders of record		4,252		4,438		4,761		5,125		5,481
Shares outstanding		40,529		40,353		42,526		44,028		44,881
Shareholders' equity	\$ '	710,667	\$	693,651	\$	670,963	\$	694,642	\$	719,588
Per-share		17.54		17.19		15.78		15.78		16.03
Total assets	1,	544,419		1,666,012		1,561,460]	1,605,640		1,704,798
Working capital		24,445		55,861		59,805		67,113		114,806
Cash and cash equivalents		19,291		3,451		3,333		86,818		21,623
Real estate developments – noncurrent		47,840		62,628		60,810		57,690		68,056
Investments – noncurrent		33,021		183,141		158,726		159,068		102,813
Capital Construction Fund		158,737		150,405		145,391		143,303		148,610
Long-term debt – noncurrent		207,378		330,766		277,570		255,766		292,885
Current ratio		1.1 to 1		1.4 to 1		1.4 to 1		1.4 to 1		1.7 to 1
Capital stock price/earnings ratio		9.8 to 1		11.9 to 1		15.7 to 1		41.5 to 1		15.2 to 1

See Note 2 to the consolidated financial statements in Item 8 for information regarding changes which were made in 2000 in presentation for certain revenues and expenses.

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

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the "Company") should be read in conjunction with the consolidated financial statements and related notes thereto.

FORWARD-LOOKING STATEMENTS

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. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. 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, the Company's Internet Web sites (including Web sites of its subsidiaries), 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) impact of events of September 11, 2001; (2) economic conditions in Hawaii and elsewhere; (3) market demand; (4) competitive factors and pricing pressures in the Company's primary markets; (5) legislative and regulatory environments at the federal, state and local levels, such as government rate regulations, land-use regulations, government administration of the U.S. sugar program, and modifications to or retention of cabotage laws; (6) dependence on third-party suppliers; (7) fuel prices; (8) raw sugar prices; (9) labor relations; (10) risks associated with current or future litigation and resolution of tax issues with the IRS and state tax authorities; (11) the performance of unconsolidated affiliates and ventures; and (12) other risk factors described elsewhere in these communications and from time to time in the Company's filings with the SEC.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Earnings and Revenue: Net income in 2001 was \$110,628,000, or \$2.73 per basic share, versus \$90,574,000, or \$2.21 per basic share, in 2000 and \$62,579,000, or \$1.45 per basic share, in 1999. Revenue in 2001 was \$1,190,073,000, compared with revenue of \$1,068,646,000 in 2000 and \$999,998,000 in 1999.

Accounting Changes and Significant Transactions

2001: Results for 2001 include the sales of the Company's marketable equity securities. The sales of these securities resulted in cash receipts of approximately \$134,722,000, pre-tax gains of approximately \$125,478,000 and after-tax gains of about \$77,788,000 (\$1.92 per basic share). The Company also donated appreciated stock with an approximate fair value of \$7,500,000 to its charitable foundation. These sales are described more fully in Note 5 to the consolidated financial statements included in Item 8.

The Company reduced the carrying value of its equity investments in C&H Sugar Company, Inc. ("C&H") by \$28,600,000. This resulted in an after-tax charge of \$17,732,000 (\$0.44 per basic share). In addition, the Company wrote off \$4,823,000 of power generation equipment, resulting in a \$3,087,000 after-tax charge to earnings (\$0.08 per basic share). These impairments are discussed more fully in Note 4 to the consolidated financial statements included in Item 8.

The Company discontinued and abandoned its panelboard manufacturing subsidiary on Maui. This discontinued operation resulted in a \$9,185,000 after-tax charge to earnings (\$0.23 per basic share). This is described in Note 3 to the consolidated Financial statements included in Item 8.

2000: The Company made two changes in accounting methods (See Note 2 to the consolidated financial statements). The first change was for vessel drydocking costs at Matson. Previously, the estimated costs for future drydocking of vessels were accrued in advance of the drydocking. Subsequent payments were charged against the accrued liability. Under the new method, drydocking expenditures that benefit future periods are capitalized and

depreciated. This change increased 2000 net income by \$12,250,000 (net of income tax expense of \$7,668,000), or \$0.29 per basic share. The second change was for the presentation of certain costs recorded in the ocean transportation and property leasing segments, which previously were recorded as an offset to revenue. This change did not affect net income.

1999: Following continuing operating losses, depressed coffee prices and negative cash flows at Kauai Coffee Company, Inc. ("Kauai Coffee"), the Company's coffee plantation, the Company recorded an after-tax charge of \$9,571,000, or \$0.22 per basic share, to write down the recorded value of orchards and other non-current assets to their estimated fair values.

RESULTS OF INDUSTRY SEGMENT OPERATIONS

Detailed information related to the operations and financial performance of the Company's Industry Segments is included in Note 14 of Item 8 "Financial Statements and Supplementary Data." The following information should be read in relation to information contained in that Note.

2001 Compared with 2000

Ocean Transportation revenue of \$796,840,000 was \$53,852,000, or six percent, lower than the \$850,692,000 reported for 2000. Operating profit of \$62,264,000 was \$31,468,000, or 34 percent, lower than the \$93,732,000 reported during the prior year. The revenue and operating profit declines were directly attributable to cargo volumes and productivity issues.

Matson's total Hawaii Service container volume, at 149,636 units, was one percent lower than 2000 container volume of 151,496 units. Matson's total Hawaii Service automobile volume, at 122,389 units, was seven percent lower than 2000 automobile volume of 132,186 units. The lower cargo and automobile volumes were primarily the result of the weakened Hawaii economy following the September 11, 2001 terrorist attacks on the United States of America. These attacks had a significantly adverse effect on air travel. This reduced Hawaii tourism and, in turn, significantly reduced the fourth quarter carriage of commercial cargo and automobiles to Hawaii. In January 2002, Matson reduced the number of vessels in the Hawaii Service from eight to seven.

In addition to the lower container and automobile carriage, transition problems related to a terminal improvement project at Matson's Honolulu terminal reduced productivity during the fourth quarter. Lower results from Matson's investments in a shipping operation in Puerto Rico and from a stevedoring joint venture also adversely affected the total-year results.

A 3.5 percent increase in Hawaii Service rates announced in 2000 took effect in February 2001. Total fuel costs decreased by \$7,609,000 in 2001 versus 2000, resulting in a decrease in the fuel surcharge from 4.25% to 3.25%.

Property Leasing revenue of \$70,685,000 was 14 percent higher than 2000 revenue of \$62,105,000 and operating profit of \$34,139,000 was 13 percent higher than 2000 operating profit of \$30,120,000. These increases were due primarily to additions to the leased property portfolio and higher occupancy levels in the Hawaii portfolio and increased royalty revenue. Occupancy levels for the Mainland portfolio averaged 93 percent in 2001, versus 96 percent in 2000. The Company owned four million square feet of leasable improved property on the Mainland at year-end 2001, the same as at the year-end 2000. Occupancy levels for the Hawaii properties averaged 90% in 2001, versus 86% in 2000. The Company owned 1.5 million square feet of leasable improved property in Hawaii at year-end 2001 compared with 1.2 million square feet at year-end 2000.

Property Sales revenue of \$89,156,000 for 2001 compared with \$46,322,000 of revenue a year earlier. Operating profit was \$17,926,000 for 2001 compared with operating profit of \$24,228,000 for 2000. These fluctuations are due primarily to the changed composition of sales during the two years.

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 vacant parcels generally provides a greater contribution margin than does the sale of residential, developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land. 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.

Sales in 2001 included a 14-acre parcel at Maui Business Park to Wal-Mart, three commercial properties in Bainbridge, Washington, a four-acre parcel on Maui, 82 residential properties and a 68-acre parcel for highway widening on Maui. Sales in 2000 included a ground lease under a Costco store, a 13-acre parcel at Maui Business Park, 16 business parcels and 28 residential properties.

Food Products revenue of \$104,376,000 in 2001 compared with revenue of \$106,341,000 in 2000. Operating profit of \$5,660,000 in 2001 was 25% lower than the \$7,522,000 earned in 2000. The benefits of higher domestic raw sugar and molasses prices throughout 2001 and improved sales of natural sugars under the Maui Brand® label were more than offset by a write-off of power generation equipment which was no longer needed in the business, lower raw sugar production and power sales, and lower results from A&B's minority investment in C&H. The previously discussed impairment loss related to the Company's investment in C&H was not included in segment operating profit.

HC&S produced 191,512 tons of raw sugar during 2001, compared with 210,269 tons a year earlier. This lower production was the result of harvesting nearly 12.5% fewer acres in 2001, compared with 2000, combined with extended drought conditions. Although drought conditions on Maui have lessened in late 2001 and early 2002, this remains a primary risk factor for this business segment's operations.

For 2001, HC&S forward priced 95% of its 2001 crop at an average price of \$21.13/cwt. This forward pricing program started with the 2001 crop, following an average sales price \$19.10/cwt. for 2000. Through the forward pricing program, HC&S expects to stabilize its 2002 raw sugar sales prices above \$21.00/cwt.

A panelboard business, Hawaiian DuraGreen, was discontinued, due to depressed sales prices and production problems. This is described more fully in Note 3 to the consolidated financial statements included in Item 8.

Other operating profit of \$127,635,000 for 2001 was due primarily to the sales of marketable equity securities during 2001. This is described more fully in Note 5 of the consolidated financial statements included in Item 8.

2000 Compared with 1999

Ocean Transportation revenue of \$850,692,000 was nine percent higher than 1999 revenue of \$778,535,000. Operating profit of \$93,732,000 showed a 12-percent improvement over 1999 operating profit of \$83,778,000. Hawaii service container volume in 2000 was flat compared with 1999 and automobile volume was 31 percent higher. The primary revenue gains occurred in the lower-margin intermodal business. Operating results for 2000 benefited from improved performance by the Company's SSAT terminal operating joint venture and by its Matson Intermodal System subsidiary. Operating results for 1999 were affected adversely by lower productivity, due to disruptions related to the 1999 renegotiation of longshore labor agreements.

Matson's total Hawaii Service container volume was 151,496 units in 2000, compared with 151,215 units in 1999. Matson's total Hawaii Service automobile volume, at 132,186 units, was 31 percent higher than 1999 automobile volume of 101,095 units.

A 3.9 percent increase in Hawaii Service rates announced in 1999 took effect in February 2000. To mitigate partially the effect of rising fuel prices, the 1.75 percent fuel surcharge in effect at the end of 1999 was increased, in three steps, to 4.25 percent during 2000. Total fuel costs increased by \$17,900,000 in 2000 versus 1999. This increased cost was only partially offset by the fuel surcharge.

Property Leasing revenue of \$62,105,000 was 15 percent higher than 1999 revenue of \$53,910,000, and operating profit of \$30,120,000 improved ten percent compared with 1999 operating profit of \$27,497,000. These improvements were due to higher occupancy levels, increased rents and newly acquired properties. Occupancy rates for the Mainland properties averaged 96 percent in 2000, versus 94 percent in 1999. The Company owned four million square feet of leasable property on the Mainland at year-end 2000, compared with 3.1 million square feet at year-end 1999. Occupancy levels for the Hawaii properties averaged 86 percent in 2000, versus 81 percent in 1999. The Company owned 1.2 million square feet of leasable property in Hawaii at the end of both 2000 and 1999.

Property Sales revenue of \$46,322,000 was down slightly from the \$48,036,000 in sales recorded in 1999, while operating profit of \$24,228,000 was 39 percent higher than the \$17,402,000 achieved in 1999, due to mix. Property sales in 2000 included the ground lease for a Costco store, a 13-acre parcel at Maui Business Park, 16 business parcels and 28 residential properties. Sales in 1999 included an office/research building in Seattle, two developed business parcels, three undeveloped parcels and 41 residential properties.

Food Products revenue of \$106,341,000 in 2000 compared with revenue of \$116,362,000 in 1999. Operating profit of \$7,522,000 in 2000 was 33 percent lower than the \$11,310,000 earned in 1999. The primary reasons for the declines were U.S. raw sugar prices, which were 20 percent below historical levels, lower raw sugar production that resulted from continuing drought conditions on the island of Maui, and the write down of certain assets associated with the closure of the Company's raw sugar processing factory in Paia, Maui, which consolidated the processing operation into one factory. These factors were offset partially by benefit plan settlement gains, insurance-related gains at Hawaiian Commercial & Sugar Company ("HC&S"), the Company's raw sugar producing unit on Maui, and a profit turnaround at Kauai Coffee.

Although HC&S harvested about the same number of acres, sugar production of approximately 210,000 tons in 2000 was eight percent lower than the prior year's production of 228,000 tons. Lower production was due to the drought conditions noted earlier. The average No. 14 domestic raw sugar price for 2000 was \$19.10/cwt. This was \$3.08/cwt. below 1999's price of \$22.18/cwt. and was the lowest level in 20 years.

Results from Kauai Coffee showed a small profit for 2000, following a successful business re-engineering in 1999, which included the write-down of its orchards and processing equipment to fair values and the implementation of other business process improvements. In addition, sales and marketing efforts were improved during 2000.

ECONOMIC OUTLOOK

Although none of the Company's operations were directly affected by the East Coast terrorist attacks of September 11, 2001, the events compounded pre-existing concerns about the outlook for Hawaii's economy. They also created unprecedented uncertainty about how to assess the extent, pace and duration of the decline that continues to be felt throughout the United States. Pre-dating the terrorist attacks were a slowing of the United States' economy and the economic challenges in Asia. The combination of these events had a significant effect on 2001 fourth quarter tourism and, consequently, A&B's Ocean Transportation cargo volumes were lower than in previous quarters. The effect on real-estate activities was moderate and there was little effect on the Company's Food Products segment.

The performance of the Ocean Transportation segment for 2002 will depend on Matson's realizing the benefits of its Honolulu terminal improvement project, balancing its service levels and cost structure to shipper demand and improving returns from both its shipping investment in Puerto Rico and its stevedoring joint venture.

Even assuming continued economic recovery, Property Management & Development operating profit for 2002 is expected to be modestly lower than 2001 operating profit. Property leasing activity is forecast to continue at a steadily rising pace, due to properties acquired in 2001, rent rollovers and possible new acquisitions. Property sales revenue is expected to exceed 2001 sales revenue, but the contribution to operating profit is expected to be lower, due to the mix of higher basis property sales in 2002. Investment opportunities, in both development and income-producing properties, and especially in Hawaii, remain a primary growth focus.

The 2002 outlook for Food Products includes stable raw sugar prices, greater raw-sugar production, as drought conditions reverse, and tight cost controls. These positive factors are expected to boost Food Products' operating profit in 2002.

In the aggregate, with the combination of operating profit growth from a low base in Ocean Transportation, stable growth in Property Leasing, the timing of real-estate sales, the normal seasonality of the Food Products segment, and economic growth in Hawaii, it is likely that operating profit during the first two, and possibly three, quarters of 2002 will be lower than comparable 2001 periods. It is expected that this would be followed by a return to more normal trends by the end of 2002.

FINANCIAL CONDITION AND LIQUIDITY

Liquid Resources: Liquid resources of the Company, comprising cash and cash equivalents, receivables, inventories and unused lines of credit, less accrued deposits to the Capital Construction Fund (CCF), totaled \$527,856,000 at December 31, 2001, an increase of \$282,784,000 from December 31, 2000. This net increase was due primarily to additional credit facilities (see next paragraph and Note 8), lower balances drawn on continuing facilities and higher cash balances, partially offset by the termination of a \$25,000,000 credit facility that had expired in late 2000 and lower trade receivable balances.

New Financing Agreements: During 2001, the Company increased its revolving credit and term loan agreement from \$140,000,000 to \$185,000,000 and extended the term of the facility for three years, entered into a \$50,000,000 private shelf agreement and withdrew from a \$25,000,000 uncommitted credit facility. In addition, the Company's subsidiary, Matson, added a new \$40,000,000 revolving credit agreement and entered into a \$50,000,000 private shelf agreement. This additional capacity is reflected in liquid resources and the nature of the facilities are described more fully in Note 8 to the consolidated financial statements. These new and increased credit facilities may be used for possible future real estate and ocean transportation related capital investments and acquisitions.

Working Capital: Working capital was \$24,445,000 at December 31, 2001, a decrease of \$31,416,000 from a year earlier. The lower working capital was due primarily to higher income taxes and accounts payable, and to lower trade receivables and prepaid assets, partially offset by higher other assets held for sale and cash balances. The higher amount of income taxes payable was due to the sale of BancWest Corporation shares in late December 2001. The lower trade receivables balance was due primarily to a decrease in ocean transportation revenue and to the timing of billing cycles that overlap year-end. Higher other assets held for sale was due primarily to the anticipated sale of two vessels, as described in Note 5 to the consolidated financial statements. The fluctuations in accounts payable and prepaid assets were in the ordinary course of business.

Receivables: At December 31, 2001, the Company had receivables totaling \$130,491,000, compared with \$141,553,000 a year earlier. These amounts are net of allowances for doubtful accounts of \$7,252,000 and \$6,579,000, respectively. The decline in receivables was mainly the result of lower Matson cargo during the fourth quarter of 2001. The Company's management believes that the quality of these receivables is good and that its reserves are adequate.

Operating Cash Flows: Net cash provided by operations was \$150,968,000 and \$104,278,000 for 2001 and 2000, respectively. Net operating cash flows were used principally for capital expenditures, payments of debt, dividends, repurchases of capital stock and deposits into the CCF. Withdrawals from the CCF in 2001 were used principally for vessel modifications and equipment purchases. Approximately \$41,928,000 of taxes related to the December sales of marketable equity securities was accrued as a current liability at year-end. Although this improved 2001 operating cash flows, when the taxes are paid, 2002 operating cash flows will be comparably reduced.

Capital Additions: Capital additions comprise capital expenditures for property and capital expenditures for real property (including the re-deployment of non-cash tax deferred funds to purchase property) but excludes capital expenditures for real-estate developments held for sale, since this latter item is treated as inventory on the

balance sheets. Capital additions during 2001 were \$141,440,000, compared with \$106,904,000 in 2000. Ocean transportation capital additions in 2001 of \$59,669,000 were primarily for terminal improvements, vessel modifications, technology investments and the acquisition of container and terminal equipment. Property development and management capital additions in 2001 of \$72,050,000 included \$42,257,000 for the redeployment of tax deferred sales proceeds into similar income producing assets and \$29,793,000 for the development of real estate, for improvements to leased properties, and for the purchase of developed commercial property. Food products capital additions in 2001 of \$9,454,000 were primarily for routine factory modifications and replacements.

Other Financing Arrangements: As described in Notes 5 and 13 to the consolidated financial statements, the Company or its subsidiaries guarantee \$31,500,000 of debt of an unconsolidated affiliate, guarantee up to \$15,000,000 of debt of an unconsolidated sugar marketing and transportation cooperative, and have \$26,019,000 of standby letters of credit. These amounts are not recorded on the Company's balance sheet. The Company does not currently expect that it will be called upon to advance funds under these commitments.

Other Commitments: Capital expenditures approved but not yet spent were \$77,633,000 at December 31, 2001. These expenditures are primarily for real estate developments held for investment purposes, containers and operating equipment and vessel modifications. For 2002, internal cash flows and short-term borrowing facilities are expected to be sufficient to finance working capital needs, dividends, capital expenditures and debt service.

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.

OTHER MATTERS

Tax-Deferred Real Estate Exchanges: In 2001, the Company sold, on a tax-deferred basis, nine properties for \$31,854,000. These included the sales of a 14-acre industrial lot to Wal-Mart, three commercial properties in Bainbridge, Washington and a four-acre parcel on Maui and the sale under threat of condemnation of a 68-acre parcel on Maui for highway widening. During the year, the Company reinvested \$42,257,000 in four replacement properties. At December 31, 2001, \$2,200,000 of tax deferred proceeds had not been reinvested compared to \$12,900,000 at the end of 2000.

Funds received in tax-deferred sales of like-kind property are held by a third party agent and are included in other non-current assets on the Balance Sheets. These proceeds and the subsequent purchases of replacement property are reported in the Statements of Cash Flows under the caption "Non-cash Activities." Funds received for sales under threat of condemnation are not required to be held by a third party agent and are included in cash flows from investing activities.

Environmental Matters: As with most industrial and land-development companies of its size, the Company's operations have certain risks that 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.

Dependence on Information Technology Systems: The Company is partially dependent on information technology systems to support its ability to conduct business. These dependencies primarily include accounting, billing, payable, cargo booking, vessel scheduling and stowage, banking, payrolls and employee communications. All of these systems are vulnerable to reliability issues, integration and compatibility concerns, and security-threatening intrusions. The Company has had no significant instances of interruption to these systems.

Management believes that its information technology and systems are adequate to meet the requirements of its business and operations. It continues to make investments of capital for infrastructure, system development and

maintenance, system security and staffing and staff development. However, there can be no assurances that future incidents, whether accidental or malicious, could not affect adversely the function of the Company's information systems and operations.

Significant Accounting Policies: The Company's significant accounting policies and the impacts of newly issued accounting standards are described in Notes 1 and 2 to the consolidated financial statements included in Item 8.

Management Changes: During 2001, the Company hired Raymond L. Smith as Matson's Chief Operating Officer, a newly created position, and hired Matthew J. Cox as Matson's Senior Vice President, Chief Financial Officer and Controller, the latter replacing Raymond J. Donohue, who retired. Also, in 2001, Christopher J. Benjamin joined A&B as Director of Corporate Development and Planning, and Michael G. Wright joined A&B Properties, Inc. as Vice President, Acquisitions and Investments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A&B, in the normal course of doing business, is exposed to the risks associated with fluctuations in the market value of certain financial instruments. A&B maintains a portfolio of investments, pension fund investments and, through its Capital Construction Fund, an investment in mortgage-backed securities. Details regarding these financial instruments are described in Notes 4, 5, 7 and 10 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data."

A&B also is exposed to changes in U.S. interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. Details regarding these matters are described in Note 8 in Item 8, "Financial Statements and Supplementary Data." The Company does not use interest rate derivative instruments such as interest rate swaps, currency swaps, futures or options, to manage its exposure to interest rate risk or for speculative purposes but may choose to use such instruments to manage interest rate risk in the future.

A&B's sugar plantation, HC&S, has a contract to sell its raw sugar production to Hawaiian Sugar & Transportation Cooperative ("HS&TC"), an unconsolidated sugar and marketing cooperative, in which the Company has an ownership interest, until June 2003. Under that contract, the price paid will fluctuate with the New York Contract #14 settlement price for domestic raw sugar, less a fixed discount. The Company also has an agreement with C&H Sugar Company, Inc, the primary purchaser of sugar from HS&TC, which allows the Company to forward price, with C&H, a portion of its raw sugar deliveries to HS&TC.

The Company has no direct material exposure to foreign currency risks, although it is indirectly affected by changes in currency rates to the extent that this affects tourism in Hawaii.

A&B believes that, as of December 31, 2001, its exposure to market risk fluctuations for its financial instruments was not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Alexander & Baldwin, Inc. has the responsibility for preparing the accompanying consolidated financial statements and related notes accurately and objectively. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America, consistently applied, and necessarily include amounts based on judgments and estimates made by management. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

The Company maintains internal control systems, and related policies and procedures, designed to provide reasonable assurance that assets are safeguarded, 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 the consolidated 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 consolidated financial statements have been audited by Deloitte & Touche LLP, its 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 accounting principles generally accepted in the United States of America. Management has made available to Deloitte & Touche LLP all of the Company's financial records and related data. Furthermore, management believes that all representations made to Deloitte & Touche LLP during its audit were valid and appropriate.

The Board of Directors, through its Audit Committee (composed of non-employee directors), oversees management's responsibilities in the preparation of the consolidated 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.

W. Allen Doane

President and Chief Executive Officer

James S. Andrasick

\$\(\rightarrow\) nior Vice President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALEXANDER & BALDWIN, INC.:

We have audited the accompanying consolidated balance sheets of Alexander & Baldwin, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. 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 consolidated financial statements present fairly, in all material respects, the financial position of Alexander & Baldwin, Inc. and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company adopted a new accounting standard for reporting discontinued operations in 2001 and changed its method of accounting for vessel drydocking costs in 2000.

Delotte 2 Touche LLP

Deloitte & Touche LLP Honolulu, Hawaii January 24, 2002

ALEXANDER & BALDWIN, INC. CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per-share amounts)

	Year Ended December 31,					
		2001		2000		1999
Revenue:						
Ocean transportation	\$	787,173	\$	839,535	\$7	68,414
Property leasing		70,247		61,710		53,416
Property sales		88,911		46,158		47,894
Food products		105,976		102,229	1	13,680
Gain on sale of investments		125,478		_		
Interest and dividends	_	12,288	_	19,014		16,594
Total revenue	_	1,190,073	_	1,068,646	9	99,998
Costs and Expenses:						
Cost of transportation services		656,795		687,223	6	28,104
Cost of property sales and leasing services		101,000		47,366		51,764
Cost of agricultural goods and services		98,718		98,820	1	05,052
Selling, general and administrative		99,097		88,270		86,354
Impairment loss on long-lived assets and investments		28,600		_		15,410
Interest expense	_	18,658	_	24,252		17,774
Total costs and expenses	_1	1,002,868		945,931	9	04,458
Income From Continuing Operations Before Income Taxes and Cumulative						
Effect of Change in Accounting Method		187,205		122,715		95,540
Income taxes		67,392		44,391		32,961
Income From Continuing Operations Before Cumulative Effect of Change In						
Accounting Method		119,813		78,324		62,579
Discontinued operations, net of income taxes (See Notes 2 and 3)		(9,185)				_
(See Note 2)		_		12,250		_
Net Income	_	110,628	_	90,574		62,579
Unrealized holding gains (losses) and reclassification of realized gains on		,		,		,
securities (net of income taxes of \$36,371, \$7,525, and \$8,088)		(61,937)		12,476	(13,868)
Comprehensive Income	\$	48,691	\$	103,050	\$	48,711
Basic Earnings per Share of Common Stock:						
From continuing operations before cumulative effect of change in accounting	\$	2.96	\$	1.92	\$	1.45
Discontinued operations		(0.23)		_		
Accounting change		_		0.29		_
Net income	\$	2.73	\$	2.21	\$	1.45
Diluted Earnings per Share of Common Stock:	=		=			
From continuing operations before cumulative effect of change in accounting	\$	2.94	\$	1.91	\$	1.45
Discontinued operations	₩	(0.22)	₩		₩	
Accounting change		(0.22)		0.30		_
Net income	\$	2.72	\$		\$	1.45
Average Common Shares Outstanding	=	40,535	=	40,898	_	43,206
Average Common Shares Outstanding		то,эээ		₹0,020		TJ,∠UU

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year F	per 31,	
	2001	2000	1999
Cash Flows from Operations:			
Net income	\$ 110,628	\$ 90,574	\$ 62,579
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	75,433	72,304	73,901
Deferred income taxes	(7,389)	17,358	8,465
Gains on disposal of assets	(142,567)	(26,495)	(13,170)
Equity in (income) loss of affiliates	13,166	(6,859)	(3,002)
Write-down of long-lived assets and investments	44,797		15,410
Change in accounting method	_	(12,250)	_
Changes in assets and liabilities:		, , ,	
Accounts and notes receivable	2,250	(4,161)	(6,007)
Inventories	857	(1,219)	(1,326)
Prepaid expenses and other assets	7,823	(7,933)	(8,852)
Pension and post-retirement assets and obligations	(21,149)	(26,169)	(18,174)
Accounts and income taxes payable	62,205	9,305	10,436
Other liabilities	(2,766)	10,235	(3,408)
Real estate developments held for sale:	() ,	,	(-,,
Cost of real estate inventory sales	39,831	6,088	2,509
Expenditures for new real estate inventory	(32,151)	(16,500)	(9,982)
· · · · · · · · · · · · · · · · · · ·			
Net cash provided by operations	<u>150,968</u>	104,278	<u>109,379</u>
Cash Flows from Investing Activities:			
Capital expenditures for property and developments	(99,183)	(84,201)	(68,606)
Receipts from disposal of income producing property, investments and other			
assets	141,909	3,877	3,688
Deposits into Capital Construction Fund	(12,071)	(12,220)	(19,464)
Withdrawals from Capital Construction Fund	4,217	8,574	11,458
(Increase) decrease in investments—net	(1,700)	894	(3,285)
Net cash used in investing activities	33,172	(83,076)	(76,209)
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	6,000	98,500	39,500
Payments of long-term debt	(137,000)	(48,000)	(30,533)
Proceeds (payments) from short-term borrowings—net	(3,100)	10,500	(52,000)
Repurchases of capital stock	(2,270)	(48,260)	(34,824)
Proceeds from issuance of capital stock	4,558	2,961	101
Dividends paid	(36,488)	(36,785)	(38,899)
Net cash used in financing activities	(168,300)	(21,084)	(116,655)
Cash and Cash Equivalents:			/ ·
Net increase (decrease) for the year	15,840	118	(83,485)
Balance, beginning of year	3,451	3,333	86,818
Balance, end of year	<u>\$ 19,291</u>	\$ 3,451	\$ 3,333
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	\$ (19,546)	\$ (24,663)	\$ (17,772)
Income taxes paid, net of refunds	(20,961)	(31,807)	(34,213)
Non-cash Activities:	(20,501)	(31,007)	(31,213)
Tax-deferred property sales	29,963	35,569	34,883
Tax-deferred property saids	(42,257)	(22,703)	(34,907)
Transfer of assets to joint venture	(12,257)	(22,703)	16,438
Transfer of assets to joint venture			10,730

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC. CONSOLIDATED BALANCE SHEETS

(In thousands, except per-share amount)

	Dec	embe	per 31,		
	2001		2000		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 19,29 130,49 4,87	1	3,451 141,553 4,435		
Materials and supplies inventories	11,405 35,584	5	12,702 19,324		
Deferred income taxes Prepaid expenses and other assets A prepaid expenses and other assets	9,32 ⁴	4	13,186 18,736		
Accrued deposits to Capital Construction Fund	(4,000		(4,520)		
Total current assets Investments Real Estate Developments	220,014 33,021 47,840	1	208,867 183,141 62,628		
Property—net Capital Construction Fund	977,048 158,732	8	954,692 150,405		
Pension Assets Other Assets—net	63,300 44,459	0	50,476 55,803		
Total	\$1,544,419	9 \$	1,666,012		
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities Notes payable and current portion of long-term debt	\$ 19,900	O \$	30,500		
Accounts payable	78,91 17,058		63,075 18,170		
Uninsured claims Income taxes payable	13,017 42,899	9	11,514		
Post-retirement benefit obligations—current portion	2,31 ² 21,46 ²		2,213 27,534		
Total current liabilities	195,569) _	153,006		
Long-term Liabilities	207,378	Q	330,766		
Long-term debt Deferred income taxes Post-retirement benefit obligations	338,709 42,915	9	387,139 44,752		
Uninsured claims and other	49,18		56,698		
Total long-term liabilities	638,183	3 _	819,355		
Commitments and Contingencies Shareholders' Equity					
Capital stock—common stock without par value; authorized, 150,000 shares (\$.75 stated value per share); outstanding,					
40,529 shares in 2001 and 40,353 shares in 2000 Additional capital Unrealized holding gains on securities	33,328 66,659		33,248 58,007 61,937		
Retained earnings Cost of treasury stock	622,615 (11,935		552,637 (12,178)		
Total shareholders' equity	710,662	7	693,651		
Total	\$1,544,419	- = 9	\$1,666,012		

See notes to consolidated financial statements.

ALEXANDER & BALDWIN, INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the three years ended December 31, 2001

(In thousands, except per-share amounts)

Capital Stock

	Capital Stock						
	Issued In '		In T	reasury		Unrealized	
	Shares	Stated Value	Shares	Cost	Additional Capital	Holding Gains	Retained Earnings
Balance, December 31, 1998	48,132	\$36,098	4,104	\$(12,551)	\$51,946	\$ 63,329	\$555,820
Shares repurchased	(1,565)	(1,173)	_	_	_	_	(33,651)
Stock options exercised	5	4	_	_	97	_	_
Issued—incentive plans	7	4	(51)	147	1,081	_	_
Unrealized holding loss	_	_	_	_	_	(13,868)	_
Net income	_	_	_	_	_	_	62,579
Cash dividends							(38,899)
Balance, December 31, 1999	46,579	34,933	4,053	(12,404)	53,124	49,461	545,849
Shares repurchased	(2,378)	(1,783)	_	_	_	_	(46,477)
Stock options exercised	126	94	_	_	3,378	_	(524)
Issued—incentive plans	4	4	(75)	226	1,505	_	_
Unrealized holding gain	_	_	_	_	_	12,476	_
Net income	_	_	_	_	_	_	90,574
Cash dividends							(36,785)
Balance, December 31, 2000	44,331	33,248	3,978	(12,178)	58,007	61,937	552,637
Shares repurchased	(105)	(79)	_	_	_	_	(2,192)
Stock options exercised—net	207	155	_	_	6,908	_	(1,970)
Issued—incentive plans	4	4	(70)	243	1,744	_	_
Reversal of holding gains ¹	—	_	_	_	_	(61,937)	_
Net income	_	_	_	_	_	_	110,628
Cash dividends							(36,488)
Balance, December 31, 2001	44,437	\$33,328	3,908	\$(11,935)	\$66,659	\$	\$622,615

¹ See Note 5 for discussion of marketable equity securities sold during 2001.

ALEXANDER & BALDWIN, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Alexander & Baldwin, Inc. and all wholly owned subsidiaries ("Company"), after elimination of significant intercompany amounts. Significant investments in businesses, partnerships and joint ventures in which the Company does not have control are accounted for under the equity method. Generally, these are investments in businesses in which the Company's ownership is between 20 and 50 percent.

Segment Information: The Company has three operating segments: Ocean Transportation, Property Development and Management, and Food Products. The Company reports segment information in the same way that management assesses segment performance. Additional information regarding these segments is found in Note 14.

Cash and Cash Equivalents: Cash equivalents are composed of all highly liquid investments with an original maturity of three months or less and which have no significant risk of change in value.

Inventories: Raw sugar and coffee inventories 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. Materials and supplies inventories are carried at historical cost, which is not greater than replacement cost.

Property: Property is stated at cost. Expenditures for major renewals and betterments are capitalized. Replacements, maintenance and repairs that do not improve or extend asset lives are charged to expense as incurred. Gains or losses from property disposals are included in the determination of net income. As discussed in Note 2, the Company changed its accounting for drydocking costs in 2000. Costs of regularly scheduled drydocking of vessels and planned major vessel repairs performed during drydocking are capitalized and amortized over the periods benefited.

Coffee Orchards: Costs of developing coffee orchards are capitalized during the development period and depreciated over the estimated productive lives. In 1999, following the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company reduced the carrying value of its coffee orchards and field and factory processing equipment. This is described further in Note 4.

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

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

Depreciation: Depreciation is computed using the straight-line method. Estimated useful lives of property are as follows:

Classification	Range of Life (in years)
Buildings	10 to 50
Vessels	10 to 40
Marine containers	2 to 25
Terminal facilities	3 to 35
Machinery and equipment	3 to 35
Utility systems and other	5 to 60

Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term and long-term borrowings approximate their carrying values.

Fair Value of Real-Estate Assets: Real estate is carried at the lower of cost or fair value. Fair values generally are determined using the expected market value for the property, less sales costs. For residential units and lots held for sale, market value is determined by reference to the sales of similar property, market studies, tax assessments and cash flows. For commercial property, market value is determined using recent comparable sales, tax assessments and cash flows. A large portion of the Company's real estate is undeveloped land located in Hawaii on the Islands of Maui and Kauai. This land has a cost basis that averages approximately \$150 per acre, a value much lower than fair value.

Impairments of Long-lived Assets: Long-lived assets are reviewed for possible impairment when events or circumstances indicate that the carrying value may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. If this review determines that the recorded value will not be recovered, the amount recorded for the asset is reduced to estimated fair value. (See Note 4.)

Voyage Revenue Recognition: Voyage revenue and variable costs and expenses associated with voyages are included in income at the time each voyage leg commences. This method of accounting does not differ materially from other acceptable accounting methods. Freight rates are provided in tariffs filed with the Surface Transportation Board of the U.S. Department of Transportation.

Real Estate Sales Revenue Recognition: Sales are recorded when the risks and benefits of ownership have passed to the buyers (generally on closing dates), adequate down payments have been received, and collection of remaining balances is reasonably assured.

Sugar and Coffee Revenue Recognition: Revenue from bulk raw sugar sales is recorded when delivered to the cooperative of Hawaiian producers based on the estimated net return to producers in accordance with contractual agreements. Revenue from coffee is recorded when the title to the product and risk of loss passes to third parties (generally this occurs when the product is shipped or delivered to customers) and when collection is reasonably assured.

Non-voyage Ocean Transportation Costs: Vessel depreciation, charter hire, terminal operating overhead and general and administrative expenses are charged to expense as incurred.

Agricultural Costs: Costs of growing and harvesting sugar cane are charged to the cost of production in the year incurred and to cost of sales as raw sugar is delivered to the cooperative of Hawaiian producers as allowed in Statement of Position No. 85-3. Costs of growing coffee are charged to inventory in the year incurred and to cost of sales as coffee is sold.

Employee Benefit Plans: Certain ocean transportation subsidiaries are members of the Pacific Maritime Association (PMA) and the Hawaii Stevedoring Industry Committee, which negotiate multi-employer pension plans covering certain shoreside bargaining unit personnel. The subsidiaries directly 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 and defined contribution plans cover substantially all other employees.

Stock-based Compensation: As allowed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company has elected to continue to apply the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as discussed in Note 12.

Income Taxes: Deferred tax assets and liabilities are established for temporary differences between the way certain income and expense items are reported for financial reporting and tax purposes. Deferred tax assets and

liabilities are adjusted to the extent necessary to reflect tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for deferred tax assets for which realization is not likely.

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 calculation of Diluted Earnings per Share includes the effect of unexercised options to purchase the Company's stock.

Comprehensive Income: Comprehensive Income includes changes from either recognized transactions or other economic events, excluding capital stock transactions, which impact Shareholders' Equity. For the Company, the only difference between Net Income and Comprehensive Income is the unrealized holding gains on securities available for sale. Comprehensive Income is not used in the calculation of Earnings per Share. (See Note 5 for a discussion of the liquidation of marketable equity securities.)

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

Use of Estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future actual amounts could differ from those estimates.

Impact of Newly Issued Accounting Standards: On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes the accounting and reporting standards for derivative instruments and hedging activities. The adoption of this standard did not have a material effect on the consolidated financial statements.

In 2000, the Company adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." SFAS No. 140 provides standards for transfers and servicing of financial assets and extinguishments of liabilities using a financial-components approach that focuses on control. The adoption of this standard did not have a material effect on the consolidated financial statements.

SFAS No. 141 "Business Combinations" was issued in June 2001 and became effective in July 2001. This statement requires the purchase method of accounting for business combinations. This standard will affect how the Company accounts for new business combinations, but the adoption of the standard in 2001 had no effect on the Company's current year's consolidated financial statements.

SFAS No. 142 "Goodwill and Other Intangible Assets" was issued in June 2001 and is effective in January 2002. This statement addresses how intangible assets, including goodwill, should be accounted for in the consolidated financial statements. The new statement, which will be adopted by the Company in January, 2002, will not have a material effect on the consolidated financial statements.

SFAS No. 143 "Accounting for Asset Retirement Obligations" was issued in June 2001 and becomes effective in January 2003. This statement addresses accounting and reporting for obligations and costs which will occur when long-term assets are retired. Among other things, the statement requires that the present value of the liability associated with future asset retirements be recorded on the balance sheet when an obligation has been incurred and when it can be measured. The amortization of the capitalized cost and increases in the present value of the obligation which result from the passage of time, are recorded as charges to earnings. The possible financial impacts of this standard, when it is adopted by the Company in January 2003, are not yet known, but are being assessed.

Reclassifications: Certain amounts in the 2000 and 1999 consolidated financial statements have been reclassified to conform with the 2001 presentation.

2. CHANGES IN ACCOUNTING METHODS

2001—Adoption of New Accounting Standard for Reporting Discontinued Operations: SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued in August 2001 and becomes effective in January 2002. However, as permitted by the standard, the Company adopted SFAS No. 144 effective January 1, 2001. This statement replaces previous accounting standards related to asset impairments and provides guidance concerning the recognition and measurement of impairment losses for certain types of long-term assets. The statement recommends the use of probability-weighted cash flow estimations, precludes accruing future operating losses prior to asset disposal, expands the scope of "discontinued operations" to include a component of an entity, and eliminates the current exemption to consolidation when control over a subsidiary is likely to be temporary. The statement changes how the Company analyzes and accounts for asset impairments and discontinued operations, but, upon adoption, it had no immediate financial impacts. During the fourth quarter of 2001, the Company recorded a loss from the abandonment of its panelboard manufacturing facility, which it classified as Discontinued Operations. This is described in Note 3 to the consolidated financial statements.

2000—Change in Accounting Method for Vessel Drydocking Costs: The Company changed its method of accounting for vessel drydocking costs, as of January 1, 2000, from the accrual method to the deferral method. Drydocking costs had been accrued as a liability and an expense on an estimated basis, in advance of the next scheduled drydocking. Subsequent payments for drydocking were charged against the accrued liability. Under the deferral method, actual drydocking costs are capitalized when incurred and amortized over the period benefited; generally, this is the period between scheduled drydockings. This method eliminates the uncertainty of estimating these costs. This change was made to conform with prevailing industry accounting practices. The cumulative effect of this accounting change, as of January 1, 2000, is shown separately in the Consolidated Statements of Income and increased net income by \$12,250,000 (net of income tax expense of \$7,668,000), or \$0.29 per basic share.

The effect of this change in accounting method on the balance sheets, as of December 31, 2000, was to increase other assets by \$4,765,000, eliminate drydocking reserves of \$15,153,000, increase deferred taxes by \$7,668,000, and increase shareholders' equity by \$12,250,000. Had this change been applied retroactively, the impact on net income for 1999 would not have been materially different from reported net income.

2000—Change in Accounting for Certain Revenues and Expenses: The Company changed its method of presentation for certain freight services that are performed by third parties and billed by the Company to its customers. The expenses and related revenue for these services previously were reported on a net basis and were not reflected in the Consolidated Statements of Income. Accordingly, operating revenue and expenses for 2000 and 1999 were increased by \$38,059,000 and \$31,874,000, respectively. For 2001, the amount billed for these services was approximately \$32,764,000.

The Company also changed its method of presentation for common area maintenance (CAM) costs. These costs, which are incurred by the Company but which are charged to tenants under various lease arrangements, previously were netted against Property Leasing Revenue. The Company now records CAM amounts in Costs of Leasing Services in the Consolidated Statements of Income. Accordingly, Property Leasing Revenue and Costs of Leasing Services for 2000 and 1999 were increased by \$11,246,000 and \$8,852,000, respectively. For 2001, the CAM costs totaled \$12,207,000.

These two changes were in response to the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," which provides guidance about the classification, on a gross basis, of revenues and expenses. These changes had no effect on earnings or segment operating profit.

3. DISCONTINUED OPERATIONS

The Company ceased the operations of and abandoned its panelboard manufacturing business operated by Hawaiian DuraGreen, Inc., a wholly-owned subsidiary ("DuraGreen"). This subsidiary constructed a production

facility during 1999 and 2000 with an initial capital investment of approximately \$12,500,000. DuraGreen produced a panelboard product using bagasse, a byproduct in the production of raw cane-sugar, for use in various furniture and construction applications. After nearly a year of production issues, poor operating results and weaknesses in the panelboard market, management determined that the Company's investment in the business will not be recovered and profitability could not be achieved. The 2001 loss from Discontinued Operations includes operating losses and closure costs of \$2,964,000 and a \$11,387,000 write-down of the production assets to their estimated salvage value, net of a total income tax benefit of approximately \$5,166,000. There were no operations in prior years. The Consolidated Balance Sheet at December 31, 2000 included assets of \$11,616,000 for DuraGreen. This amount principally was machinery and equipment.

4. IMPAIRMENT OF LONG-LIVED ASSETS AND INVESTMENTS

2001—As described in Note 5, the Company holds common and preferred stock holdings in C&H Sugar Company, Inc. ("C&H"). As a result of operating losses and declining cash flows at C&H, combined with adverse market changes, the Company concluded that C&H's estimated future earnings and cash flows would not allow recovery of the carrying value of the Company's investments. This loss in value was considered an "other than temporary" impairment condition; accordingly, the carrying values of the investments were written down by \$28,600,000 during the fourth quarter of 2001. The loss includes a write-down of the common stock and junior preferred stock values to zero, and a write-down of the senior preferred stock to approximately \$11,500,000. The amount of the write-down was based on the valuation of the common, and junior and senior preferred stocks, as conducted by an independent valuation firm. Accepted valuation practices were utilized in determining these investments' fair values, including the market and income approaches, discounted cash flow method, and market yield analysis. The valuation considered the Company's minority position, the illiquidity of these types of investments in the public market, the ability of future cash flows to fund future debt and preferred obligations, and sugar industry conditions. The Company has no current plans to divest or sell its investments in C&H.

2001—The Company wrote off \$4,823,000 for power generation equipment that is being removed from service. This equipment was no longer needed in the Company's cane sugar refining operations on Maui, due to changes in factory and power generation processes.

1999—The Company began growing coffee in Hawaii in 1987 as an alternative crop to sugar cane. Since inception, the Company's coffee operation generated operating losses and negative cash flows. During the second half of 1999, the Company significantly reduced the coffee workforce and changed its coffee marketing and selling plans. To exacerbate the problem, coffee commodity prices dropped significantly in 1999, due to an oversupply of coffee in the marketplace. Because of continuing cash-flow losses, the ongoing viability of the coffee operation was evaluated again. As a result, the Company determined that the estimated future cash flows of the coffee operation were less than the carrying value of its productive assets, consisting mainly of orchards and field and processing equipment. Accordingly, a \$15,410,000 (pre-tax) charge was recorded to write down these productive assets to their fair value (i.e., present value of estimated future cash flows).

5. INVESTMENTS

At December 31, 2001 and 2000, investments consisted principally of marketable equity securities, equity in affiliated companies, limited partnership interests and purchase-money mortgages, as follows:

	2001	2000
	(in thousands)	
Equity in Affiliated Companies:		
SSA Terminals, LLC (SSAT)	\$16,033	\$ 21,867
C&H Sugar Company, Inc. (C&H)	11,504	41,705
Sea Star Line, LLC (Sea Star)	1,854	7,586
Other	300	300
Marketable Equity Securities	_	108,069
Limited Partnership Interests, Purchase-money Mortgages and Other	3,330	3,614
Total Investments	\$33,021	\$183,141

Marketable Equity Securities: The marketable equity securities are classified as "available for sale" and are stated at quoted market values as traded on national exchanges. The unrealized holding gains on these securities and the reclassification of gains previously included in Comprehensive Income, net of deferred income taxes, have been recorded as a separate component of Shareholders' Equity and are included in Comprehensive Income.

In May, 2001, BNP Paribas SA, France's largest bank, announced that, subject to regulatory, shareholder and other approvals, it would purchase the remaining 55 percent of BancWest Corporation ("BancWest") which it did not already own for \$35 per share. This offer was 40% higher than the market price of BancWest's stock at the time of the offer. When the offer was made, the Company owned 3,385,788 shares of BancWest. The transaction closed during the fourth quarter of 2001. As a result of the sale, the Company received cash of \$118,503,000, recorded a pre-tax gain of \$110,338,000, and recognized an after-tax gain of approximately \$68,410,000 (\$1.69 per basic share.)

During 2001, the Company also divested its holdings in Pacific Century Financial Corporation ("Pacific Century"). This was completed through the donation of 360,000 shares to the Company's charitable foundation and the sales of 749,000 shares of the stock. The fair value of the donated stock was approximately \$7,500,000 and the historical cost basis was approximately \$500,000. The net expense related to this contribution was \$500,000 and is included in "Selling general and administrative expenses" in the 2001 consolidated financial statements. The Company received \$16,219,000 for the sales of the shares, recognized a pre-tax gain of \$15,140,000 and recorded an after-tax gain of \$9,378,000 (\$0.23 per basic share).

The changes in the net unrealized holding gains (losses) for the three years ended December 31, 2001 were as follows:

	2001	2000	1999
	(in thousands)		
Holding gains (losses) arising during year, net of deferred income tax	\$ 15,851	\$12,476	\$(13,868)
in Comprehensive Income, net of income tax	(77,788)		
Total	\$(61,937)	\$12,476	\$(13,868)

As described above, the marketable equity investments were divested during 2001. Accordingly there was no balance in unrealized holdings at year-end 2001. The components of the net unrealized holding gains, as noted on the Consolidated Balance Sheet at December 31, 2000, were as follows:

	2000
Market value	(in thousands) \$108,069 9,761
Unrealized holding gains Less deferred income taxes	98,308
Net unrealized holding gains	\$ 61,937

Equity in Affiliated Companies: In 1998, the Company sold a majority interest in C&H. Following the sale, the Company retained approximately 36 percent of the common stock, 40 percent of the junior preferred stock and all of the senior preferred stock of C&H. Dividends on the senior and junior preferred stocks are cumulative. Through December 2003, dividends on the senior preferred stock may be paid either in cash or by issuance of additional shares of senior preferred stock. C&H must redeem from the Company, at one thousand dollars per share, the outstanding senior preferred stock in December 2009 and outstanding junior preferred stock in December 2010. C&H was included in the consolidated results of the Company up to the date of the sale. The Company accounts for its investment in C&H under the equity method. See Note 4 for a discussion of the 2001 impairment loss related to this investment which resulted from an other than temporary decline in value. Financial information for C&H as of and for the years ended December 31, 2001 and 2000 follows:

Condensed Balance Sheets		
	2001	2000
	(in thousands)	
Assets:		
Current	\$103,699	\$125,735
Property and other	116,293	129,529
Total	\$219,992	\$255,264
Liabilities and Shareholders' Equity:		
Current	\$ 35,030	\$ 63,470
Long-term debt and other	139,737	124,941
Shareholders' equity, including preferred stock	45,225	66,853
Total	\$219,992	\$255,264
Condensed Statements of Income		
	2001	2000
	(in thousands)	
Revenue	\$427,350	\$413,153
Cost and Expenses	433,864	409,839
Net (Loss) Income	\$ (6,514)	\$ 3,314

Matson, a wholly owned subsidiary of the Company, has a minority interest investment in a limited liability corporation (LLC) with Saltchuk Resources, Inc. and International Shipping Agency, Inc., named Sea Star Line, LLC, which operates an ocean transportation service between Florida and Puerto Rico. Matson has guaranteed obligations of \$31,500,000 of this unconsolidated affiliate and chartered two vessels to Sea Star Line, LLC. Subsequent to 2001 year-end, Matson sold the two vessels to Sea Star for an aggregate sales price of \$17,000,000, which was the approximate carrying value of the vessels at 2001 year end. This amount is included in "Real estate and other assets held for sale" on the Consolidated Balance Sheet at December 31, 2001. This investment represents a minority interest and is accounted for under the equity method.

Matson is part owner of an LLC with Stevedoring Services of America, named SSA Terminals, LLC, which provides stevedoring and terminal services at six terminals in three West Coast ports to the Company and other shipping lines. This investment represents a minority interest and is accounted for under the equity method. During 1999, Matson contributed assets with a value of \$16,438,000 in connection with the formation of SSAT. The "Cost of transportation services" included approximately \$89,551,000, \$99,151,000 and \$46,856,000, for 2001, 2000 and 1999, respectively, paid to this unconsolidated affiliate for terminal services.

The Company's equity in income (loss) of unconsolidated affiliates for the three years ended December 31, 2001 was \$(8,778,000), \$6,859,000, and \$3,002,000, respectively.

Limited Partnership Interests and Purchase-money Mortgages: The investments in limited partnerships are recorded at the lower of cost or fair value and purchase-money mortgages are recorded at cost. The purchase-money mortgages are intended to be held to maturity. The values of the investments in limited partnerships are assessed annually.

See Note 7 for a discussion of fair values of investments in the Capital Construction Fund.

6. PROPERTY

Property on the Consolidated Balance Sheets includes the following:

	2001	2000	
	(in thousands)		
Vessels	\$ 694,618	\$ 770,352	
Machinery and equipment	545,298	534,894	
Buildings	317,068	271,314	
Land	104,135	95,195	
Water, power and sewer systems	87,915	80,084	
Other property improvements	67,645	56,355	
Total	1,816,679	1,808,194	
Less accumulated depreciation and amortization	839,631	853,502	
Property—net	\$ 977,048	\$ 954,692	

7. CAPITAL CONSTRUCTION FUND

Matson 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 and certain related equipment 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 December 31, 2001, the oldest CCF deposits date from 1994. Management believes that all amounts on deposit in the CCF at the end of 2001 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, Matson 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 Consolidated Balance Sheets either as obligations of the Company's current assets or as receivables from the CCF.

The Company has classified its investments in the CCF as "held-to-maturity" and, accordingly, has not reflected temporary unrealized market gains and losses on the Consolidated Balance Sheets or Consolidated 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, 2001 and 2000, the balances on deposit in the CCF are summarized as follows:

		2001			2000	
	(in thousands)					
	Amortized Cost	Fair Value	Unrealized Gain	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Mortgage-backed securities	\$ 26,180	\$ 26,983	\$ 803	\$ 32,302	\$ 32,281	\$ (21)
Cash and cash equivalents	128,557	129,161	604	113,583	113,871	288
Accrued deposits	4,000	4,000	_	4,520	4,520	_
Total	\$158,737	\$160,144	\$1,407	\$150,405	\$150,672	\$ 267

Fair value of the mortgage-backed securities was determined by an outside investment management company, based on experience trading identical or substantially similar securities. No central exchange exists for these securities; they are traded over-the-counter. The Company earned \$2,476,000 in 2001, \$2,654,000 in 2000, and \$3,152,000 in 1999 on its investments in mortgage-backed securities. The fair values of other CCF investments are based on quoted market prices. These other investments mature no later than January 9, 2004. One security classified as "held to maturity" was sold during 2001 for a loss of \$42,800. In 2000, three securities classified as "held-to-maturity" were sold for a combined loss of \$48,400. These securities no longer met authorized credit requirements.

8. NOTES PAYABLE AND LONG-TERM DEBT

At December 31, 2001 and 2000, long-term debt consisted of the following:

	2001	2000
	(in thousands)	
Commercial paper, 2001 high 6.79%, low 1.88%	\$ 99,878	\$ 99,766
Bank variable rate loans, due after 2001, 2001 high 7.13%, low 2.17%	17,400	136,500
Term loans:		
7.38%, payable through 2007	45,000	52,500
7.42%, payable through 2010	20,000	20,000
7.43%, payable through 2007	15,000	15,000
7.57%, payable through 2009	15,000	15,000
7.55%, payable through 2009	15,000	15,000
7.65%, payable through 2001		7,500
Total	227,278	361,266
Less current portion	19,900	30,500
Long-term debt	<u>\$207,378</u>	\$330,766

Commercial Paper: At December 31, 2001, \$99,878,000 of commercial paper notes was outstanding under a commercial paper program used by a subsidiary to finance the construction of a vessel. Maturities ranged from 6 to 56 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.

Variable Rate Loans: The Company has a revolving credit and term loan agreement with six commercial banks, whereby it may borrow up to \$185,000,000 under revolving loans through November 2004, at market rates of interest. Any revolving loan outstanding on that date may be converted into a term loan, which would be payable in four 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 and total debt to earnings before interest, depreciation, amortization and taxes of 3:1. At December 31, 2000, \$113,500,000 was outstanding under this agreement. No amount was drawn on this facility at December 31, 2001.

The Company has an uncommitted \$70,000,000 short-term revolving credit agreement with a commercial bank. The agreement extends through November 2002, but may be canceled by the bank or the Company at any time. The

amount which the Company may draw under the facility is reduced by the amount drawn against the bank under the previously referenced \$185,000,000 multi-bank facility, in which it is a participant, and by letters of credit issued under the \$70,000,000 uncommitted facility. At December 31, 2001 and 2000, \$5,000,000 and \$7,500,000, respectively, were outstanding under this agreement. Under the borrowing formula for this facility, the Company could have borrowed an additional \$59,477,000 at December 31, 2001.

Matson has two revolving credit agreements totaling \$90,000,000 with commercial banks. The first facility is a \$50,000,000 two-year revolving credit agreement which expires in September 2003. At December 31, 2001, no amounts were drawn on this facility. At December 31, 2000, \$15,500,000 was outstanding. The second facility is a two-year \$40,000,000 revolving credit agreement which was entered into during 2001 and which expires in January 2003. At December 31, 2001, \$12,400,000 was drawn on this new facility.

Matson also has a \$25,000,000 one-year revolving credit agreement with a commercial bank, expiring in November 2002, which serves as a commercial paper liquidity back-up line. At December 31, 2001 and 2000, no amounts were outstanding under this agreement.

Other Debt Agreements: During 2001, the Company completed a private shelf agreement for \$50,000,000, which expires in April 2004. At December 31, 2001, no amount had been drawn on this facility. Also in 2001, Matson entered into a \$50,000,000 private shelf offering which expires in June 2004. No amounts were drawn on that facility at year end. An uncommitted \$25,000,000 revolving credit agreement with a commercial bank expired in May 2001.

Long-term Debt Maturities: At December 31, 2001, maturities and planned prepayments of all long-term debt during the next five years are \$19,900,000 for 2002, \$9,643,000 for 2003, \$12,500,000 for 2004, \$17,500,000 for 2005 and \$17,500,000 for 2006.

Interest Rate Risk: The Company is exposed to changes in U.S. interest rates, primarily as a result of its borrowing and investing activities used to maintain liquidity and to fund business operations. In order to manage its exposure to changes in interest rates, the Company utilizes a balanced mix of debt maturities, along with both fixed-rate and variable-rate debt. The Company does not hedge its interest rate exposure. The nature and amount of the Company's long-term and short-term debt can be expected to fluctuate as a result of future business requirements, market conditions and other factors. The following table summarizes the Company's debt obligations at December 31, 2001, presenting principal cash flows and related interest rates by expected fiscal year of maturity. Variable interest rates represent the weighted-average rates of the portfolio at December 31, 2001. The Company estimates that the carrying value of its debt is not materially different from its fair value.

	Expected Fiscal Year of Maturity at December 31, 2001							
	2002	2003	2004	2005	2006	Thereafter	Total	
	(dollars in thousands)							
Fixed rate	\$ 7,500	\$9,643	\$12,500	\$17,500	\$17,500	\$ 45,357	\$110,000	
Average interest rate	7.17%	7.33%	7.38%	7.42%	7.45%	7.49%		
Variable rate	\$12,400					\$104,878	\$117,278	
Average interest rate	2.20%	_				2.04%		

9. LEASES

The Company as Lessee: Principal operating leases include land, office and terminal facilities, containers and equipment, leased for periods which expire between 2003 and 2052. 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 \$19,748,000, \$19,741,000, and \$28,343,000 for the years ended December 31, 2001, 2000, and 1999, respectively.

Future minimum payments under operating leases as of December 31, 2001 were as follows:

	Operating Leases
	(in thousands)
2002	\$ 12,843
2003	12,699
2004	12,556
2005	8,848
2006	7,814
Thereafter	91,761
Total minimum lease payments	\$146,521

The Company is obligated to pay terminal facility rent equal to the principal and interest on Special Facility Revenue Bonds issued by the Department of Transportation of the State of Hawaii. Interest on the bonds is payable semi-annually and principal, in the amount of \$16,500,000, is due in 2013. An accrued liability of \$10,431,000 and \$9,887,000 at December 31, 2001 and 2000, respectively, included in other long-term liabilities, provides for a pro-rata portion of the principal due on these bonds.

The Company as Lessor: The Company leases land, buildings, land improvements, and five vessels under operating leases. Two of the vessels were chartered to an unconsolidated affiliate and were sold to that affiliate in January 2002 (see Note 5). The historical cost of and accumulated depreciation on leased property at December 31, 2001 and 2000 were as follows:

	2001	2000
	(in thou	ısands)
Leased property	\$653,200	\$621,860
Less accumulated amortization	173,269	154,467
Property under operating leases—net	\$479,931	\$467,393

Total rental income under these operating leases for the three years ended December 31, 2001 was as follows:

	2001	2000	1999
	(i	in thousands)	
Minimum rentals	\$105,251	\$ 98,607	\$93,275
Contingent rentals (based on sales volume)	2,481	1,917	1,244
Total	\$107,732	\$100,524	\$94,519

Future minimum rental income on non-cancelable leases at December 31, 2001 was as follows:

	Operating Leases
	(in thousands)
2002	\$ 96,807
2003	90,028
2004	81,757
2005	75,112
2006	26,586
Thereafter	151,375
Total	\$521,665

10. EMPLOYEE BENEFIT PLANS

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

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

The status of the funded defined benefit pension plans and the unfunded accumulated post-retirement benefit plans, at December 31, 2001, 2000, and 1999 is shown in the table on page 46.

The net periodic benefit cost for the defined benefit pension plans and the post-retirement health care and life insurance benefit plans during 2001, 2000, and 1999 is summarized in the table on page 46.

The assumptions used to determine the benefit information were as follows:

	Pen	sion Benef	its	Other Post-retirement Benefits		
	2001	2000	1999	2001	2000	1999
Discount rate	7.25%	7.75%	7.75%	7.25%	7.75%	7.75%
Expected return on plan assets	9.00%	9.00%	9.00%			
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

For the 2001 post-retirement benefit measurement purposes, a ten percent annual rate of increase in the per capita cost of covered health care benefits was assumed through 2001. The rate was assumed to decrease by one percent per year through 2005 and then remain at five percent thereafter. For the 2000 measurement purposes, a ten percent annual rate of increase was assumed through 2001, after which a constant five percent rate was assumed. Unrecognized gains and losses of the post-retirement benefit plans are amortized over five years.

If the assumed health care cost trend rate were increased or decreased by one percentage point, the accumulated post-retirement benefit obligation, as of December 31, 2001, 2000, and 1999 and the net periodic post-retirement benefit cost for 2001, 2000 and 1999, would have increased or decreased as follows:

	Other Post-retirement Benefits One Percentage Point					
	Increase Decreas			Decrease	e	
	2001	2000	1999	2001	2000	1999
			(in the	ousands)		
Effect on total of service and interest cost components	\$ 296	\$ 196	\$ 416	\$ (244)	\$ (226)	\$ (347)
Effect on post-retirement benefit obligation	\$3,856	\$1,664	\$4,062	\$(3,199)	\$(2,278)	\$(3,388)

The assets of the defined benefit pension plans consist principally of listed stocks and bonds. Contributions are determined annually for each plan by the Company's pension administrative committee, based upon the actuarially determined minimum required contribution under the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 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 \$13,807,000 and \$12,597,000 at December 31, 2001 and 2000, respectively.

Total contributions to the multi-employer pension plans covering personnel in shoreside and seagoing bargaining units were \$4,028,000 in 2001, \$3,027,000 in 2000, and \$4,367,000 in 1999. Union collective bargaining agreements provide that total employer contributions during the terms of the agreements must be sufficient to meet the normal costs and amortization payments required to be funded during those periods. Contributions are generally based on union labor paid or cargo volume. A portion of such contributions is for unfunded accrued actuarial liabilities of the plans being funded over periods of 25 to 40 years, which began between 1967 and 1976.

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

Under special rules approved by the PBGC and adopted by the Pacific Coast longshore plan in 1984, the Company could cease Pacific Coast cargo-handling operations permanently and stop contributing to the plan without any withdrawal liability, provided that the plan meets certain funding obligations as defined in the plan. The estimated withdrawal liabilities under the Hawaii longshore plan and the seagoing plans aggregated approximately \$2,465,000 as of December 31, 2001, 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.

	Pension Benefits			Other Po	t Benefits	
	2001	2000	1999	2001	2000	1999
			(in thousa	nds)		
Change in Benefit Obligation						
Benefit obligations at beginning of year	\$ 235,000	\$ 218,189	\$ 229,573	\$ 37,910	\$ 47,836	\$ 55,298
Service cost	4,844	4,877	5,705	443	504	892
Interest cost	17,549	16,882	15,013	2,720	2,939	3,460
Plan participants' contributions	12 120	(2.01.6)	(25.177)	1,137	1,165	1,423
Actuarial (gain) loss	13,130	(2,016)	(25,177)	2,314	(2,652)	(8,198)
Benefits paid Amendments	(14,094) 498	(13,146) 1,137	(12,109) 10,129	(3,452)	(3,635)	(4,320)
Settlements	— T20	8,602	(1,304)	_	(8,247)	_
Curtailments	_	0,002	(3,823)		(0,277)	(719)
Special or contractual termination benefits	_	475	182			(717)
•						
Benefit obligation at end of year	256,927	235,000	218,189	41,072	37,910	47,836
Change in Plan Assets						
Fair value of plan assets at beginning of year	364,299	381,090	338,267		_	_
Actual return on plan assets	(35,747)	(3,645)	56,236	_	_	_
Settlements			(1,304)	_	_	_
Employer contribution	135			_		_
Benefits paid	(14,094)	(13,146)	(12,109)			
Fair value of plan assets at end of year	314,593	364,299	381,090			
Accrued Asset (Obligation)						
Plan assets less benefit obligation	57,666	129,299	162,901	(41,072)	(37,910)	(47,836)
Unrecognized net actuarial gain	(4,963)	(91,307)	(135,670)	(4,232)	(9,134)	(15,841)
Unrecognized transition asset	_	(63)	(183)	_	_	_
Unrecognized prior service cost	10,597	12,547	13,939	72	79	32
Accrued asset (obligation)	\$ 63,300	\$ 50,476	\$ 40,987	\$(45,232)	\$(46,965)	\$(63,645)
Components of Net Periodic						
Benefit Cost/(Income)						
Service cost	\$ 4,844	\$ 4,877	\$ 5,705	\$ 443	\$ 504	\$ 892
Interest cost	17,549	16,882	15,013	2,720	2,939	3,460
Expected return on plan assets	(32,107)	(33,651)	(29,922)			
Recognition of net gain	(5,360)	(9,083)	(4,251)	(2,522)	(2,872)	(2,644)
Amortization of prior service cost	2,448	2,528	905	7	7	8
Amortization of unrecognized transition asset	(63)	(119)	(713)	_	_	_
Recognition of settlement (gain)/loss		8,602	(53)	_	(14,800)	_
Recognition of curtailment gain			(3,641)			(292)
Net periodic benefit cost/(income)	\$ (12,689)	\$ (9,964)	\$ (16,957)	\$ 648	\$(14,222)	\$ 1,424
Cost of termination benefits recognized	\$	\$ 475	\$ 182	\$	\$	\$

11. INCOME TAXES

The income tax expense for the three years ended December 31, 2001 consisted of the following:

	2001	2000	1999
		in thousands)
Current: Federal State	\$65,881 8,900	\$26,186 847	\$21,035 3,461
Current	74,781 (7,389)	27,033 17,358	24,496 8,465
Income tax expense	\$67,392	\$44,391	\$32,961

Income tax expense for the three years ended December 31, 2001 differs from amounts computed by applying the statutory federal rate to pre-tax income, for the following reasons:

	2001	2000	1999
	(in thousands)	,
Computed federal income tax expense	\$65,522	\$42,950	\$33,439
State tax on income, less applicable federal tax	5,285	2,968	3,790
Low-income housing credits	(859)	(1,124)	(1,161)
Dividend exclusion	(867)	(954)	(860)
Prior years' tax settlement	_	_	(2,815)
Fair market value over cost of donations	(1,481)	_	_
Other—net	(208)	551	568
Income tax expense	\$67,392	\$44,391	\$32,961

The tax effects of temporary differences that give rise to significant portions of the net deferred tax liability at December 31, 2001 and 2000 were as follows:

	2001	2000	
	(in thousands)		
Property basis and depreciation	\$166,810	\$180,895	
Tax-deferred gains on real estate transactions	106,993	104,033	
Capital Construction Fund	61,998	58,704	
Unrealized holding gains on securities	_	36,371	
Pensions	24,720	19,447	
Post-retirement benefits	(17,331)	(17,900)	
Insurance reserves	(9,301)	(10,740)	
Other—net	(4,504)	3,143	
Total	\$329,385	\$373,953	

The Internal Revenue Service (IRS) completed its examination of the Company's tax returns through 1997. The IRS is currently auditing the Company's tax returns for 1998 and 1999. Management believes that the outcome of the current audit will not have a material effect on the Company's financial position or results of operations.

12. STOCK OPTIONS

Employee Stock Option Plans: The Company has two stock option plans under which key employees are granted options to purchase shares of the Company's common stock. There are no longer any outstanding options under a third plan, which terminated in 1993.

Adopted in 1998, the Company's 1998 Stock Option/Stock Incentive Plan ("1998 Plan") provides for the issuance of non-qualified stock options to employees of the Company. Under the 1998 Plan, option prices may not be less than the fair market value of the Company's common stock on the dates of grant, the options become exercisable over periods determined, at the dates of grant, by the committee that administers the plan (generally ratably over three years), and the options generally expire ten years from the date of grant. Payments for options exercised may be made in cash or in shares of the Company's stock. If an option to purchase shares is exercised within five years of the date of grant and if payment is made in shares of the Company's stock, the option holder may receive, under a reload feature, a new stock option grant for such number of shares as is equal to the number surrendered, with an option price not less than the greater of the fair market value of the Company's stock on the date of exercise or one and one-half times the original option price.

Adopted in 1989, the Company's 1989 Stock Option/Stock Incentive Plan ("1989 Plan") is substantially the same as the 1998 Plan, except that each option is generally exercisable in-full one year after the date granted. The 1989 Plan terminated in January 1999, but options granted through 1998 remain exercisable.

The 1998 and 1989 Plans also permit the issuance of shares of the Company's common stock as a reward for past service rendered to the Company or one of its subsidiaries or as an incentive for future service with such entities. The recipients' interest in such shares may be vested fully upon issuance or may vest in one or more installments, upon such terms and conditions as are determined by the committee which administers the plans. The number of incentive shares issued during 2001 or outstanding at the end of the year was not material.

Director Stock Option Plans: The Company has two Directors' stock option plans. Under the 1998 Non-Employee Director Stock Option Plan ("1998 Directors' Plan"), each non-employee Director of the Company, elected at an Annual Meeting of Shareholders, is automatically granted, on the date of each such Annual Meeting, an option to purchase 3,000 shares of the Company's common stock at the fair market value of the shares on the date of grant. Each option to purchase shares becomes exercisable in three successive annual installments of 1,000 shares beginning one year after the date granted.

The 1989 Non-Employee Directors Stock Option Plan ("1989 Directors' Plan") is substantially the same as the 1998 Directors' Plan, except that each option generally becomes exercisable in-full one year after the date granted. This plan terminated in January 1999, but options granted through termination remain exercisable.

Changes in shares and the weighted average exercise prices for the three years ended December 31, 2001, were as follows:

	Employee Plans			Directo	rs' Plans		Weighted
	1998 Plan	1989 Plan	1983 Plan	1998 Directors' Plan	1989 Directors' Plan	Total Shares	Average Exercise Price
			(shar	res in thousands	s)		
December 31, 1998	100	3,263	161	_	204	3,728	\$26.69
Granted	515	_	_	24	_	539	\$20.65
Exercised	_	(4)	_	_	_	(4)	\$22.02
Canceled	(2)	(373)	(161)	_	(15)	(551)	\$29.16
December 31, 1999	613	2,886	_	24	189	3,712	\$25.43
Granted	511	_	_	24	_	535	\$21.70
Exercised	(7)	(139)	_	_	_	(146)	\$23.79
Canceled	(31)	(340)		_	(21)	(392)	\$29.49
December 31, 2000	1,086	2,407	_	48	168	3,709	\$24.52
Granted	590	_	_	24	_	614	\$27.23
Exercised	(35)	(244)	_	_	_	(279)	\$23.53
Canceled	(14)	(21)		_	(21)	(56)	\$25.81
December 31, 2001	1,627	2,142		72	147	3,988	\$24.99
Exercisable	550	2,142	_	24	147	2,863	\$25.19

As of December 31, 2001, the Company had reserved 431,000 and 58,000 shares of its common stock for the exercise of options under the 1998 Plan and 1998 Directors' Plan, respectively. Additional information about stock options outstanding as of 2001 year-end is summarized below:

Range of Exercise Price	Shares Outstanding as of 12/31/2001	Weighted Average Remaining Contractual Years	Weighted Average Exercise Price	Shares Exercisable as of 12/31/2001	Weighted Average Price of Exercisable Options
		(shar	es in thousan	ds)	
\$0.00	16	9.1	\$ 0.00	_	_
\$20.01 – 22.00	1,170	6.3	\$21.31	682	\$21.31
\$22.01 – 24.00	445	4.3	\$23.07	360	\$23.05
\$24.01 – 26.00	382	1.6	\$24.37	378	\$24.36
\$26.01 – 28.00	1,025	3.3	\$27.05	1,025	\$27.05
\$28.01 – 30.00	852	5.7	\$28.33	320	\$28.35
\$30.01 – 34.88	98	0.8	\$33.51	98	\$33.51
\$ 0.00 – 34.88	3,988	4.7	\$24.99	2,863	\$25.19

Accounting Method for Stock-based Compensation: The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, to account 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. Pro forma information regarding net income and earnings per share is required, using the fair value method, by SFAS No. 123, "Accounting for Stock-based Compensation."

The fair value of options granted for each of the three years ended December 31, 2001, reported below, has been estimated using a Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options which do not have vesting requirements and which are fully transferable. The Company's options have characteristics significantly different from those of traded options. The following assumptions were used in determining the pro forma amounts:

	2001	2000	1999
Stock volatility	25.2%	25.0%	24.8%
Expected term from grant date (in years)	6.2	6.7	6.5
Risk-free interest rate	4.5%	6.0%	5.0%
Forfeiture discount	2.6%	0.3%	0.2%
Dividend yield	3.3%	3.4%	4.0%

Based upon the above assumptions, the computed annual weighted average fair value of employee stock options granted during 2001, 2000, and 1999 was \$6.22, \$5.54, and \$4.63, respectively, per option.

Had compensation cost for the stock options granted during the past three years been based on the estimated fair value at grant dates, as prescribed by SFAS No. 123, the Company's pro forma net income and net income per share would have been as follows:

		2001		2000		1999
	(in thousands, except per share a			re amo	amounts)	
Net Income:						
As reported	\$1	10,628	\$ 9	0,574	\$6	2,579
Pro forma	\$10	08,848	\$8	9,060	\$6	1,108
Net Income Per Share:						
Basic, as reported	\$	2.73	\$	2.21	\$	1.45
Basic, pro forma	\$	2.69	\$	2.18	\$	1.41
Diluted, as reported	\$	2.72	\$	2.21	\$	1.45
Diluted, pro forma	\$	2.67	\$	2.17	\$	1.42

The pro forma disclosures of net income and earnings per share are not likely to be representative of the pro forma effects on future net income or earnings per share, because the number of future shares which may be issued is not known, shares vest over several years, and assumptions used to determine the fair value can vary significantly.

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

13. RELATED PARTY TRANSACTIONS, COMMITMENTS AND CONTINGENCIES

At December 31, 2001, the Company and its subsidiaries had an unspent balance of total appropriations for capital expenditures of approximately \$77,633,000. However, there are no contractual obligations to spend this entire amount.

The Company has arranged for standby letters of credit totaling \$26,019,000. This includes letters of credit, totaling approximately \$13,959,000, which enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. The amount also includes a letter of credit of \$6,112,000 for workers' compensation claims incurred by C&H employees, under a now-closed self-insurance plan, prior to December 24, 1998 (see Note 5). The Company only would be called upon to honor this letter of credit in the event of C&H's insolvency. The obligation to provide this letter of credit expires on December 24, 2003. The remaining letters of credit are for insurance-related matters, construction performance guarantees and other routine operating matters.

C&H is a party to a sugar supply contract with Hawaiian Sugar & Transportation Cooperative (HS&TC), a raw sugar marketing and transportation cooperative that the Company uses to market and transport its sugar to C&H. Under the terms of this contract, which expires in June 2003, C&H (an unconsolidated entity in which the Company has a minority ownership equity interest—see Notes 4 and 5) is obligated to purchase, and HS&TC is obligated to sell, all of the raw sugar delivered to HS&TC by the Hawaii sugar growers, at prices determined by the quoted domestic sugar market. The Company delivered to HS&TC raw sugar totaling \$70,149,000, \$64,455,000, and \$83,412,000, during 2001, 2000, and 1999, respectively. The Company has guaranteed up to \$15,000,000 of HS&TC's \$30,000,000 working capital line. The facility is fully collateralized by raw-sugar inventory. At December 31, 2001, HS&TC had borrowed \$2,500,000 under that facility.

The State of Hawaii, Department of Transportation (State) has informed the Company that it believes a portion of the Company's ocean transportation revenue is subject to the Public Service Company tax. The Company strongly disagrees with the State's tax position. If the State were to prevail fully, the amount of the claim could be material. Management believes, after consultation with legal counsel, that the ultimate disposition of this matter will not have a material adverse effect on the Company's results of operations or financial position.

Note 5 contains additional information about transactions with unconsolidated affiliates, which affiliates are also related parties, due to the Company's minority interest investments.

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.

14. INDUSTRY SEGMENTS

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is

made up of the president and lead executives of the Company and each of the Company's segments. The lead executive for each operating segment manages the profitability, cash flows and assets of his or her respective segment's various product or service lines and businesses. The operating segments are managed separately, because each operating segment represents a strategic business unit that offers different products or services and serves different markets.

The Company's reportable operating segments include Ocean Transportation, Property Development and Management and Food Products. The Ocean Transportation segment carries freight between various United States West Coast, Hawaii and other Pacific ports; holds investments in ocean transportation and terminal service businesses (see Note 5); and provides terminal and cargo logistics services. The Property Development and Management segment develops, manages and sells residential, commercial and industrial properties. The Food Products segment grows and processes raw sugar and molasses; invests in a sugar refining and marketing business (see Note 5); grows, mills and markets coffee; and generates and sells electricity.

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

Industry segment information for each of the five years ended December 31, 2001 is summarized below:

			For the Year		
•	2001	2001 2000		1999 1998	
			(in thousands)		
Revenue:					
Ocean transportation	\$ 796,840	\$ 850,692	\$ 778,535	\$ 748,121	\$ 720,962
Leasing	70,685	62,105	53,910	44,433	43,606
Sales	89,156	46,322	48,036	82,382	35,916
Food products	104,376	106,341	116,362	465,661	486,912
Other	129,016	3,186	3,155	2,878	2,815
Total revenue	\$1,190,073	\$1,068,646	\$ 999,998	\$1,343,475	\$1,290,211
Operating Profit:					
Ocean transportation	\$ 62,264	\$ 93,732	\$ 83,778	\$ 66,298	\$ 80,385
Leasing	34,139	30,120	27,497	22,634	24,559
Sales	17,926	24,228	17,402	21,663	13,262
Food products	5,660	7,522	11,310	21,327	27,083
Other	127,635	2,974	2,944	2,696	2,639
Total operating profit	247,624	158,576	142,931	134,618	147,928
Write-down of long-lived assets	(28,600)	_	(15,410)	(20,216)	_
Loss on partial sale of subsidiary	(,	_		(19,756)	_
Insurance settlement	_	_	_	_	19,965
Interest expense, net	(18,658)	(24,252)	(17,774)	(24,799)	(28,936)
General corporate expenses	(13,161)	(11,609)	(14,207)	(14,552)	(11,745)
Income from continuing operations before income					
taxes and accounting changes	\$ 187,205	\$ 122,715	\$ 95,540	\$ 55,295	\$ 127,212
Identifiable Assets:					
Ocean transportation	\$ 888,161	\$ 911,109	\$ 894,607	\$ 898,277	\$ 930,636
Property development and management	476,126	440,416	384,515	338,090	317,622
Food products	139,695	197,143	173,069	261,712	382,109
Other	40,437	117,344	109,269	107,561	74,431
Total assets	\$1,544,419	\$1,666,012	\$1,561,460	\$1,605,640	\$1,704,798
Capital Expenditures:					
Ocean transportation	\$ 59,669	\$ 40,190	\$ 19,232	\$ 60,403	\$ 20,828
Property development and management ¹	72,050	44,821	66,752	107,408	30,790
Food products	9,454	21,677	17,271	18,237	18,806
Other	267	216	258	441	242
Total capital expenditures	\$ 141,440	\$ 106,904	\$ 103,513	\$ 186,489	\$ 70,666
Depreciation and Amortization:					
Ocean transportation	\$ 55,359	\$ 54,586	\$ 56,174	\$ 61,543	\$ 62,192
Property development and management	10,486	8,972	7,299	6,357	6,281
Food products	9,118	8,285	9,962	20,086	19,538
Other	470	461	466	514	547
Total depreciation and amortization	\$ 75,433	\$ 72,304	\$ 73,901	\$ 88,500	\$ 88,558
		= -2,001	# · · · · · · · ·		

See Note 2 for information regarding changes in presentation for certain revenues and expenses.

See Note 3 for information regarding discontinued operations.

See Note 4 for discussion of the write-down of long-lived assets and investments.

See Note 5 for discussion of the partial sale of California and Hawaiian Sugar Company, Inc.

¹ Includes tax-deferred property purchases which are considered non-cash transactions in the Consolidated Statements of Cash Flows; excludes capital expenditures for real estate developments held for sale.

15. QUARTERLY INFORMATION (Unaudited)

Segment results by quarter for 2001 are listed below:

	2001			
	Q1	Q2	Q3	Q4
_	(in thousands, except per-share amo			ounts)
Revenue:	******	****	****	******
Ocean transportation	\$196,609	\$203,212	\$207,828	\$189,191
Leasing	17,096	17,490	18,103	17,996
Sales	43,084	29,155	5,063	11,854
Food products	18,185	28,076	32,268	25,847
Other	857	16,188	803	111,168
Total revenue	\$275,831	\$294,121	\$264,065	\$356,056
Operating Profit (Loss):				
Ocean transportation	\$ 17,455	\$ 18,713	\$ 24,245	\$ 1,851
Property development and management:				
Leasing	8,740	8,679	8,704	8,016
Sales	12,216	3,551	(405)	2,564
Food products ¹	5,802	1,509	2,235	(3,886)
Other	840	16,107	<u>767</u>	109,921
Total operating profit	45,053	48,559	35,546	118,466
Impairment loss on Investments ¹				(28,600)
Interest Expense	(5,779)	(4,870)	(4,330)	(3,679)
General Corporate Expenses	(3,791)	(3,191)	(2,878)	(3,301)
Income From Continuing Operations before Income Taxes	35,483	40,498	28,338	82,886
Income taxes	(12,603)	(15,496)	(10,475)	(28,818)
Income From Continuing Operations	22,880	25,002	17,863	54,068
Discontinued Operations (net of income taxes) ²	(446)	(488)	(551)	(7,700)
Net Income	\$ 22,434	\$ 24,514	\$ 17,312	\$ 46,368
Earnings Per Share:				
Basic	\$ 0.55 \$ 0.55	\$ 0.61 \$ 0.60	\$ 0.42 \$ 0.42	\$ 1.15 \$ 1.15

¹ See Note 4 for discussion of the write-down of the Company's investment in C&H and certain power equipment.

Fourth quarter 2001 results include the sale of the Company's BancWest stock holdings (see Note 5; amount included in the "Other" segment), the impairment loss related to the Company's investment in C&H (see Note 4) and a write-off of power generation assets (see Note 4). In addition, the Company discontinued and abandoned its panelboard business and restated previously reported quarters (see Notes 2 and 3).

² See Note 3 for discussion of discontinued operations.

Segment results by quarter for 2000 are listed below:

	2000			
	Q1	Q2	Q3	Q4
	(in thou	ısands, excep	t per-share ar	nounts)
Revenue:				
Ocean transportation ¹	\$200,225	\$213,584	\$220,759	\$216,124
Property development and management:				
Leasing ¹	14,518	15,287	15,522	16,778
Sales	3,052	24,987	14,435	3,848
Food products	13,666	34,504	34,294	23,877
Other	764	798	776	848
Total revenue	\$232,225	\$289,160	\$285,786	\$261,475
Operating Profit (Loss):				
Ocean transportation	\$ 19,893	\$ 27,914	\$ 26,106	\$ 19,819
Property development and management:				
Leasing	7,184	7,606	7,467	7,863
Sales	701	18,917	5,472	(862)
Food products	2,068	(2,060)	2,901	4,613
Other	709	764	745	756
Total operating profit	30,555	53,141	42,691	32,189
Interest Expense	(5,347)	(5,959)	(6,661)	(6,285)
General Corporate Expenses	(3,502)	(2,706)	(2,392)	(3,009)
Income Before Income Taxes and Accounting Change	21,706	44,476	33,638	22,895
Income taxes	(7,525)	(16,233)	(12,284)	(8,349)
Change in accounting method (net of income taxes of \$7,668) ¹	12,250	_	_	_
Net Income	\$ 26,431	\$ 28,243	\$ 21,354	\$ 14,546
Earnings Per Share:				
Basic	\$ 0.63	\$ 0.69	\$ 0.53	\$ 0.36
Diluted	\$ 0.63	\$ 0.69	\$ 0.52	\$ 0.36

¹ See Note 2 for discussion of changes in presentation and accounting method

16. PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Set forth below are the unconsolidated condensed financial statements of Alexander & Baldwin, Inc. (Parent Company). The significant accounting policies used in preparing these financial statements are substantially the same as those used in the preparation of the consolidated financial statements as described in Note 1, except that, for purposes of the tables presented in this footnote, subsidiaries are carried under the equity method.

The following table presents the Parent Company's condensed Balance Sheets as of December 31, 2001 and 2000:

	2001	2000
	(in the	ousands)
ASSETS		
Current Assets: Cash and cash equivalents Accounts and notes receivable, net Prepaid expenses and other	\$ 15,509 11,971 13,157	\$ 126 10,065 1923,432
Total current assets	40,637	23,623
Investments: Subsidiaries consolidated, at equity	545,819	678,636
Other	1,630	110,714
Total investments	547,449	789,350
Property, at Cost	367,332 167,445	348,774 161,246
Property—net	199,887	187,528
Due from Subsidiaries	162,118	46,706
Other Assets	31,592	27,973
Total	\$ 981,683	\$1,075,180
LIABILITIES AND SHAREHOLDERS' EQUITY Current Liabilities: Current portion of long-term debt Accounts payable Income taxes payable Other Total current liabilities	\$ 7,500 4,157 55,034 15,572 82,263	\$ 7,500 2,784 1,000 22,693 33,977
Long-term Debt	107,500	231,000
Other Long-term Liabilities	16,184	14,762
Deferred Income Taxes	65,069	101,790
Commitments and Contingencies Shareholders' Equity:		
Capital stock	33,328	33,248
Additional capital	66,659	58,007
Unrealized holding gains on securities	(22.615	61,937
Retained earnings	622,615 (11,935	552,637 (12,178)
Total shareholders' equity	710,667	693,651
Total	\$ 981,683	\$1,075,180

The following table presents the Parent Company's condensed Statements of Income for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
	(in thousands)
Revenue:			
Food products	\$ 84,428	\$ 77,190	\$
Property leasing	16,422	14,397	10,999
Property sales	15,569	19,732	803
Interest, dividends and other	131,672	5,055	3,180
Total revenue	248,091	116,374	14,982
Costs and Expenses:			
Cost of agricultural goods and services	78,491	77,302	_
Cost of property sales and leasing services	16,764	8,194	4,808
Selling, general and administrative	13,160	11,609	9,686
Interest and other	20,852	20,220	1,770
Income taxes	42,272	(1,273)	(3,271)
Total costs and expenses	171,539	116,052	12,993
Income Before Equity in Net Income of Subsidiaries Consolidated	76,552	322	1,989
Equity in Net Income of Subsidiaries Consolidated	43,261	90,252	60,590
Equity in Net Loss from Discontinued Operations of Subsidiaries Consolidated	(9,185)	_	_
Net Income	110,628	90,574	62,579
Unrealized holding gains (losses) and reclassification of realized gains on securities, net of			
income taxes	(61,937)	12,476	(13,868)
Comprehensive Income	\$ 48,691	\$103,050	\$ 48,711

The following table presents the Parent Company's condensed Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
	,	in thousands)	
Cash Flows from Operations	\$ 6,180	\$ (5,634)	\$ 3,579
Cash Flows from Investing Activities:			
Capital expenditures	(22,800)	(18,107)	(1,346)
Proceeds from disposal of property and investments	138,222	3,705	
Dividends received from subsidiaries	40,000	50,000	50,000
Net cash provided by investing activities	155,422	35,598	48,654
Cash Flows from Financing Activities:			
Increase (decrease) in intercompany payable	11,481	(8,507)	20,757
Proceeds from (repayments of) long-term debt, net	(123,500)	60,500	_
Proceeds from issuance of capital stock	4,558	2,961	101
Repurchases of capital stock	(2,270)	(48,260)	(34,824)
Dividends paid	(36,488)	(36,785)	(38,899)
Net cash used in financing activities	(146,219)	(30,091)	(52,865)
Cash and Cash Equivalents:			
Net increase (decrease) for the year	15,383	(127)	(632)
Balance, beginning of year	126	253	885
Balance, end of year	\$ 15,509	\$ 126	\$ 253
Other Cash Flow Information:			
Interest paid, net of amounts capitalized	\$ (14,386)	\$ (16,485)	\$ (303)
Income taxes paid	(20,961)	(31,807)	(34,213)
Other Non-cash Information:			
Depreciation expense	(12,216)	(11,037)	(2,550)
Tax-deferred property sales	12,415	18,692	
Tax-deferred property purchases	(12,076)	(18,459)	_

General Information and Principles of Consolidation: Alexander & Baldwin, Inc. ("Parent Company"), headquartered in Honolulu Hawaii, is engaged in the operations that are described in Note 14, "Industry Segments." Due to a merger, one of the Company's wholly owned subsidiaries, A&B-Hawaii, Inc., is included in the Parent Company's financial statements effective January 1, 2000. Previously, A&B-Hawaii, Inc. was accounted for in the Parent Company financial statements using the equity method.

Investments: Other investments on the Parent Company Balance Sheet at December 31, 2000, consisted primarily of marketable equity securities that were liquidated during 2001 (see Note 5).

Long-term Debt: The Parent Company's long term debt at December 31, 2001 consisted of all the debt that is described in Footnote 8, with the exceptions of \$99,878,000 of commercial paper notes and \$12,400,000 of variable rate loans. At December 31, 2001, maturities and planned prepayments of all long-term debt during the next five years are \$7,500,000 for 2002, \$9,643,000 for 2003, \$12,500,000 for 2004, \$17,500,000 for 2005 and \$17,500,000 for 2006.

Other Long-term Liabilities: Other Long-term Liabilities at December 31, 2001 and 2000 consisted principally of deferred compensation, executive benefit plans and self-insurance liabilities.

Additional Information: Additional information related to the Parent Company is described in the foregoing notes to the consolidated financial statements.

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" in A&B's proxy statement dated March 11, 2002 ("A&B's 2002 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, 2002, 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" in A&B's 2002 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" in A&B's 2002 Proxy Statement, which subsection is incorporated herein by reference.

James S. Andrasick (58)

Senior Vice President, Chief Financial Officer and Treasurer of A&B, 6/00-present; President and Chief Operating Officer, C. Brewer and Company, Limited, 9/92-3/00.

Meredith J. Ching (45)

Vice President (Government & Community Relations) of A&B, 10/92-present; Vice President of A&B-Hawaii, Inc. ("ABHI") (Government & Community Relations), 10/92-12/99; first joined A&B or a subsidiary in 1982.

Matthew J. Cox (40)

Senior Vice President, Chief Financial Officer and Controller of Matson, 6/01-present; Executive Vice President and Chief Financial Officer, Distribution Dynamics, Inc., 8/99-6/01; Vice President, American President Lines, Ltd., 12/86-7/99.

W. Allen Doane (54)

President and Chief Executive Officer of A&B, and Director of A&B and Matson, 10/98-present; Vice Chairman of Matson, 12/98-present; Executive Vice President of A&B, 8/98-10/98; Director of ABHI, 4/97-12/99; Chief Executive Officer of ABHI, 1/97-12/99; President of ABHI, 4/95-12/99; first joined A&B or a subsidiary in 1991.

John F. Gasher (68)

Vice President (Human Resources) of A&B, 12/99-present; Vice President (Human Resources Development) of ABHI, 1/97-12/99; first joined A&B or a subsidiary in 1960.

G. Stephen Holaday (57)

Vice President of A&B, 12/99-present; Senior Vice President of ABHI, 4/89-12/99; Vice President and Controller of A&B, 4/93-1/96; first joined A&B or a subsidiary in 1983.

John B. Kelley (56)

Vice President (Investor Relations) of A&B, 8/01-present; Vice President (Corporate Planning & Investor Relations) of A&B, 10/99-8/01; Vice President (Investor Relations) of A&B, 1/95-10/99; Vice President of ABHI, 9/89-12/99; first joined A&B or a subsidiary in 1979.

Stanley M. Kuriyama (48)

Vice President (Properties Group) of A&B, 2/99-present; Chief Executive Officer and Vice Chairman of A&B Properties, Inc., 12/99-present; Executive Vice President of ABHI, 2/99-12/99; Vice President of ABHI, 1/92-1/99; first joined A&B or a subsidiary in 1992.

Michael J. Marks (63)

Vice President and General Counsel of A&B, 9/80-present; Secretary of A&B, 8/84-1/99; Senior Vice President and General Counsel of ABHI, 4/89-12/99; first joined A&B or a subsidiary in 1975.

C. Bradley Mulholland (60)

Executive Vice President of A&B, 8/98-present; President of Matson, 5/90-present; Chief Executive Officer of Matson, 4/92-present; Director of A&B, 4/91-present; Director of Matson, 7/89-present; Director of ABHI, 4/91-12/99; first joined Matson in 1965.

Alyson J. Nakamura (36)

Secretary of A&B, 2/99-present; Assistant Secretary of A&B, 6/94-1/99; Secretary of ABHI, 6/94-12/99; first joined A&B or a subsidiary in 1994.

Raymond L. Smith (47)

Chief Operating Officer of Matson, 11/01-present; Chief Executive Officer, Ampent, 3/01-10/01; Chief Executive Officer, Fritz Companies, Inc., 1/99-11/00; President, United States Fleet Leasing, 2/93-1/99.

Thomas A. Wellman (43)

Controller of A&B, 1/96-present; Assistant Treasurer, 1/96-12/99, 6/00-present; Treasurer of A&B, 1/00-5/00; Vice President of ABHI, 1/96-12/99; Controller of ABHI, 11/91-12/99; first joined A&B or a subsidiary in 1989.

ITEM 11. EXECUTIVE COMPENSATION

See the section captioned "Executive Compensation" in A&B's 2002 Proxy Statement, which section is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See the section captioned "Security Ownership of Certain Shareholders" and the subsection titled "Security Ownership of Directors and Executive Officers" in A&B's 2002 Proxy Statement, which section and subsection are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See the subsection captioned "Certain Relationships and Transactions" in A&B's 2002 Proxy Statement, which subsection is incorporated herein by reference.

PART IV

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

A. Financial Statements

The financial statements are set forth in Item 8 ("Financial Statements and Supplementary Data") above.

B. Financial Statement Schedules

The financial schedules for Alexander & Baldwin, Inc. (Parent Company) are set forth in Note 16 of Item 8 ("Financial Statements and Supplementary Data") above. 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 per page by writing to Alyson J. Nakamura, Secretary, Alexander & Baldwin, Inc., P. O. Box 3440, Honolulu, Hawaii 96801.

- 3. Articles of incorporation and bylaws.
 - 3.a. Restated Articles of Association of Alexander & Baldwin, Inc., as restated effective May 5, 1986, together with Amendments dated April 28, 1988 and April 26, 1990 (Exhibits 3.a.(iii) and (iv) to A&B's Form 10-Q for the quarter ended March 31, 1990).
 - 3.b. Revised Bylaws of Alexander & Baldwin, Inc. (as Amended Effective February 22, 2001) (Exhibit 3.b.(i) to A&B's Form 10-K for the year ended December 31, 2000).
- 4. Instruments defining rights of security holders, including indentures.
 - 4.a. Equity.
 - 4.a. Rights Agreement, dated as of June 25, 1998 between Alexander & Baldwin, Inc. and ChaseMellon Share-holder Services, L.L.C. and Press Release of Alexander & Baldwin, Inc. (Exhibits 4 and 99 to A&B's Form 8-K dated June 25, 1998).
 - 4.b. Debt.
 - 4.b. Third Amended and Restated Revolving Credit and Term Loan Agreement, dated November 19, 2001, among Alexander & Baldwin, Inc. and First Hawaiian Bank, Bank of America, N.A., Bank of Hawaii, The Bank of New York, Wells Fargo Bank, National Association, American Savings Bank, F.S.B., and First Hawaiian Bank, as Agent.

10. Material contracts.

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

- (ii) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, effective as of December 20, 1990 (Exhibit 10.b.(ix) to A&B's Form 10-K for the year ended December 31, 1990).
- (iii) Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993 (Exhibit 10.a.(xiii) to A&B's Form 8-K dated June 4, 1993).
- (iv) Amendment dated as of May 20, 1994 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xviv) to A&B's Form 10-Q for the quarter ended June 30, 1994).
- (v) Amendment dated January 23, 1995 to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 (Exhibit 10.a.(xvi) to A&B's Form 10-K for the year ended December 31, 1994).
- (vi) Amendment dated as of June 30, 1995 to the Note Agreements, among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 1995).
- (vii) Amendment dated as of November 29, 1995 to the Note Agreements among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of December 20, 1990 and June 4, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1995).
- (viii) Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xx) to A&B's Form 10-Q for the quarter ended September 30, 1994).
- (ix) Amendment dated August 31, 1994 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank dated December 30, 1993 (Exhibit 10.a.(xxi) to A&B's Form 10-Q for the quarter ended September 30, 1994).
- (x) Second Amendment dated March 29, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xxiii) to A&B's Form 10-Q for the quarter ended March 31, 1995).
- (xi) Third Amendment dated November 30, 1995 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xvii) to A&B's Form 10-K for the year ended December 31, 1996).
- (xii) Fourth Amendment dated November 25, 1996 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xviii) to A&B's Form 10-K for the year ended December 31, 1996).
- (xiii) Fifth Amendment dated November 28, 1997 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xix) to A&B's Form 10-K for the year ended December 31, 1997).
- (xiv) Sixth Amendment dated November 30, 1998 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xiv) to A&B's Form 10-K for the year ended December 31, 1998).
- (xv) Seventh Amendment dated November 23, 1999 to the Revolving Credit Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and First Hawaiian Bank, dated December 30, 1993 (Exhibit 10.a.(xv) to A&B's Form 10-K for the year ended December 31, 1999).

- (xvi) Eighth Amendment dated May 3, 2000 to the Revolving Credit Agreement ("Agreement") between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993 (A&B-Hawaii, Inc., an original party to the Agreement, was merged into Alexander & Baldwin, Inc. effective December 31, 1999) (Exhibit 10.a.(xxvii) to A&B's Form 10-Q for the quarter ended June 30, 2000).
- (xvii) Ninth Amendment dated November 16, 2000 to the Revolving Credit Agreement between Alexander & Baldwin, 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, 2000).
- (xviii) Tenth Amendment dated November 30, 2001 to the Revolving Credit Agreement between Alexander & Baldwin, Inc. and First Hawaiian Bank, dated December 30, 1993.
- (xix) 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).
- (xx) First Amendment, dated as of February 5, 1999, to the Private Shelf Agreement between Alexander & Baldwin, Inc., A&B-Hawaii, Inc., and Prudential Insurance Company of America, dated as of August 2, 1996 (Exhibit 10.a.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).
- (xxi) Private Shelf Agreement between Alexander & Baldwin, Inc. and Prudential Insurance Company of America, dated as of April 25, 2001 (Exhibit 10.a.(xlvii) to A&B's Form 10-Q for the quarter ended June 30, 2001).
- (xxii) Amendment, dated as of April 25, 2001, to the Note Agreement among Alexander & Baldwin, Inc., A&B-Hawaii, Inc. and The Prudential Insurance Company of America, dated as of June 4, 1993, and the 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.(xlviii) to A&B's Form 10-Q for the quarter ended June 30, 2001).
- (xxiii) Private Shelf Agreement between Matson Navigation Company, Inc. and Prudential Insurance Company of America, dated as of June 29, 2001 (Exhibit 10.a.(xlix) to A&B's Form 10-Q for the quarter ended June 30, 2001).
- (xxiv) Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&B-Hawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporation (without exhibits or schedules) (Exhibit 10.a.1.(xxxvi) to A&B's Form 8-K dated December 24, 1998).
- (xxv) Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (without exhibits) (Exhibit 10.a.1.(xxxvii) to A&B's Form 8-K dated December 24, 1998).
- (xxvi) Pro forma financial information relative to the Amended and Restated Asset Purchase Agreement, dated as of December 24, 1998, by and among California and Hawaiian Sugar Company, Inc., A&BHawaii, Inc., McBryde Sugar Company, Limited and Sugar Acquisition Corporaion, and the Amended and Restated Stock Sale Agreement, dated as of December 24, 1998, by and between California and Hawaiian Sugar Company, Inc. and Citicorp Venture Capital, Ltd. (Exhibit 10.a.1.(xxxviii) to A&B's Form 8-K dated December 24, 1998).
- *10.b.1. (i) Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.c.1.(ix) to A&B's Form 10-K for the year ended December 31, 1988).
- (ii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxvi) to A&B's Form 10-Q for the quarter ended June 30, 1992).

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

- (iii) Amendment No. 2 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(iv) to A&B's Form 10-Q for the quarter ended March 31, 1994).
- (iv) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 1994).
- (v) Amendment No. 4 to the Alexander & Baldwin, Inc. 1989 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(v) to A&B's Form 10-K for the year ended December 31, 2000).
- (vi) 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).
- (vii) 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).
- (viii) 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).
- (ix) Amendment No. 3 to the Alexander & Baldwin, Inc. 1989 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(ix) to A&B's Form 10-K for the year ended December 31, 2000).
- (x) Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xxxii) to A&B's Form 10-Q for the quarter ended March 31, 1998).
- (xi) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Stock Option/Stock Incentive Plan (Exhibit 10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 2000).
- (xii) Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-Q for the quarter ended March 31, 1998).
- (xiii) Amendment No. 1 to the Alexander & Baldwin, Inc. 1998 Non-Employee Director Stock Option Plan (Exhibit 10.b.1.(xiii) to A&B's Form 10-K for the year ended December 31, 2000).
- (xiv) Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxiv) to A&B's Form 10-Q for the quarter ended June 30, 1998).
- (xv) Amendment No. 1 to Alexander & Baldwin, Inc. Non-Employee Director Stock Retainer Plan, effective December 9, 1999 (Exhibit 10.b.1.(xi) to A&B's Form 10-K for the year ended December 31, 1999).
- (xvi) Second Amended and Restated Employment Agreement between Alexander & Baldwin, Inc. and R. J. Pfeiffer, effective as of October 25, 1990 (Exhibit 10.c.1.(xiii) to A&B's Form 10-K for the year ended December 31, 1990).
- (xvii) 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).
- (xviii) 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).
- (xix) 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).
- (xx) 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).
- (xxi) 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).
- (xxii) Amendment No. 2 to the A&B Excess Benefits Plan, dated December 10, 1997 (Exhibit 10.b.1.(xx) to A&B's Form 10-K for the year ended December 31, 1997).

- (xxiii) Amendment No. 3 to the A&B Excess Benefits Plan, dated April 23, 1998 (Exhibit 10.b.1.(xxxv) to A&B's Form 10-Q for the quarter ended June 30, 1998).
- (xxiv) Amendment No. 4 to the A&B Excess Benefits plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-Q for the quarter ended June 30, 1998).
- (xxv) Amendment No. 5 to the A&B Excess Benefits Plan, dated December 9, 1998 (Exhibit 10.b.1.(xxii) to A&B's Form 10-K for the year ended December 31, 1998).
- (xxvi) Amendment No. 6 to the A&B Excess Benefits Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxviii) to A&B's Form 10-K for the year ended December 31, 2000).
- (xxvii) 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).
- (xxviii) Amendment No. 1 to the A&B Executive Survivor/Retirement Benefit Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxx) to A&B's Form 10-K for the year ended December 31, 2000).
- (xxix) Restatement of the A&B 1985 Supplemental Executive Retirement Plan, effective February 1, 1995 (Exhibit 10.b.1.(xxiv) to A&B's Form 10-K for the year ended December 31, 1994).
- (xxx) Amendment No. 1 to the A&B 1985 Supplemental Executive Retirement Plan, dated August 27, 1998 (Exhibit 10.b.1.(xliii) to A&B's Form 10-Q for the quarter ended September 30, 1998).
- (xxxi) Amendment No. 2 to the A&B 1985 Supplemental Executive Retirement Plan, dated October 25, 2000 (Exhibit 10.b.1.(xxxiii) to A&B's Form 10-K for the year ended December 31, 2000).
- (xxxii) 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).
- (xxxiii) Amendment No. 1 to the A&B Retirement Plan for Outside Directors, dated August 27, 1998 (Exhibit 10.b.1.(xlii) to A&B's Form 10-Q for the quarter ended September 30, 1998).
- (xxxiv) Amendment No. 2 to the A&B Retirement Plan for Outside Directors, dated October 25, 2000 (Exhibit 10.b.1.(xxxvi) to A&B's Form 10-K for the year ended December 31, 2000).
- (xxxv) Form of Severance Agreement entered into with certain executive officers, as amended and restated effective August 24, 2000 (Exhibit 10.b.1.(xli) to A&B's Form 10-Q for the quarter ended September 30, 2000).
- (xxxvi) 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).
- (xxxvii) Amendment No. 1 to the Alexander & Baldwin, Inc. One-Year Performance Improvement Incentive Plan, dated December 13, 2001.
- (xxxviii) 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).
- (xxxix) Alexander & Baldwin, Inc. Deferred Compensation Plan effective August 25, 1994 (Exhibit 10.b.1.(xxv) to A&B's Form 10-Q for the quarter ended September 30, 1994).
- (xl) 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).
- (xli) Amendment No. 2 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxvii) to A&B's Form 10-Q for the quarter ended June 30, 1998).

- (xlii) Amendment No. 3 to the Alexander & Baldwin, Inc. Deferred Compensation Plan, dated October 25, 2000 (Exhibit 10.b.1.(xliii) to A&B's Form 10-K for the year ended December 31, 2000).
- (xliii) Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, as restated effective April 28, 1988 (Exhi-bit 10.c.1.(xi) to A&B's Form 10-Q for the quarter ended June 30, 1988).
- (xliv) Amendment No. 1 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, effective December 11, 1997 (Exhibit 10.b.1.(ii) to A&B's Form 10-K for the year ended December 31, 1997).
- (xlv) Amendment No. 2 to the Alexander & Baldwin, Inc. Restricted Stock Bonus Plan, dated June 25, 1998 (Exhibit 10.b.1.(xxxviii) to A&B's Form 10-Q for the quarter ended June 30, 1998).
- 11. Statement re computation of per share earnings.
- 21. Subsidiaries.
 - 21. Alexander & Baldwin, Inc. Subsidiaries as of February 14, 2002.
- 23. Consent of Deloitte & Touche LLP dated March 11, 2002 (included as the last page of A&B's Form 10-K for the year ended December 31, 2001).

D. Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 2001.

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 11, 2002

By /s/ W. Allen Doane

W. Allen Doane, 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	<u>Title</u>	Date
/s/ W. ALLEN DOANE W. Allen Doane	President and Chief Executive Officer and Director	March 11, 2002
/s/ JAMES S. ANDRASICK James S. Andrasick	Senior Vice President, Chief Financial Officer and Treasurer	March 11, 2002
/s/ THOMAS A. WELLMAN Thomas A. Wellman	Controller and Assistant Treasurer	March 11, 2002
/s/ CHARLES M. STOCKHOLM Charles M. Stockholm	Chairman of the Board and Director	March 11, 2002
/s/ MICHAEL J. CHUN Michael J. Chun	Director	March 11, 2002
/s/ Leo E. Denlea, Jr.	Director	March 11, 2002
/s/ Walter A. Dods, Jr. Walter A. Dods, Jr.	Director	March 11, 2002
/s/ CHARLES G. KING Charles G. King	Director	March 11, 2002

Signature	<u>Title</u>	Date
/s/ CARSON R. MCKISSICK Carson R. McKissick	Director	March 11, 2002
/s/ C. Bradley Mulholland C. Bradley Mulholland	Director	March 11, 2002
/s/ LYNN M. SEDWAY Lynn M. Sedway	Director	March 11, 2002
/s/ Maryanna G. Shaw Maryanna G. Shaw	Director	March 11, 2002

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements 33-31922, 33-31923, 33-54825, and 333-69197 of Alexander & Baldwin, Inc. and subsidiaries on Form S-8 of our report dated January 24, 2002, appearing in the Annual Report on Form 10-K of Alexander & Baldwin, Inc. and subsidiaries for the year ended December 31, 2001.

Deloitte 2 Touche LLP

Deloitte & Touche LLP Honolulu, Hawaii March 11, 2002

INVESTOR INFORMATION

A&B WAS FOUNDED IN 1870 AND INCORPORATED IN 1900. ALEXANDER & BALDWIN, INC.'S CORPORATE HEADQUARTERS ARE LOCATED IN HONOLULU. HAWAII. ITS COMMON STOCK IS TRADED ON THE NASDAQ STOCK MARKETSM UNDER THE SYMBOL ALEX.

ANNUAL MEETING

The 2002 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 8:30 a.m. on Thursday, April 25, 2002.

INVESTOR INFORMATION

Corporate news releases, the annual report and other information about the Company are available at A&B's Web site on the Internet: www.alexanderbaldwin.com. News about A&B also is available toll-free at 877-688-2539.

Shareholders having questions about A&B are encouraged to write to Allen Doane, President and Chief Executive Officer; or Alyson J. Nakamura, Corporate Secretary.

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

TRANSFER AGENT & REGISTRAR

Mellon Investor Services LLC, 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 I-800-356-2017 between 9 a.m. and 7 p.m., Eastern Time, or via its Web site, www.melloninvestor.com. Correspondence may be sent to: P.O. Box 3315, So. Hackensack, NJ 07606.

AUDITORS

Deloitte & Touche LLP, Honolulu, Hawaii.

ANNUAL REPORT COMMENTS

A&B would like feedback from investors regarding its Annual Report. A survey questionnaire is available at www.alexanderbaldwin.com/arsurvey.htm. We invite your participation.



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