Cooper-Standard Holdings Inc.
Form 10-Q
November 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________.
Commission File Number: 000-54305

COOPER-STANDARD HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	20-1945088
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

39550 Orchard Hill Place Drive
Novi, Michigan 48375
(Address of principal executive offices)
(Zip Code)
(248) 596-5900
(Registrant's telephone number, including area code)

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ý
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ý No ¨

As of October 29, 2015 there were 17,432,575 shares of the registrant's common stock, $0.001 par value, outstanding.

COOPER-STANDARD HOLDINGS INC.
Form 10-Q
For the period ended September 30, 2015

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

COOPER-STANDARD HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2015	2014	2015
Sales	$780,954	$827,531	$2,476,113	$2,488,402
Cost of products sold	669,701	679,083	2,084,492	2,055,124
Gross profit	111,253	148,448	391,621	433,278
Selling, administration & engineering expenses	67,365	79,065	228,609	239,455
Amortization of intangibles	3,892	3,599	12,325	10,819
Restructuring	4,845	8,540	11,690	34,809
Other operating profit	(18,385)	—	(18,385)	—
Operating profit	53,536	57,244	157,382	148,195
Interest expense, net of interest income	(9,405)	(9,487)	(35,332)	(27,912)
Equity earnings	1,094	911	4,075	4,042
Other income (expense), net	(4,129)	(3,281)	(32,932)	9,907
Income before income taxes	41,096	45,387	93,193	134,232
Income tax expense	18,866	12,869	35,354	44,052
Net income	22,230	32,518	57,839	90,180
Net (income) loss attributable to noncontrolling interests	436	214	(2,244)	35
Net income attributable to Cooper-Standard Holdings Inc.	$22,666	$32,732	$55,595	$90,215
Earnings per share:				
Basic	$1.33	$1.89	$3.29	$5.26
Diluted	$1.23	$1.78	$3.07	$4.92
Comprehensive income (loss)	$(12,860)	$5,291	$26,489	$24,970
Comprehensive (income) loss attributable to noncontrolling interests	576	467	(2,257)	168
Comprehensive income (loss) attributable to Cooper-Standard Holdings Inc.	$(12,284)	$5,758	$24,232	$25,138

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands except share amounts)

	December 31, 2014	September 30, 2015 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$267,270	$231,984
Accounts receivable, net	377,032	474,757
Tooling receivable	124,015	150,726
Inventories	166,531	172,356
Prepaid expenses	25,626	30,486
Other	93,524	66,441
Total current assets	1,053,998	1,126,750
Property, plant and equipment, net	716,013	801,389
Goodwill	135,169	151,955
Intangibles, net	82,309	74,114
Deferred tax assets	41,059	47,451
Other assets	104,219	87,235
Total assets	$2,132,767	$2,288,894
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	$36,789	$57,986
Accounts payable	322,422	345,216
Payroll liabilities	94,986	128,094
Accrued liabilities	75,005	128,773
Total current liabilities	529,202	660,069
Long-term debt	749,085	740,685
Pension benefits	191,805	171,358
Postretirement benefits other than pensions	60,287	57,630
Deferred tax liabilities	5,001	18,063
Other liabilities	44,692	35,846
Total liabilities	1,580,072	1,683,651
Redeemable noncontrolling interest	3,981	—
7% Cumulative participating convertible preferred stock, $0.001 par value, 10,000,000 shares authorized at December 31, 2014, and September 30, 2015; no shares issued and outstanding	—	—
Equity:		
Common stock, $0.001 par value, 190,000,000 shares authorized at December 31, 2014 and September 30, 2015; 18,685,634 shares issued and 17,039,328 outstanding at December 31, 2014 and 19,063,350 shares issued and 17,417,044 outstanding at September 30, 2015	17	17
Additional paid-in capital	492,959	510,421
Retained earnings	195,233	285,149
Accumulated other comprehensive loss	(139,243)	(204,320)
Total Cooper-Standard Holdings Inc. equity	548,966	591,267

Noncontrolling interests	(252)	13,976
Total equity	548,714	605,243
Total liabilities and equity	$2,132,767	$2,288,894

The accompanying notes are an integral part of these financial statements.

COOPER-STANDARD HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2014	2015
Operating Activities:		
Net income	$57,839	$90,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	72,416	74,459
Amortization of intangibles	12,325	10,819
Stock-based compensation expense	10,748	8,348
Equity earnings, net of dividends related to earnings	(1,806)	(2,125)
Loss on extinguishment of debt	30,488	—
Gain on divestiture	(18,385)	—
Gain on sale of investment	(1,882)	—
Gain on remeasurement of previously held equity interest	—	(14,199)
Deferred income taxes	10,220	5,765
Other	294	127
Changes in operating assets and liabilities	(83,539)	(63,401)
Net cash provided by operating activities	88,718	109,973
Investing activities:		
Capital expenditures	(154,299)	(129,661)
Acquisition of business, net of cash acquired	(5,046)	(34,396)
Investment in joint ventures	—	(4,300)
Return on equity investments	951	—
Proceeds from divestiture	44,937	—
Proceeds from sale of investment	3,216	—
Proceeds from sale of fixed assets and other	3,374	4,846
Net cash used in investing activities	(106,867)	(163,511)
Financing activities:		
Proceeds from issuance of long-term debt, net of debt issuance costs	737,462	—
Repurchase of Senior Notes and Senior PIK Toggle Notes	(675,615)	—
Increase (decrease) in short-term debt, net	(3,717)	973
Borrowings on long-term debt	6,609	—
Principal payments on long-term debt	(2,202)	(6,239)
Purchase of noncontrolling interests	—	(1,262)
Proceeds from exercise of warrants	8,492	8,540
Taxes withheld and paid on employees' share based payment awards	(4,175)	(1,330)
Other	(103)	(173)
Net cash provided by financing activities	66,751	509
Effects of exchange rate changes on cash and cash equivalents	11,883	17,743
Changes in cash and cash equivalents	60,485	(35,286)
Cash and cash equivalents at beginning of period	184,370	267,270
Cash and cash equivalents at end of period	$244,855	$231,984

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

1. Overview

Basis of presentation

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the “Company,” “Cooper-Standard,” “we,” “our,” or “us”), through its wholly-owned subsidiary Cooper-Standard Automotive Inc., is a leading manufacturer of sealing, fuel and brake delivery, fluid transfer and anti-vibration systems components, subsystems, and modules. The Company’s products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers (“OEMs”) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Annual Report”), as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“U.S. GAAP”) for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. The operating results for the interim period ended September 30, 2015 are not necessarily indicative of results for the full year. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

Recent accounting pronouncements

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. This ASU requires an acquirer to recognize adjustments to estimated amounts identified during the measurement period in the reporting period in which the adjustment is determined and not restate prior amounts disclosed. This guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This ASU requires entities to measure most inventory at the lower of cost and net realizable value. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest: Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This ASU changes the presentation of debt issuance costs in financial statements from an asset to a direct deduction from the related debt liability. This guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. This ASU amends the consolidation guidance under U.S. GAAP. This guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement: Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This ASU eliminates the concept of extraordinary items from U.S. GAAP. The guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements: Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This ASU requires management to perform interim and annual assessments of an entity's ability to continue as a going concern. This guidance is effective for annual and interim reporting periods ending after December 15, 2016. The adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of this guidance is that a company should recognize revenue to depict the transfer of promised goods or services to a customer at

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

an amount reflecting the consideration it expects to receive in exchange for those goods or services. In July 2015, the FASB issued ASU 2015-14, which delays the effective date of this guidance to annual and interim reporting periods beginning after December 15, 2017. Early adoption will be permitted as of the original effective date of annual and interim reporting periods beginning after December 15, 2016. The guidance allows for companies to use either a full retrospective or a modified retrospective approach when adopting. The Company is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

In April 2014, FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU changes the criteria for reporting discontinued operations and requires expanded disclosures about discontinued operations. The Company adopted this guidance effective January 1, 2015. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

2. Acquisitions

In the first quarter of 2015, the Company acquired the remaining equity interests of Metzler Automotive Profiles India Private Limited (26%) and Cooper Standard Jingda Changchun Automotive Co., Ltd. (20%) for a combined cash consideration of $1,262. These acquisitions were accounted for as equity transactions in accordance with ASC Topic 810 “Consolidations.”

Also in the first quarter of 2015, the Company completed the acquisition of an additional 47.5% of Huayu-Cooper Standard Sealing Systems Co. (“Shenya”), increasing its ownership to 95%, for cash consideration of $59,320. The final payment of $9,954 related to this acquisition was made in the second quarter of 2015. The business acquired in the transaction is operated from Shenya’s manufacturing locations in China. Shenya primarily supplies sealing systems and components to the automotive industry. This acquisition is directly aligned with the Company’s growth strategy by strengthening important customer relationships in the automotive sealing systems market. This acquisition was accounted for under ASC 805, “Business Combinations,” and the results of operations of Shenya are included in the Company’s consolidated financial statements from the date of acquisition, February 27, 2015. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

Prior to the acquisition, the Company held a 47.5% unconsolidated equity interest in Shenya. The estimated fair value of the equity interest at the date of acquisition was $41,378, resulting in a gain of $14,199 recorded in other income (expense), net for the nine months ended September 30, 2015. The fair value of the Company's previous 47.5% equity interest, 47.5% purchased and 5% noncontrolling interest in Shenya were estimated using income and market approaches based on financial analysis methodologies (including the discounted cash flow analysis), projected financial information, management's estimates, available information, and reasonable and supportable assumptions. These fair value measurements are classified within level 3 of the fair value hierarchy.

The following table summarizes the estimated fair value of Shenya assets acquired and liabilities assumed at the date of acquisition, updated as of September 30, 2015:

Cash and cash equivalents	$7,079
Accounts receivable	24,197
Inventories	12,708
Prepaid expenses	12,924
Other current assets	21,189
Property, plant, and equipment	80,914
Goodwill	18,977
Intangibles	7,367
Other assets	14,311
Total assets acquired	199,666
Debt payable within one year	19,164
Accounts payable	41,428
Other current liabilities	16,855

Other liabilities	10,029
Total liabilities assumed	87,476
Noncontrolling interest	11,709
Net assets acquired including noncontrolling interest	$100,481

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

Cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities were stated at historical carrying values, which management believes approximates fair value given the short-term nature of these assets and liabilities. Inventories were recorded at fair value which is estimated for finished goods and work-in-process based upon the expected selling price less costs to complete, selling, and disposal costs, and a normal profit to the buyer. Raw material inventory was recorded at carrying value as such value approximates the replacement cost. Deferred income taxes have been provided in the condensed consolidated balance sheet based on the Company's estimates of the tax versus book basis of the estimated fair value of the assets acquired and liabilities assumed. The Company has estimated the fair value of property, plant and equipment, intangibles, other long-lived assets, certain liabilities and noncontrolling interest based upon financial estimates and projections prepared in conjunction with the transaction. These estimates are preliminary and may change in the future as information becomes available from third party valuations. The value assigned to all assets and liabilities did not exceed the acquisition price, therefore goodwill was recorded related to this transaction.
In the third quarter of 2015, the Company contributed cash of $1,750 to establish a joint venture with Polyrub Extrusions (India) Private Limited. The joint venture, Polyrub Cooper Standard FTS Private Limited, is expected to increase market share and open new opportunities in the Company's fluid transfer business. The Company owns 35% of the joint venture with the remaining 65% of the joint venture owned by Polyrub Extrusions (India) Private Limited. This investment is accounted for under the equity method and is included in other assets in the accompanying condensed consolidated balance sheets.
Also in the third quarter of 2015, the Company contributed cash of $2,550 to establish a joint venture with Polyfoam Asia Pte. Ltd. The joint venture, Cooper-Standard INOAC Pte. Ltd., is expected to accelerate the Company's fluid transfer systems strategy and provide better access to Japanese OEMs and add further support to global platforms. The Company owns 51% of the joint venture with the remaining 49% of the joint venture owned by Polyfoam Asia Pte. Ltd. The operating results of this joint venture are included in the Company's consolidated financial statements from the date of formation.

3. Goodwill and Intangibles

The changes in the carrying amount of goodwill by reportable operating segment for the nine months ended September 30, 2015 are summarized as follows:

	North America	Europe	South America	Asia Pacific	Total
Balance at January 1, 2015	$117,609	$12,366	$—	$5,194	$135,169
Acquisition	—	—	—	18,977	18,977
Foreign exchange translation	(767)	(1,001)	—	(423)	(2,191)
Balance at September 30, 2015	$116,842	$11,365	$—	$23,748	$151,955

Goodwill is not amortized, but is tested for impairment by reporting unit either annually or when events or circumstances indicate that impairment may exist. There were no indicators of potential impairment as of September 30, 2015.
The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2014 and September 30, 2015, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$133,471	$(59,773)	$73,698
Developed technology	9,252	(6,842)	2,410
Other	6,701	(500)	6,201
Balance at December 31, 2014	$149,424	$(67,115)	$82,309
Customer relationships	$132,691	$(66,050)	$66,641

Developed technology	8,948	(7,475	) 1,473
Other	10,487	(4,487	) 6,000
Balance at September 30, 2015	$152,126	$(78,012	) $74,114

Amortization expense totaled $3,892 and $3,599 for the three months ended September 30, 2014 and 2015, respectively, and $12,325 and $10,819 for the nine months ended September 30, 2014 and 2015, respectively. Amortization expense is estimated to be approximately $14,400 for the year ending December 31, 2015.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

4. Restructuring

European Initiative

The Company has implemented a restructuring initiative of certain facilities in Europe based on current and anticipated market demands. The estimated cost of this initiative is approximately $125,000 and is expected to be completed by 2018. The Company has recognized $31,581 of costs related to this initiative since initiation in the first quarter of 2015. The restructuring effort aims to further improve the Company's European capability by removing excess capacity, improving cost structure and shifting some production to its Eastern European facilities. Actions include consolidation of operations to improve efficiencies and closure or downsizing of certain facilities with high costs and unutilized capacity in Western Europe, including Germany and France. A previous European restructuring initiative has been combined with this new initiative. The following table summarizes the restructuring expense for the three and nine months ended September 30, 2014 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2015	2014	2015
Employee separation costs	$1,730	$2,204	$2,773	$17,271
Other exit costs	3,095	4,877	8,445	13,882
Asset impairments	—	—	—	428
	$4,825	$7,081	$11,218	$31,581

The following table summarizes the activity in the restructuring liability for this initiative for the nine months ended September 30, 2015:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2015	$10,824	$—	$—	$10,824
Expense	17,271	13,882	428	31,581
Cash payments and foreign exchange translation	(4,196)	(12,021)	(428)	(16,645)
Balance at September 30, 2015	$23,899	$1,861	$—	$25,760

North America Initiative

In the first quarter of 2015, the Company initiated the restructure of a facility in North America. The estimated cost of this initiative is $8,500 and is expected to be completed in 2016. For the three and nine months ended September 30, 2015, the Company incurred costs of $1,144 and $2,864, respectively, related to this initiative. As of September 30, 2015, there was no liability recorded for this initiative.

Other Initiatives

The Company has implemented several restructuring initiatives in the current and prior years including the closure or consolidation of facilities throughout the world, the establishment of a centralized shared services function in Europe and the reorganization of the Company's operating structure. Several of these initiatives are substantially complete, however, the Company continues to incur costs on some of these initiatives related principally to the disposal of certain facilities. For the three and nine months ended September 30, 2014, the Company incurred costs of $20 and $472, respectively, related to these initiatives. For the three and nine months ended September 30, 2015, the Company incurred costs of $315 and $364, respectively, related to these initiatives.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

5. Inventories

Inventories were comprised of the following at December 31, 2014 and September 30, 2015:

	December 31, 2014	September 30, 2015
Finished goods	$45,485	$45,676
Work in process	36,498	39,475
Raw materials and supplies	84,548	87,205
	$166,531	$172,356

In connection with the acquisition of Shenya, inventory was written up by $1,414 to fair value in the first quarter of 2015. Such inventory was sold as of March 31, 2015 and recorded as an increase to cost of products sold.

6. Debt

Outstanding debt consisted of the following at December 31, 2014 and September 30, 2015:

	December 31, 2014	September 30, 2015
Term loan	$742,902	$737,679
Other borrowings	42,972	60,992
Total debt	$785,874	$798,671
Less current portion	(36,789)	(57,986)
Total long-term debt	$749,085	$740,685

Senior ABL Facility

On April 4, 2014, the Company and certain of its subsidiaries entered into the Second Amended and Restated Loan Agreement (the “Senior ABL Facility”), which amended and restated the then existing senior secured asset-based revolving credit facility of the Company, dated May 27, 2010, in order to permit the Term Loan Facility (described below) and other related transactions. The Senior ABL Facility provided for an aggregate revolving loan availability of up to $150,000, subject to borrowing base availability, including a $60,000 letter of credit sub-facility and a $25,000 swing line sub-facility. The Senior ABL Facility also provided for an uncommitted $105,000 incremental loan facility, for a potential total Senior ABL Facility of $255,000 (if requested by the Company and one or more new or existing lenders agreed to fund such increase).

On June 11, 2014, the Company and certain of its subsidiaries entered into Amendment No. 1 to the Senior ABL Facility, which increased the aggregate revolving loan availability to $180,000, subject to borrowing base availability, principally by expanding a tooling receivable category of eligible borrowing base availability for the U.S. borrower and Canadian borrower. The Senior ABL Facility, as amended, also provides for an uncommitted $75,000 incremental loan facility, for a potential total Senior ABL Facility of $255,000 (if requested by the Company and one or more new or existing lenders agreed to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase. As of September 30, 2015, subject to borrowing base availability, the Company had $180,000 in availability under the Senior ABL Facility less outstanding letters of credit of $43,069.

Term Loan Facility

On April 4, 2014, certain subsidiaries of the Company entered into a term loan facility (the “Term Loan Facility”) in order to (i) refinance the Senior PIK Toggle Notes due 2018 of the Company (the “Senior PIK Toggle Notes”) and the 8 1/2% Senior Notes due 2018 of Cooper-Standard Automotive Inc. (the “Senior Notes”), including applicable call premiums and accrued and unpaid interest, (ii) pay related fees and expenses and (iii) provide for working capital and other general corporate purposes. The Term Loan Facility provides for loans in an aggregate principal amount of $750,000 and may be expanded (or a new term loan facility added) by an amount that will not cause the consolidated first lien debt ratio to exceed 2.25 to 1.00 plus $300,000. All obligations of the borrower are guaranteed jointly and severally on a senior secured basis by the direct parent company of the borrower and each existing and subsequently acquired or organized direct or indirect wholly-owned U.S. restricted subsidiary of the borrower. The obligations are secured by amongst other items (a) a first priority security interest (subject to permitted liens and other customary exceptions) on (i) all the capital stock in restricted subsidiaries directly held by the borrower and each of the guarantors, (ii) substantially all plant, material owned real property located in the U.S. and equipment of the borrower

and the guarantors and (iii) all other personal property of the borrower and the guarantors, and (b) a second priority security interest (subject to permitted liens and other customary exceptions) in accounts receivable of the borrowers and the guarantors arising from the sale of goods and services, inventory, excluding certain collateral and subject to certain

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Unaudited)
(Dollar amounts in thousands except per share and share amounts)

limitations. Loans under the Term Loan Facility bear interest at a rate equal to, at the Borrower's option, LIBOR, subject to a 1.00% LIBOR Floor or the base rate option (the highest of the Federal Funds rate, prime rate, or one-month Eurodollar rate plus the appropriate spread), in each case, plus an applicable margin of 3.00%. The Term Loan Facility matures on April 4, 2021. As of September 30, 2015, the principal amount of $740,625 was outstanding. Debt issuance costs of approximately $7,900 were incurred on this transaction, along with the original issue discount of $3,750. Both the debt issuance costs and the original issue discount will be amortized into interest expense over the term of the Term Loan Facility. As of September 30, 2015, the Company had $2,946 of unamortized original issue discount.

7. Pension and Postretirement Benefits other than Pensions

The following tables disclose the amount of net periodic benefit cost (income) for the three and nine months ended September 30, 2014 and 2015 for the Company's defined benefit plans and other postretirement benefit plans:

	Pension Benefits			
	Three Months Ended September 30,			
	2014		2015	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$213	$843	$232	$ 868
Interest cost	3,370	1,775	3,084	1,261
Expected return on plan assets	(4,764)	(970)	(4,421)	(830)
Amortization of prior service cost and recognized actuarial loss	16	222	276	665
Other	—	—	—	114
Net periodic benefit cost (income)	$(1,165)	$1,870	$(829)	

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- Performance Metrics are Aligned with Shareholder Value. Matson's performance-based awards are determined using the following performance metrics: EBITDA for the Company's annual incentive plan and ROIC and TSR relative to peer indices for the Company's Performance Shares. These performance metrics align with Matson's strategic objectives for profitable growth, efficient use of capital and increasing the value of Matson's common stock for shareholders. The financial performance metrics used for annual cash and long-term incentive compensation are also different in order to avoid focusing the NEOs' attention on a single performance goal at the expense of achieving other important goals for maximizing the long-term value of the Company for shareholders.
- Multi-Year Performance Periods to Emphasize Long-Term Growth. Matson grants Performance Shares focused on multi-year performance over a three-year measurement period with vesting determined at the end of the period based on average annual ROIC and three-year cumulative TSR relative to the companies comprising the S&P Transportation Select Industry Index and S&P MidCap 400 Index. The three-year performance period is intended to encourage Matson's NEOs to focus on growth of the Company and shareholder value over a multi year period of time. Performance Shares granted in 2017 will not be settled until 2020 following the end of the three-year performance period (FY 2017 19), based on financial performance during this three-year performance period.
- No Stock Option Grants. With its continued emphasis on granting awards that contain specific performance goals, such as the Performance Shares, Matson again did not grant stock options to its NEOs in 2017.

Compensation Decision Process

Role of the Compensation Committee. The Compensation Committee of Matson's Board makes all decisions about the compensation of Matson NEOs. The process that it follows is different for Mr. Cox from the process for all other NEOs.

Determining CEO Compensation. For decisions affecting the CEO's compensation, the Board has a formal performance review process which starts at the beginning of the year with an analysis and establishment of the CEO's future performance goals. In January 2017, Mr. Dods, in his role as Chairman of the Board, directed this process in developing the CEO's objectives. Mr. Dods reviewed a variety of factors, including the CEO's prior performance objectives, the CEO's achievement of those objectives, the performance of the Company, the Company's current Operating Plan, as well as the Compensation Committee's independent consultant's market analysis and recommendations of CEO pay, including target annual incentive levels and equity grants.

Following the analysis and review process, Mr. Dods received input from the Board of Directors, after which the Board finalized the CEO's annual performance objectives. The objectives for any given year include, but are not limited to, achieving the annual operating plan results, any growth initiatives, other strategic initiatives, and the CEO's core responsibilities. The objectives are documented as part of setting the CEO's annual compensation package.

After completion of the fiscal year, an assessment of the CEO's performance against the objectives set at the beginning of the year is conducted. In January 2018, Mr. Watanabe performed this step in his role as Lead Independent Director. Mr. Watanabe and the Compensation Committee evaluated the CEO's performance and provided their assessment to the full Board of Directors. The Board of Directors discussed the results of the assessment, including the areas of greatest strength and areas where improvements could be made. The result of this process is subsequently considered by the Compensation Committee in determining the CEO's actual salary for the next fiscal year, payout of the CEO's annual incentive award and sizing of future equity grants.

Determining Compensation of other NEOs. For decisions affecting the compensation of the other NEOs, the Compensation Committee follows a similar process, but takes into consideration recommendations made by Mr. Cox.

In evaluating pay actions and the mix of pay elements for all NEOs (including Mr. Cox), the Compensation Committee reviews:

- A summary of the value of all compensation elements provided to the executive during the year;
- Competitive market peer group and broader industry survey data;
- Health and welfare benefits and retirement plan balances;

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- Prior compensation decisions for the past five years through tally sheets;
- Business strategic goals and performance expectations;
- Expected and actual Company and individual performance; and
- Insight from the shareholder Say-on-Pay vote results.

The Compensation Committee uses the above information to evaluate the following:

- Alignment of the pay program with the Compensation Committee's commitment to pay for performance;
- Consistency with competitive market practices;
- Reasonableness and balance of pay elements as they relate to pay risk;
- Year-to-year pay movement for each NEO to ensure it reflects any variations in annual performance and market conditions;
- Internal pay equity with other executives based on individual performance, job scope and impact; and
- The effect of potential future payments, awards and plan design changes on the executive's total pay package.

Role of the CEO. Mr. Cox recommends annual compensation actions for other NEOs to the Compensation Committee. In consultation with each NEO, Mr. Cox develops individual performance plans that serve as the basis for the determination of annual incentive awards. After the completion of the fiscal year, Mr. Cox reviews executive officer performance relative to individual goals and Company performance and makes recommendations to the Compensation Committee about the officer's incentive award. In addition to performance results, Mr. Cox considers any changes in job scope, merit increase guidelines and market pay studies to recommend changes in base salary, annual cash incentive awards and equity awards for Compensation Committee approval.

Role of Independent Consultant. The Compensation Committee believes that using an independent compensation consultant is important in developing executive compensation programs that are reasonable, consistent with Matson's pay philosophy and market competitive. Since the end of 2012, the Compensation Committee has retained Exequity LLP, an independent executive compensation consulting firm, to provide executive compensation services. Exequity reports directly to the Compensation Committee and the Compensation Committee Chairman pre-approves all executive compensation engagements, including the nature, scope and fees of assignments. Exequity advised the Compensation Committee on all aspects of executive compensation including the following during 2017:

- Recommended peer group assessment criteria and identified and recommended potential peer companies;
- Provided information on trends and regulatory developments for executive compensation;
- Evaluated the size and structure of the components of Matson's executive compensation program relative to the Company's peer group and broader market practices;
- Reviewed and commented on recommendations regarding executive pay, including target annual incentive levels and equity grants;
- Reviewed compensation risk assessment;
- Assessed Board pay levels, reviewed the structure of Board compensation, and provided recommended adjustments; and
- Reviewed and assisted in the preparation of the executive compensation disclosure in the annual proxy statement.

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In the course of fulfilling these responsibilities, a representative of Exequity attended all Compensation Committee meetings during the year, participated in executive sessions of the Compensation Committee without management present, and met with management from time to time to gather relevant information and provide input in assessing management proposals. The Compensation Committee's executive compensation decisions, including the specific amounts paid to Matson's executive officers, are made through the exercise of its own judgment and may reflect factors and considerations other than the information and recommendations provided by Exequity, including the executive's role and organizational impact, experience, tenure, sustained performance over time, and internal pay relationships. Exequity has not provided any other services to the Compensation Committee and has received no compensation other than with respect to the services described above.

Pursuant to SEC rules, the Company has assessed the independence of Exequity and concluded that no conflict of interest exists that would prevent Exequity from independently representing the Compensation Committee.

Role of Management. Management assists the Compensation Committee in its role of determining executive compensation in a number of ways, including:

- Providing management's perspective on compensation plan structure and implementation;
- Identifying appropriate performance measures and establishing individual performance goals that are consistent with the Board-approved Operating Plan;
- Providing the data used to measure performance against established goals, with Mr. Cox providing perspective on individual executive performance and compensation amounts; and
- Providing recommendations, based on information provided by Exequity, regarding pay levels for NEOs in 2017 on the basis of plan formulas, salary structures and Mr. Cox's assessment of individual officer performance.

Role of Market Data. As there are few companies directly comparable to Matson in business mix, size and location of operation, based on the recommendation of Exequity, the Compensation Committee used a combination of peer group proxy statement data and published general industry survey data as a benchmark reference in the 2017 compensation decision-making process. This competitive market data provides only one of many factors the Compensation Committee considers in assessing and determining appropriate pay levels as it exercises its business judgment. Other factors the Committee considers include Matson's pay philosophy, incumbent job scope of responsibility, tenure, organization impact, internal equity, Company and individual performance, and historical pay actions.

Exequity conducted an independent review of the peer group and established the following selection criteria to develop a recommended peer group for the Compensation Committee's approval:

- Transportation-related companies (including air freight, airline, marine, railroad, trucking and logistics management operations);
- Companies with similar size characteristics, including annual revenues generally within one-half to two times Matson's annual revenue and having a market capitalization that is generally less than five times Matson's market capitalization; and
- Additional companies that may be outside these size parameters but have other relevant business and operating characteristics to Matson and are influenced by similar economic and regulatory factors.

Based on these factors, Exequity recommended and the Compensation Committee approved a peer group of the following nineteen public transportation-related companies ("peer group") for pay comparisons starting in 2016 for 2017 pay assessments:

ArcBest Corporation	Kirby Corporation
Atlas Air Worldwide Holdings, Inc.	Landstar System, Inc.
Bristow Group, Inc.	Old Dominion Freight Line, Inc.
Echo Global Logistics	Overseas Shipholding Group, Inc.

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	Saia, Inc.
Genesee & Wyoming Inc.	
Hawaiian Holdings, Inc.	SEACOR Holdings Inc.
Hornbeck Offshore Services, Inc.	Swift Transportation Company
Hub Group, Inc.	Tidewater Inc.
Knight Transportation, Inc.	Werner Enterprises, Inc.
Kansas City Southern	

Matson is between the 45th and 55th percentiles of this peer group in revenue and market capitalization. Given the limited number of relevant publicly traded transportation companies similar enough to Matson's profile to serve as meaningful comparisons, the Compensation Committee believes the peer group recommended by Exequity provides a reasonable basis for analyzing compensation for Matson's NEOs. The Compensation Committee will continue to collect general industry data for similar revenue size companies as additional reference for competitive market analysis, particularly for NEOs other than Mr. Cox, given the limited number of similarly sized companies in the peer group and competition for talent with other industry segments.

Components of Executive Compensation

The material elements of compensation for Matson's NEOs are base salaries, annual bonuses and equity incentives. NEOs also are eligible for retirement, severance and change in control termination benefits and participate in other employee benefit programs.

Base Salary: Salary is intended to provide a minimum fixed rate of pay which comprises less than 35% of an NEO's target total direct compensation. Salary increases can be awarded in recognition of superior performance, organizational advancement and increasing levels of responsibility, as well as projections for market movement and merit guidelines established for the organization. Generally, base salaries for Matson's NEOs are based on the Compensation Committee's determination of appropriate salary levels, taking into consideration peer group and survey information, Mr. Cox's recommendations (for NEOs other than himself), the executive's role in the organization, his performance during the prior fiscal year and relative pay position to other Matson executives. In 2017, in connection with Matson's overall merit program, the Compensation Committee increased the base salaries for all NEOs, including Mr. Cox, by 3% to keep up with inflation and general market practices. Additionally, upon their respective promotions to President, Chief Administrative Officer and Chief Commercial Officer, the Compensation Committee increased base salary 43% for Mr. Forest, 5% for Mr. Heilmann and 8% for Mr. Lauer.

Annual Cash Incentives: Annual incentives for NEOs are provided through the Cash Incentive Plan. The CIP was designed to align performance incentives at all participating organization levels, to motivate executives to contribute to the Company's success and reward them if they achieve specific pre-established corporate and individual goals. These goals are established in February of each year based on the use of the metrics described below.

Weighting of Goals. The weighting of the corporate and individual goals depends on the executive's position and responsibilities. The intention is to place a significant portion of the awards on the financial results of the Company, but balance that with important strategic and operating goals that have been established for the year through the individual portion. The 2017 weighting is as follows:

Weighting of 2017 CIP Goals for NEOs

NEO	Corporate	Individual

Matthew J. Cox	70%	30%
Joel M. Wine	70	30
%Ronald J. Forest	70%	30%
Peter T. Heilmann	70	30
%John P. Lauer	70%	30%

Determination of Annual Cash Incentive Award. Each component – corporate and individual – is evaluated against the respective performance goals. There are three levels of award opportunities for each component: threshold, target and extraordinary. In 2017, the target award opportunity levels for NEOs ranged from 70% to 100% of salary, which is consistent with competitive market targets. If a threshold goal is not achieved, there is no payout for that component. If threshold goals are achieved, a participant receives 50% of the target award opportunity set for that component. If target or extraordinary goals are achieved, a participant receives 100% or 200%, respectively, of the target award opportunity for that

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component. Awards are prorated for performance between the threshold, target and extraordinary levels, as applicable. No additional award is provided for performance above the extraordinary goal level. The maximum achievable award in the aggregate is 200% of the NEO's target award opportunity.

Mr. Cox reviews the annual individual incentive award calculations for each individual other than himself and makes recommendations to the Compensation Committee regarding payouts. For Mr. Cox's individual incentive award calculation, the Lead Independent Director reviews Mr. Cox's individual performance achievement and provides the results to the Compensation Committee. The Compensation Committee reviews and approves all awards and has discretion to modify recommended awards to take into consideration factors it believes appropriately reflect the performance of the Company and the individual. Such factors vary, but may include, for individuals, adjustments for an executive taking on temporary but significant responsibilities in addition to his normal job role, or for the Company or a business unit, adjustments for extraordinary or unusual events.

Company Performance. The corporate component measure in 2017 was based on the 2017 2019 Operating Plan approved by the Board of Directors and was weighted 100% on consolidated EBITDA performance, subject to any adjustments made to accurately reflect the Company's 2017 performance. Any adjustments are at the sole discretion of the Compensation Committee. EBITDA was selected as the CIP corporate performance measure because the Company believes it best reflects the annual operating results of business execution and profitability levels. The Company believes that EBITDA is a critical annual operating performance measure and, in combination with the multi-year performance measures of ROIC and TSR (described below in "Performance Shares"), provides focus and alignment with shareholder interests.

Annual incentive goals at threshold, target and extraordinary (maximum) are approved by the Compensation Committee in February of each year. The 2017 annual corporate and business unit targets reflected the Company's Board approved Operating Plan. When establishing the Operating Plan, management and the Board of Directors consider the historical performance of the Company, external elements such as economic conditions and competitive factors and Company capabilities. In 2017, the Compensation Committee set threshold performance at 90% of plan target and extraordinary performance at 120% of target for EBITDA results. The threshold and extraordinary goals were determined on the basis of the level of difficulty in achieving the target objective as well as establishing a reasonable range of performance variability around the Operating Plan target.

For determination of CIP award levels for 2017, the Company's operating performance was compared to the performance goals approved by the Compensation Committee in February 2017. Corporate goals and the actual result were as follows:

Company Performance Results Related to the 2017 CIP

Corporate Goal	Threshold	Target	Extraordinary	Actual
EBITDA (000s)	$ 257,670	$ 286,300	$ 343,560	$ 296,037

Individual Performance. In addition to the corporate performance goal, 30% of each NEO's 2017 award under the CIP was based on achieving individual goals, which reflect the NEO's position in the Company and the activities of the NEO's business function. Individual goals contain performance metrics and are reviewed by the Compensation Committee each year. Performance against individual goals is assessed at threshold, target and extraordinary levels; achievement of some but not all individual goals can result in a partial payout. The primary individual NEO goals are listed below.

NEO	Individual Goals
Matthew J. Cox	Perform core CEO responsibilities effectively Hawaii service vessel transition Achieve Guam service strategic initiatives Achieve Company's cost reduction and margin improvement initiatives
Joel M. Wine	Perform core CFO responsibilities effectively Implement effective planning and forecasting department organizational and process improvements Lead strategic growth initiatives and other critical initiatives within the Company Manage and improve the Company's debt capital structure Achieve Company's cost reduction and margin improvement initiatives

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Ronald J. Forest	Achieve operations expense and income objectives Achieve capital plan, dry-dock plan, vessel maintenance & repair plan and hull & machinery insurance reserve objectives Achieve service objectives Manage Company's new vessel program Lead Company's steamship recycling strategy Achieve Company's cost reduction and margin improvement initiatives
Peter T. Heilmann	Oversee resolution of government investigations, general claims & litigation matters and mitigate future litigation risks through compliance Manage and oversee legal aspects of significant corporate initiatives Perform core Corporate Secretary responsibilities effectively Oversee general regulatory compliance and the Company's efforts related to the Jones Act Achieve Company's cost reduction and margin improvement initiatives
John P. Lauer	Achieve Guam market share objectives Implement Alaska freight forwarder strategy Improve forecasting process and accuracy Develop commercial strategic initiatives Achieve Company's cost reduction and margin improvement initiatives

Total Performance for 2017. Actual CIP awards earned versus target averaged approximately 136% of the overall targeted goal payouts and were as follows:

2017 CIP Payouts for NEOs

NEO	2017 Target Award	Actual Award for 2017	% of Target	Corporate Performance	Corporate Component Payout (1) (70% Weighting)	Overall Individual Performance Rating	Individual Component Payout (30% Weighting)
Matthew J. Cox	$ 772,500	$ 1,044,033	135 %	103.4 %	$ 632,678	Slightly Below Extraordinary	$ 411,356
Joel M. Wine	$ 350,737	$ 481,911	137 %	103.4 %	$ 287,254	Slightly Below Extraordinary	$ 194,657
Ronald J. Forest	$ 350,000	$ 467,776	134 %	103.4 %	$ 286,650	Slightly Below Extraordinary	$ 181,126
Peter T. Heilmann	$ 280,000	$ 387,870	139 %	103.4 %	$ 229,320	Slightly Below Extraordinary	$ 158,550
John P. Lauer	$ 248,500	$ 337,712	136 %	103.4 %	$ 203,522	Slightly Below Extraordinary	$ 134,190

(1) 103.4% consolidated EBITDA performance resulted in a 117.0% corporate component payout.

Equity-Based Compensation: The equity portion of the total compensation program is designed to:

- Align management and shareholder interests;
- Provide incentive to achieve strategic operating goals and increase shareholder value over the longer-term; and
- Motivate and retain Matson's executives.

Performance Shares. In 2017, Matson continued the use of Performance Share awards focused on multi-year performance over a three-year measurement period. Settlement of the Performance Shares granted in 2017 is determined after the end of the three-year performance period (i.e., December 31, 2019). The actual number of shares that vest is based on Matson's three-year annual average ROIC performance against pre-established goals approved by the Compensation Committee in January 2017 (the primary performance measure) and Matson's TSR as measured against the S&P Transportation Select Industry Index and S&P MidCap 400 Index over the three-year period (the performance modifier). The total number of Performance Shares earned may range from zero to 200% of the target grant size based on the Company's primary performance measure results and then that percentage is further adjusted +/- 25% based on the TSR performance

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modifier results. No Performance Shares will vest sooner than three years from the date of grant except in connection with the occurrence of a change in control of the ownership of Matson under certain circumstances.

On December 31, 2017, the performance period for the 2015 2017 Performance Share grant ended. For determination of the Performance Share award levels, the Company's ROIC and TSR performance were compared to the performance goals approved by the Compensation Committee in January 2015. ROIC is defined as (1) net income after-tax plus (2) after-tax interest expense divided by (3) average debt plus average total shareholders' equity, subject to any adjustments made to accurately reflect the Company's performance. Any adjustments are at the sole discretion of the Compensation Committee. 2015 2017 ROIC performance excludes any financial impact related to the Horizon Lines and Span Alaska acquisitions, the Kanaloa class vessel construction, a non-trust post-retirement adjustment, and tax reform in accordance with the terms of the Performance Share award provisions. Corporate goals and the actual results were as follows:

Company Performance Results Related to the 2015 2017 Performance Share Awards

Corporate Goals	Threshold	Target	Extraordinary	Actual
3 Year Average ROIC	9.6%	12.0%	14.4%	14.4%
3 Year Relative TSR – MidCap 400	25th	50th	75th	19th
3 Year Relative TSR – Transportation	25th	50th	75th	28th

Settlement of 2015 2017 Performance Share Grant. Actual Performance Share awards earned versus target were 152.9%, as follows:

2015 2017 Performance Share Award Settlement for NEOs

NEO	2015 2017 Target Award (#)	ROIC Performance		ROIC Payout %		TSR Performance	TSR Modifier % Applied to ROIC Payout %		2015 2017 Actual Award (#)
Matthew J. Cox	33,104	119.7	%	199	%	19th/28th	23	%	50,617
Joel M. Wine	8,276	119.7	%	199	%	19th/28th	23	%	12,655
Ronald J. Forest	4,138	119.7	%	199	%	19th/28th	23	%	6,328
Peter T. Heilmann	5,518	119.7	%	199	%	19th/28th	23	%	8,438
John P. Lauer	4,138	119.7	%	199	%	19th/28th	23	%	6,328

Pursuant to the vesting provisions of the 2015 2017 Performance Share grants, time-based vesting of the awards occurred on January 28, 2018, while approval of the performance results associated with the awards took place on January 24, 2018. Therefore, the awards are included in the Outstanding Equity Awards at Fiscal Year-End table of this Proxy Statement.

Restricted Stock Units. In 2017, the Company granted time-based RSUs to the NEOs. Time-based RSU grants align participant interests directly with shareholders and are intended to focus the efforts of executives on improving long term stock price performance, increasing executive beneficial share ownership and strengthening retention of

participants through a three-year vesting period, prorated on the basis of the number of full or partial months employed during the vesting period.

Equity-based grants are generally considered and granted annually in January by the Compensation Committee. Mr. Cox makes recommendations for each NEO (other than himself) to the Compensation Committee, which retains full discretion to set the grant amount. In determining the type and size of a grant to an executive officer, the Compensation Committee generally considers, among other things:

- Company and individual performance;
- The executive officer's current and expected future contributions to the Company;

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- Effect of a potential award on total compensation and pay philosophy;
- Internal pay equity relationships;
- Competitive market data;
- Potential dilutive impact on shareholders and available share pool; and
- Size and potential value of recent equity grants outstanding.

Standard equity grants were made to executives at Matson's January 2017 Compensation Committee meeting and NEO grants were allocated 50/50 between Performance Shares and time-based RSUs. In recognition of their respective promotions, Messrs. Forest, Heilmann and Lauer were granted additional equity in April 2017, also allocated 50/50 between Performance Shares and time-based RSUs.

2017 Equity Awards for NEOs

	Annual Equity Award(1)		
NEO	Performance Shares	Time–Based RSUs	Total Equity Value
Matthew J. Cox	$ 1,200,000	$ 1,200,000	$ 2,400,000
Joel M. Wine	$ 300,000	$ 300,000	$ 600,000
Ronald J. Forest	$ 300,000	$ 300,000	$ 600,000
Peter T. Heilmann	$ 250,000	$ 250,000	$ 500,000
John P. Lauer	$ 250,000	$ 250,000	$ 500,000

(1) January awards totaled $300,000 for Mr. Forest, $400,000 for Mr. Heilmann, and $300,000 for Mr. Lauer. April awards totaled $300,000 for Mr. Forest, $100,000 for Mr. Heilmann, and $200,000 for Mr. Lauer.

Combination of Total Direct Pay Elements: The Company's combination of pay elements for its NEOs is designed to place the emphasis on incentive compensation, while at the same time focusing on long-term talent retention and maintaining a balanced program to ensure an appropriate relationship between pay and risk. The Compensation Committee believes this is consistent with one of its key compensation objectives, which is to align management and shareholder interests.

Percentage of Target Total Direct Compensation Provided by Each Pay Element for 2017

	2017 Pay Elements		
NEO	Salary	Annual Incentives	Long-Term Incentives
Matthew J. Cox	20%	20%	60%
Joel M. Wine	35%	24%	41%
Ronald J. Forest	35%	24%	41%
Peter T. Heilmann	34%	24%	42%
John P. Lauer	34%	24%	42%

Retirement Benefits: Matson provides various benefit plans to meet the retirement needs of all employees, including NEOs. Retirement plans are an important part of the Company's total compensation program designed to provide executives with the ability to plan for their future while keeping them focused on Matson's present success. The Pension Benefits for 2017 table of this Proxy Statement provides a more detailed description and estimated values for each of the NEOs related to the Retirement Plan for Employees of Matson and Matson Excess Benefits Plan. The basic objective of these plans is to provide long-term eligible employees with retirement benefits proportional to their cash-based compensation from Matson.

Matson Individual Deferred Compensation and Profit Sharing Plan: The Company has a tax-qualified defined contribution retirement plan (the "Profit Sharing Retirement Plan") available to all salaried non-bargaining unit employees. In 2010, the Company suspended the profit sharing component of this plan and replaced it with a cash-based profit sharing incentive program, with an award of zero to three percent of eligible base salary. This component provides for discretionary contributions to participants' retirement savings account of up to three percent of compensation based on the degree of achievement of income before taxes as established in the Company's annual Board-approved Operating Plan. The resulting payout percentage for 2017 was 2.6%. The Individual Deferred Compensation (401(k)) component of the Profit Sharing Retirement Plan, available to all salaried non-bargaining unit employees, provides for a discretionary match of the

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compensation deferred by a participant during the fiscal year. The matching contribution for 2017 applicable to most participants, including all of the NEOs, was 100% of a participant's deferrals up to 3.0% of eligible compensation. The value of the Company's 2017 Individual Deferred Compensation matching contributions for NEOs is included in the Summary Compensation Table of this Proxy Statement.

Retiree Health and Welfare Plan: The Company provides NEOs with the same retiree medical and life insurance benefits as are provided in general to all salaried non-bargaining unit employees. These benefits are limited to only those employees (including NEOs) who joined the Company prior to January 1, 2008. These benefits aid in retaining long-term service employees and provide for health care costs in retirement. The Company limits its contribution towards the monthly premium, based on the employee's age and years of service. The benefits from this plan are reflected in the "Other Potential Post-Employment Payments" section of this Proxy Statement. The plan was amended effective January 1, 2012 to allow for the continued eligibility under the Retiree Health and Welfare Plan for employees hired prior to January 1, 2008.

No Perquisites: The Company provides no perquisites to the NEOs, with the exception of Company-provided parking. The cost of parking in 2017 was substantially less than $10,000 for each NEO.

Severance Plan and Change in Control Agreements: The Company maintains the Matson Executive Severance Plan (the "Severance Plan") that covers each of the NEOs. The Company has entered into change in control agreements ("Change in Control Agreements") with all NEOs to retain talent during transitions due to a change in control of the ownership of the Company or other covered event, and to provide a competitive pay package. Change in Control Agreements promote the continuation of management to ensure a smooth transition. The Compensation Committee designed the agreement to provide a competitively structured program, and yet be conservative overall in the amounts of potential benefits. The Compensation Committee's decisions regarding other compensation elements are affected by the potential benefits under these arrangements, as the Compensation Committee considers how the terms of these arrangements and the other pay components interrelate. These agreements and the Severance Plan are described in further detail in the "Other Potential Post-Employment Payments" section of this Proxy Statement.

CEO Pay Ratio

As a result of the recently adopted rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is required to disclose the CEO to median employee pay ratio. The methodology management applied to determine the ratio is in accordance with the SEC's guidance pursuant to Item 402(u) of Regulation S-K as detailed below.

Matson identified the median employee using total taxable wages as reported in Box 1 of the W 2 for all employees employed on December 31, 2017. As the Company's total combined employee population in China (approximately 80 employees) and New Zealand (approximately 45 employees) totaled less than five percent of the global employee population (approximately 2,550 full-time, part-time and on-call employees), these foreign pay levels were excluded from the process used to determine the median employee. For permanent employees newly hired in calendar 2017, total taxable wages were annualized for the year.

In determining the Summary Compensation Table Amount of pay for both Mr. Cox and the median employee, management employed the same methodology used for NEOs as set forth in the 2017 Summary Compensation Table of this Proxy Statement. The Company's contribution to employee health plans was also included. As illustrated below, using the Total Pay amounts, Matson's 2017 CEO to median employee pay ratio is 44:1.

CEO to Median Employee Pay Ratio

	Summary Compensation Table Amount	+	Company Contributions to Health Plans	=	Total Pay
CEO	$ 4,446,440		$ 30,781		$ 4,477,221
Median Employee	$ 81,490		$ 20,478		$ 101,968

Tax and Accounting Considerations

In evaluating the compensation structure, the Compensation Committee considers tax and accounting treatment, balancing the effects on the individual and the Company. The Compensation Committee considers, among other items, deductibility of executive compensation, as limited by Section 162(m) of the Internal Revenue Code. Our compensation

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program for 2017 was designed to allow our Compensation Committee to grant awards and pay compensation that was intended to be eligible for deductibility under Section 162(m) if certain conditions are met, though the Compensation Committee reserves the right to pay compensation not intended to comply with the provisions and limitations of Section 162(m). The Compensation Committee will continue to evaluate program designs and the ability to maximize compensation tax deductibility in the future, taking into account recent developments, including the legislative amendments to Section 162(m).

Policies and Practices

Share Ownership Guidelines: To enhance shareholder alignment and ensure commitment to longer-term decision making that enhances shareholder value, the Company has share ownership guidelines. Executives are required to own a value of stock equal to the salary multiple below within a five-year period:

Position	Salary Multiple
Chairman & CEO	5X
Other NEOs	3X

Messrs. Cox, Wine and Forest have met their respective requirements. The measurement periods for Messrs. Heilmann and Lauer started in 2014 and 2015, respectively, in connection with their promotions to executive officers, and they are on track to meet this requirement within the prescribed five-year period.

Equity Granting Policy: Equity awards are typically granted for current employees at the same time of year at the January Compensation Committee meeting, and the meeting is generally scheduled on the fourth Wednesday of the month. Equity grants for new hires or promoted employees are approved at regularly scheduled Compensation Committee meetings, which meetings are scheduled approximately 8 12 months in advance of the meeting date. The timing of these grants is made without regard to anticipated earnings or other major announcements by the Company. For any outstanding stock options granted by the Company, the exercise price for stock option grants is the closing price on the date of the grant.

Policy Regarding Speculative Transactions and Hedging: The Company has adopted a formal policy prohibiting directors, officers and employees from (i) entering into speculative transactions, such as trading in options, warrants, puts and calls or similar instruments involving Matson stock, or (ii) hedging or monetization transactions involving Matson stock.

Policy Regarding Recoupment of Certain Compensation: The Company has adopted a formal “clawback” policy for senior management, including all NEOs. Pursuant to such policy, the Company will seek to recoup certain incentive compensation, including cash bonuses and equity awards based upon the achievement of financial performance metrics, from executives in the event that the Company is required to restate its consolidated financial statements.

Compensation Risk Assessment: Matson conducted a detailed compensation risk assessment and concluded that the risks arising from the Company’s compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the CD&A section of this Proxy Statement with management and, based on these discussions and review, it has recommended to the Board of Directors that the

CD&A disclosure be included in this Proxy Statement.

The foregoing report is submitted by Dr. Chun (Chairman), Mr. Baird and Mr. Watanabe.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is, or was during or prior to fiscal 2017, an officer or employee of the Company or any of its subsidiaries. None of the Company's executive officers serves or served as a director or member of the compensation committee of another entity where an executive officer of such other entity serves or served as a director or member of the Compensation Committee of the Company.

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Summary Compensation Table

The following table summarizes the compensation paid by Matson to the NEOs in 2017, 2016 and 2015:

2017 SUMMARY COMPENSATION TABLE

d .	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($)(1) (e)		Option Awards ($)(2) (f)	Non-Equity Incentive Plan Compensation ($)(3) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4) (h)	All Other Compensation ($) (i)		To ($) (j)
J. n and	2017	766,442	—	2,412,048	(5)	—	1,044,033	140,087	83,830	(6)	4,4
e	2016	725,591	—	2,801,915		—	354,375	187,192	65,651		4,1
	2015	665,372	—	2,400,040		—	1,232,153	66,775	82,469		4,4
Wine ice t and	2017	497,124	—	603,030	(5)	—	481,911	68,058	36,990	(6)	1,6
	2016	482,699	—	850,540		—	199,204	30,852	25,519		1,5
l	2015	477,564	—	600,010		—	651,289	27,193	36,693		1,7
.	2017	445,419	—	594,805	(5)	—	467,776	110,808	29,947	(6)	1,6
t	2016	337,427	—	400,315		—	81,613	147,650	16,296		98
	2015	333,837	—	300,005		—	299,818	31,620	25,739		99
n ice t and	2017	390,928	—	499,874	(5)	—	387,870	44,789	31,360	(6)	1,3
	2016	368,445	—	650,362		—	128,661	24,799	21,944		1,1
trative	2015	366,210	—	400,055		—	426,112	21,776	28,862		1,2
Lauer ice t and	2017	343,020	—	497,062	(5)	—	337,712	62,912	25,083	(6)	1,2
	2016	315,810	—	400,315		—	32,225	39,022	13,653		80

cial	2015	310,642	—	300,005	—	306,683	13,394	18,827	94

(1) Represents the grant-date fair value of time-based RSUs and the grant-date fair value of Performance Shares (assuming the target level of performance is attained) for the fiscal year identified in column (b).
(2) No stock option grants were made in 2015, 2016 or 2017.
(3) Represents the NEO's award under the CIP for the fiscal year identified in column (b) payable in cash in February of the following year.
(4) All amounts are attributable to the aggregate change in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial pension plans.
(5) Includes the grant date fair value of Performance Shares at target of $1,212,037 for Mr. Cox, $303,019 for Mr. Wine, $294,794 for Mr. Forest, $249,819 for Mr. Heilmann, and $247,043 for Mr. Lauer. The grant date fair value of these Performance Share awards at maximum are $3,030,111 for Mr. Cox, $757,546 for Mr. Wine, $737,004 for Mr. Forest, $624,548 for Mr. Heilmann, and $617,641 for Mr. Lauer.
(6) Represents (i) dividends paid on unvested time-based RSUs ($56,063 for Mr. Cox, $16,089 for Mr. Wine, $10,490 for Mr. Forest, $13,074 for Mr. Heilmann, and $9,560 for Mr. Lauer), (ii) 401(k) match ($7,840 for Mr. Cox, $7,976 for Mr. Wine, $7,876 for Mr. Forest, $8,122 for Mr. Heilmann, and $6,604 for Mr. Lauer), and (iii) profit-sharing contributions ($19,927 for Mr. Cox, $12,925 for Mr. Wine, $11,581 for Mr. Forest, $10,164 for Mr. Heilmann, and $8,919 for Mr. Lauer) .

Grants of Plan-Based Awards

The following table contains information concerning the equity and non-equity grants under Matson's incentive plans during 2017 for the NEOs:

2017 GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
ame)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	(#)(3)(4) (i)	($)(5) (l)
atthew Cox	—	386,250	772,500	1,545,000	—	—	—	—	—
	1/25/2017	—	—	—	6,095	32,503	81,258	—	1,212,03
	1/25/2017	—	—	—	—	—	—	32,503	1,200,01
el M. ine	—	175,369	350,737	701,474	—	—	—	—	—
	1/25/2017	—	—	—	1,524	8,126	20,315	—	303,019
	1/25/2017	—	—	—	—	—	—	8,126	300,012
onald Forest	—	175,000	350,000	700,000	—	—	—	—	—
	1/25/2017	—	—	—	762	4,063	10,158	—	151,509
	1/25/2017	—	—	—	—	—	—	4,063	150,006
	4/28/2017	—	—	—	888	4,732	11,830	—	143,285

4/28/2017	—	—	—	—	—	—	4,732	150,004

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		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fai Value of Stock and Option Awards
ame)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	(#) (3)(4) (i)	($) (5) (l)
eter T. eilmann	—	140,000	280,000	560,000	—	—	—	—	—
	1/25/2017	—	—	—	1,016	5,418	13,545	—	202,037
	1/25/2017	—	—	—	—	—	—	5,418	200,033
	4/28/2017	—	—	—	296	1,578	3,945	—	47,782
	4/28/2017	—	—	—	—	—	—	1,578	50,023
hn P. auer	—	124,250	248,500	497,000	—	—	—	—	—
	1/25/2017	—	—	—	762	4,063	10,158	—	151,509
	1/25/2017	—	—	—	—	—	—	4,063	150,006
	4/28/2017	—	—	—	592	3,155	7,888	—	95,533
	4/28/2017	—	—	—	—	—	—	3,155	100,014

(1) Amounts reflected in this section relate to estimated payouts under the CIP. The value of the actual payouts is included in the Non-Equity Incentive Compensation column of the Summary Compensation Table.
(2) Amounts in this section reflect Performance Share grants made in 2017 with award achievement determined at the end of the 3 year performance period as of December 31, 2019. Actual number of Performance Shares earned will be determined based on the Company’s 3 year annual average ROIC and 3 year TSR measured relative to the companies comprising the S&P Transportation Select Industry Index and S&P MidCap 400 Index. In addition to their standard annual equity grants, Messrs. Forest, Heilmann and Lauer received Performance Share grants in connection with their April 2017 promotions to President, Chief Administrative Officer and Chief Commercial Officer, respectively.
(3) Amounts in this section reflect time-based RSU grants. In addition to their standard annual equity grants, Messrs. Forest, Heilmann and Lauer received RSU grants in connection with their April 2017 promotions to President, Chief Administrative Officer and Chief Commercial Officer, respectively.
(4) No stock option grants were made in 2017.
(5) Based upon the closing price of Matson common stock on the date of grant for time-based RSUs, which was $36.92 on January 25, 2017, and $31.70 on April 28, 2017, and grant date fair value for performance shares, which was $37.29 on January 25, 2017, and $30.28 on April 28, 2017.

The CIP is based on corporate and individual goals. Performance measures, weighting of goals and target opportunities are discussed in the Compensation Discussion and Analysis section of this Proxy Statement entitled “Components of Executive Compensation – Annual Cash Incentives”.

Under the predecessor plans to the 2016 Plan, the Company has issued stock options that vest in equal increments over three years and have a maximum term of 10 years. They continue to vest and are exercisable for three years after disability, normal retirement at age 65 or older or approved early retirement at age 55 (with five years of service) but may not be exercised any later than 10 years after the grant date. Vesting automatically accelerates in the event of

death and the executive's personal representative has up to 12 months to exercise the stock options. Stock options automatically vest on the specified effective date of a change in control if the participant is involuntarily terminated or awards are not assumed or replaced by the successor company. If an employee is terminated due to misconduct or engages in conduct considered materially detrimental to the business, then the option terminates immediately. If an employee ceases to be employed for any other reason the option may be exercised within three months of termination to the degree vested at the time of termination. Stock options cannot be re-priced under the 2016 Plan without shareholder approval. No stock options were granted in 2015, 2016 or 2017.

In 2017, the Company has issued time-based RSUs under the 2016 Plan that vest in equal increments over three years. Time-based RSUs that are unvested will automatically vest upon death or permanent disability. Time-based RSUs will partially vest on a prorated basis upon normal retirement at age 65 or older or approved early retirement at age 55 (with five years of service). Upon the effective date of any change in control, any unvested time-based RSUs automatically vest if the participant is involuntarily terminated or awards are not assumed or replaced by the successor company. Under the 2016 Plan, grantees receive dividend equivalents on the full amount of time-based RSUs granted, regardless of vesting, at the same rate as is payable on the Company's common stock.

In 2017, the Company granted Performance Shares under the 2016 Plan. The actual number of Performance Shares earned will be determined at the end of the performance period as of December 31, 2019 based on the Company's 3 year annual average ROIC (primary measure) and 3 year TSR measured relative to the companies comprising the S&P Transportation Select Industry Index and S&P MidCap 400 Index (award modifier), as shown in the table below. Actual performance at the target performance level for the ROIC measure results in earning 100% of the target Performance Share award; actual performance at the 80% threshold level ROIC results in earning 25% of the target award; actual performance

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below the threshold ROIC level results in no awards earned; and actual performance at the extraordinary ROIC level results in earning the maximum number of units equal to 200% of the target number of Performance Shares. For actual performance between threshold, target and extraordinary, awards are determined based on straight line interpolation. If TSR performance is at the 50th percentile of the market indexes, there is no modification to the number of Performance Shares earned based on ROIC; if TSR performance is at or better than the 75th percentile of the market indexes, the number of Performance Shares earned will be increased by 25%; if TSR performance is at or below the 25th percentile of the market indexes, the number of Performance Shares earned will be reduced by 25%. Award adjustment for relative TSR results between these performance levels will be interpolated on a straight-line basis. Maximum total Performance Shares awarded can be up to 250% of target. If participants receiving a Performance Share award terminate employment prior to vesting for any reason other than death, permanent disability, normal retirement or approved early retirement, their awards will not vest. If a participant terminates due to death, permanent disability, normal retirement or approved early retirement, his or her award will be prorated on the basis of the number of full or partial months employed during the performance period and the actual amount earned at the end of the performance period. If there is a change in control of the ownership of the Company, the performance vesting requirements applicable to the Performance Shares will terminate and the number of Performance Shares that may become issuable to each participant will become fixed based on the formula described below under the heading "Other Potential Post-Employment Payments" and any unvested Performance Shares will automatically vest if the participant is involuntarily terminated or awards are not assumed or replaced by the successor company. No dividend equivalents are paid on outstanding Performance Shares.

TSR Modifier and Payout Adjustment:

Relative TSR Performance (applied to ROIC Payout %)	TSR Modifier Adjustment
>75th percentile	+25%
50th percentile	0%
< 25th percentile	-25%

Adjustment for TSR Modifier between performance levels will be interpolated on a straight-line basis:

	ROIC Performance		TSR Performance	
Performance Level	Performance as a % of Target	Payout as a % of Target	TSR Modifier	Total Payout as a % of Target
Extraordinary	120%	200%	25% to +25%	150% - 250%
Target	100%	100%	25% to +25%	75% - 125%
Threshold	80%	25%	25% to +25%	18.75% - 31.25%

Outstanding Equity Awards at Fiscal Year End

The following table contains information concerning the outstanding equity awards owned by the NEOs as of December 31, 2017:

2017 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

tion Awards	Stock Awards

mber of curities derlying exercised tions ercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#) (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price (e)($)	Option Expiration Date (f)	Number of Shares or Units of Stock that Have Not Vested (#) (g)	Market Value of Shares or Units of Stock that Have Not Vested ($)(1) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)(2) (i)		
,861		N/A	23.74	1/24/2022	71,876 (3)	2,144,780	115,001	(4)	3
,381 ,954		N/A	21.46 23.74	8/31/2021 1/24/2022	20,627 (5)	615,510	28,752	(6)	8
72 ,394 ,254		N/A	16.94 20.84 23.74	1/26/2020 1/25/2021 1/24/2022	14,602 (7)	435,724	19,109	(8)	5
A		N/A			16,805 (9)	501,461	20,748	(10)	6
A		N/A			13,025 (11)	388,666	17,532	(12)	5

(1) Market value of stock not vested based on December 31, 2017 closing stock price of $29.84.

(2) Represents 2016 2018 and 2017 2019 Performance Shares at target performance and actual settlement of the 2015 2017 Performance Shares.

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(3) Vesting date of time-based RSUs—10,835 shares on 1/25/2018, 11,035 shares on 1/28/2018; 14,169 shares each on 1/27/2018 and 1/27/2019; and 10,834 shares each on 1/25/2019 and 1/25/2020.
(4) 2015 2017 Performance Shares settled with vesting date — 50,617 shares on 1/28/2018. Target 2015 2017 and 2016 2018 Performance Shares contingent on meeting performance thresholds with vesting date—31,881 shares on 1/27/2019; and 32,503 shares on 1/25/2020.
(5) Vesting date of time-based RSUs—2,709 shares each on 1/25/2018 and 1/25/2020; 4,871 shares each on 1/27/2018 and 1/27/2019; 2,759 shares on 1/28/2018; and 2,708 shares on 1/25/2019.
(6) 2015 2017 Performance Shares settled with vesting date — 12,655 shares on 1/28/2018. Target 2015 2017 and 2016 2018 Performance Shares contingent on meeting performance thresholds with vesting date—7,971 shares on 1/27/2019; and 8,126 shares on 1/25/2020.
(7) Vesting date of time-based RSUs—1,355 shares on 1/25/2018; 2,213 shares on 1/27/2018; 1,379 shares on 1/28/2018; 1,578 shares on 4/28/2018; 1,354 shares each on 1/25/2019 and 1/25/2020; 2,215 shares on 1/27/2019; and 1,577 shares each on 4/28/2019 and 4/28/2020.
(8) 2015 2017 Performance Shares settled with vesting date — 6,328 shares on 1/28/2018. Target 2015 2017 and 2016 2018 Performance Shares contingent on meeting performance thresholds with vesting date—3,986 shares on 1/27/2019; 4,063 shares on 1/25/2020; and 4,732 shares on 4/28/2020.
(9) Vesting date of time-based RSUs—1,806 shares each on 1/25/2018, 1/25/2019 and 1/25/2020; 3,985 shares each on 1/27/2018 and 1/27/2019; 1,839 shares on 1/28/2018; and 526 shares each on 4/28/2018, 4/28/2019 and 4/28/2020.
(10) 2015 2017 Performance Shares settled with vesting date — 8,438 shares on 1/28/2018. Target 2015 2017 and 2016 2018 Performance Shares contingent on meeting performance thresholds with vesting date—5,314 shares on 1/27/2019; 5,418 shares on 1/25/2020; and 1,578 shares on 4/28/2020.
(11) Vesting date of time-based RSUs—1,355 shares on 1/25/2018; 2,213 shares on 1/27/2018; 1,379 shares on 1/28/2018; 1,052 shares each on 4/28/2018 and 4/28/2020; 1,354 shares each on 1/25/2019 and 1/25/2020; 2,215 shares on 1/27/2019; and 1,051 shares on 4/28/2019.
(12) 2015 2017 Performance Shares settled with vesting date — 6,328 shares on 1/28/2018. Target 2015 2017 and 2016 2018 Performance Shares contingent on meeting performance thresholds with vesting date—3,986 shares on 1/27/2019; 4,063 shares on 1/25/2020; and 3,155 shares on 4/28/2020.

Option Exercises and Stock Vested

The following table contains information concerning option exercises and stock award activity during 2017 for the NEOs:

OPTION EXERCISES AND STOCK VESTED FOR 2017

	OPTION AWARDS		STOCK AWARDS	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
Matthew J. Cox	35,042	183,270	135,374	4,974,995
Joel M. Wine	—	—	39,522	1,452,434
Ronald J. Forest	16,491	86,413	20,992	771,456
Peter T. Heilmann	—	—	15,711	572,665
John P. Lauer	—	—	6,141	225,682

The value realized in column (e) was calculated based on the market value of Matson common stock on the vesting date. No amounts realized upon exercise of options or vesting of stock have been deferred.

Pension Benefits

The following table contains information concerning pension benefits for the NEOs as of December 31, 2017:

PENSION BENEFITS FOR 2017

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
Matthew J. Cox	Qualified Retirement Plan — Traditional portion	10.6	551,139	—
	Qualified Retirement Plan — Cash Balance portion	6.0	82,016	—
	Excess Benefits Plan — Pension portion	16.6	1,236,621	—
Joel M. Wine	Qualified Retirement Plan — Traditional portion	—	—	—
	Qualified Retirement Plan — Cash Balance portion	6.3	75,955	—
	Excess Benefits Plan — Pension portion	6.0	143,113	—
Ronald J. Forest	Qualified Retirement Plan — Traditional portion	16.8	1,075,520	—
	Qualified Retirement Plan — Cash Balance portion	6.0	87,404	—
	Excess Benefits Plan — Pension portion	22.8	836,106	—
Peter T. Heilmann	Qualified Retirement Plan — Traditional portion	—	—	—
	Qualified Retirement Plan — Cash Balance portion	5.6	68,082	—
	Excess Benefits Plan — Pension portion	5.6	61,866	—
John P. Lauer	Qualified Retirement Plan — Traditional portion	3.6	235,522	—
	Qualified Retirement Plan — Cash Balance portion	6.0	81,156	—
	Excess Benefits Plan — Pension portion	9.6	59,177	—

Actuarial assumptions used to determine the present values of the pension benefits include: Discount rates for qualified and non-qualified retirement plans of 3.8% and 3.2%, respectively. The assumed retirement age is 65 for

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Messrs. Wine and Heilmann, and age 62 with five years of service (or current age, if greater) for other NEOs. Qualified plan benefits (traditional defined benefit and cash balance) are assumed to be paid on a single life annuity basis (however, cash balance portion may be paid in a lump sum at the election of the executive). The cash balance accounts are projected to the assumed retirement age using 2.26% interest per year (the rate in effect for 2017) with no future pay credits. The projected qualified plan cash balance accounts were converted to life annuities at the assumed retirement age using the annuity conversion interest assumptions and mortality used in Matson's financial disclosures, i.e., 2.20% (for the first five years), 3.57% (next 15 years) and 4.24% (years in excess of 20) and the Applicable Mortality Table, as defined for lump sum calculations under Section 417(e) of the Internal Revenue Code. The Applicable Mortality Table is defined by the IRS for years through 2017, and for subsequent years, the assumption is that the IRS will continue to apply the same annual mortality improvements as it did through 2017 in each future year.

The Excess Benefits Plan benefits are paid as a lump sum equal to the present value of the traditional defined benefit assumed to be paid on a single life annuity basis plus the cash balance account. The present values were determined based on interest rates (with 25.0% marginal tax rate adjustment) and mortality used in Matson's financial disclosures, i.e., 1.65% (for the first five years), 2.68% (next 15 years) and 3.18% (years in excess of 20) and the Applicable Mortality Table, as defined for lump sum calculations under Section 417(e) of the Internal Revenue Code. The cash balance accounts are projected to the assumed retirement age using 2.26% interest per year (the rate in effect for 2017) with no future pay credits.

Retirement Plan for Employees of Matson. The Retirement Plan for Employees of Matson (the "Qualified Retirement Plan") provides pension benefits to the Company's employees including the NEOs. Effective December 31, 2011, the Company froze the benefits that had accumulated under the traditional defined benefit formula under the Qualified Retirement Plan for those salaried non-bargaining unit employees who joined the Company before January 1, 2008 and transitioned them to the same cash balance formula applicable to employees who joined the Company on or after January 1, 2008.

The traditional defined benefit formula was based on participants' service and average monthly compensation in the five highest consecutive years of their final 10 years of service through December 31, 2011. Compensation included base salary, overtime pay and one-year bonuses. The amounts were expressed as a single life annuity payable at the normal retirement age of 65. An employee became vested after five years of service with the Company or attainment of age 65. An employee may take early retirement at age 55 or older, if the employee has already completed at least five years of service with the Company. If an employee retires early, the same formula for normal retirement is used, although the benefit will be reduced for commencement before age 62 because the employee will receive payment early and over a longer period of time.

Effective January 1, 2012, a cash balance formula provides a retirement benefit equal to 5% of an employee's eligible cash compensation, for each year worked while covered by the cash balance formula, plus interest. The vesting period was reduced from five years to three years for an employee with a cash balance benefit. At retirement or other separation from service, the employee may elect to receive the vested cash balance portion of his Qualified Retirement Plan benefits as a lump sum or an actuarially equivalent annuity.

Matson Excess Benefits Plan. The Excess Benefits Plan was adopted to help the Company meet its objectives for retirement plans, including assisting employees with retirement income planning, increasing the attractiveness of employment with the Company and attracting mid-career executives. The Excess Benefits Plan works together with the Qualified Retirement Plan and Profit Sharing Retirement Plan to provide Company pension benefits and profit sharing contributions in amounts equal to what otherwise would have been provided using the Qualified Retirement Plan's and Profit Sharing Retirement Plan's formulas except for the compensation, contribution, and benefits limits imposed by tax law. Effective December 31, 2011, the Company also froze pension benefits that had accumulated under the traditional defined benefit formula under the Excess Benefits Plan and implemented the cash balance

formula for eligible employees of the Excess Benefits Plan effective January 1, 2012. Under the pension portion of the Excess Benefits Plan associated with the Qualified Retirement Plan, benefits under the traditional defined benefit formula are payable after the executive's separation from service in a lump sum that is actuarially equivalent to the annuity form of payment, and the cash balance account is paid as a lump sum. Under the profit sharing portion of the Excess Benefits Plan associated with the Profit Sharing Retirement Plan, amounts are credited to executives' accounts, to be payable after the executive's separation from service.

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Non-Qualified Deferred Compensation

The following table contains information concerning non-qualified deferred compensation for the NEOs in 2017.

2017 NON-QUALIFIED DEFERRED COMPENSATION

Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($)(1) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($)(2) (f)
Matthew J. Cox	—	12,777	1,797	—	74,486
Joel M. Wine	—	5,775	529	—	23,942
Ronald J. Forest	—	4,431	202	—	11,366
Peter T. Heilmann	—	3,014	128	—	7,425
John P. Lauer	—	1,769	42	—	3,211

(1) Amounts reflected in this section relate to excess profit sharing retirement contributions made by the Company under the Matson Excess Benefits Plan.
(2) Represents the aggregate balance as of December 31, 2017.

Other Potential Post-Employment Payments

Change in Control Agreements. Matson does not have employment agreements with any of its NEOs. In order to establish agreed-upon terms with its senior executives in connection with a possible future occurrence of a change in control of the ownership of the Company, Matson has entered into Change in Control Agreements with all of the NEOs, which are intended to encourage their continued employment with Matson by providing them with greater security in the event of termination of their employment following a change in control of the ownership of Matson. The Company has adopted a participation policy that extends these agreements only to senior level executives whose employment would be most likely at risk upon a change in control. Each Change in Control Agreement has a term running through December 31, 2017 and is automatically extended for a successive one-year period every January 1, unless terminated by Matson on or before December 1 of the preceding year. The Change in Control Agreements provide for certain severance benefits if the executive's employment is terminated by Matson without "cause" or by the executive for "good reason", in each case as defined in the agreement, following a "Change in Control Event" of Matson, as defined to comply with Internal Revenue Code Section 409A, as follows. Upon termination of employment under these circumstances, the executive will be entitled to receive (i) a lump-sum severance payment equal to two times the sum of the executive's base salary and target bonus, (ii) pro rata payment at target with respect to outstanding contingent incentive awards for uncompleted performance periods, (iii) lump sum payment of amounts due the executive under deferred compensation plans, and (iv) an amount equal to the spread between the exercise price of outstanding options held by the executive and the fair market value at the time of termination. In addition, Matson will maintain all (or provide similar) employee health and welfare benefit plans for the executive's continued benefit for a period of two years after termination. Matson will also reimburse executives for individual outplacement counseling services. These are "double trigger" agreements where no payments are made and long-term incentives do not accelerate unless both a change in control and a qualifying termination of employment occurs. In the event that any amount payable to the executive is deemed under the Internal Revenue Code to be made in connection with a change in control of the Company, and such payments would result in the excise tax imposed on "excess parachute payments" under the Internal Revenue Code, the Change in Control Agreements provide that the executive's payments will be reduced to an amount that would not result in the imposition of the excise tax, to the extent that such reduction would result in a greater after-tax benefit to the executive. No tax gross-up payments are provided by the Change in

Control Agreements.

Executive Severance Plan. The Company also maintains the Severance Plan that covers the NEOs. The purpose of the Severance Plan is to retain key employees and to encourage such employees to use their best business judgment in managing the Company's affairs. The Severance Plan continues from year to year, subject to a periodic review by the Committee. The Severance Plan provides certain severance benefits if a designated executive is involuntarily terminated without "cause" (as defined in the Severance Plan) or laid off from employment as part of a job elimination/restructuring or reduction in force. Upon such termination of employment, the executive will be entitled to receive an amount equal to six months' base salary, payable in equal installments over a period of one year, continued payment by the Company of life and AD&D insurance premiums for a period of six months, and payment of COBRA premiums for continued group health plan coverage for a maximum period of 12 months. If the executive executes a release agreement prepared by the Company, the executive shall receive additional benefits, including an additional six months of base salary and designated benefits,

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reimbursement for outplacement counseling services and a prorated share of incentive plan awards at target levels under the CIP that would have been payable to the executive had he or she remained employed until the end of the applicable performance period.

Voluntary Resignation. If the executive voluntarily resigns from the Company, no amounts are payable under the Severance Plan or the CIP (other than in the case of voluntary resignation in connection with retirement for benefits under the CIP only). The executive may be entitled to receive retirement and retiree health and medical benefits to the extent those benefits have been earned or vested under the provisions of the plans. The executive may have three to six months after termination to exercise stock options to the degree vested at the time of termination. In addition, the executive would be entitled to any amounts voluntarily deferred (and the earnings accrued) under the deferred compensation plan and the Profit Sharing Retirement Plan.

Treatment of Equity. Upon a change in control, the performance vesting requirements for Performance Shares will terminate and the number of Performance Shares that may be issuable to each participant becomes fixed based on a formula determined by multiplying the target number of shares by either 50% (if the change in control is consummated during the first 18 months of the performance period) or 100% (if the change in control is consummated after the first 18 months of the performance period but prior to the completion of the performance period) (the “Change in Control Shares”).

If the Performance Share awards are assumed or continued by the successor entity (or are replaced with a cash incentive program of comparable value), the awards will continue to vest based on the service vesting requirements through the end of the performance period, on the basis of the number of Change in Control Shares. If the participant’s employment terminates prior to the end of the performance period by reason of the participant’s early retirement, normal retirement, death, or permanent disability, then, upon a change in control or, if later, separation from service, the participant will vest in a pro rated portion of the Change in Control Shares based on the number of months of service completed by the participant during the performance period. Additionally, if the awards are assumed or continued by the successor entity, and a participant has an involuntary termination without cause or resigns for good reason, in either case within 24 months following the change in control, the participant will become vested in the Change in Control Shares.

If the Performance Share awards are not assumed by the successor entity, and the participant continues in service through the effective date of the change in control, the participant will vest in the Change in Control Shares upon the closing of the change in control. However, if a participant ceases service prior to a change in control by reason of early retirement, normal retirement, death, or permanent disability then, upon a change in control, the participant will vest in a pro rated portion of the Change in Control Shares based on the number of months of service completed by the participant during the performance period.

Upon a change in control, there is no accelerated vesting for options or time-based RSUs if these awards are either assumed by the successor entity or replaced with a cash incentive program of comparable value.

Other benefits, as described in the section of this Proxy Statement entitled “Pension Benefits”, may include accrued, vested benefits under the Matson Qualified Retirement Plan and the Excess Benefits Plan.

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The following tables show the potential value to each executive under various termination-related scenarios, assuming that the termination of employment or other circumstance resulting in payment occurred on December 31, 2017:

EXECUTIVE TERMINATION SCENARIOS

Matthew J. Cox

	Change in Control w/ Involuntary Termination ($)	Termination w/o Cause ($) (1)	Termination w/ Cause ($)	Voluntary Resignation ($)	Retirement ($) (2)	Death ($)	Disability
erance nt 4) m	3,090,000	1,545,000	—	—	—	—	—
	1,330,189	1,254,250	1,254,250	1,254,250	1,254,250	1,254,250	—
Value of 5)	635,456	635,456	635,456	635,456	635,456	451,488	
nd Benefits	87,889	40,145	—	—	—	—	—
ment ng	10,000	10,000	—	—	—	—	—
rm es(6)	3,581,054	—	—	—	2,380,400	3,048,929	3,048,929
mp sum)	8,099,131	2,849,395	1,254,250	1,254,250	3,634,650	4,303,179	3,048,929
nuity)	635,456	635,456	635,456	635,456	635,456	451,488	—
ax e	No Cap and No Gross Up	N/A	N/A	N/A	N/A	N/A	N/A
e to Avoid ax	—	—	—	—	—	—	—
lue t or rmination	8, 099,131	2,849,395	1,254,250	1,254,250	3,634,650	4,303,179	3,048,929

Joel M. Wine

	Change in Control w/ Involuntary Termination ($)	Termination w/o Cause ($) (1)	Termination w/ Cause ($)	Voluntary Resignation ($)	Retirement ($) (2)	Death ($)	Disab
nce	1,703,580	851,790	—	—	—	—	—
	169,770	169,770	169,770	169,770	Not yet eligible	169,770	—
e of	75,955	75,955	75,955	75,955	—	69,601	—
efits	89,673	40,145	—	—	—	—	—

nt	10,000	10,000	—	—	—	—	—
)	974,604	—	—	—	Not yet eligible	841,563	841,5
sum)	2,947,628	1,071,705	169,770	169,770	—	1,011,333	841,5
ty)	75,955	75,955	75,955	75,955	—	69,601	—
	No Cap and No Gross Up	N/A	N/A	N/A	N/A	N/A	N/A
Avoid	—	—	—	—	—	—	—
.							
nation	2,947,628	1,071,705	169,770	169,770	—	1,011,333	841,5

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Ronald J. Forest

	Change in Control w/ Involuntary Termination ($)	Termination w/o Cause ($) (1)	Termination w/ Cause ($)	Voluntary Resignation ($)	Retirement ($) (2)	Death ($)	Disabilit
e nt 4)	1,700,000	850,000	—	—	—	—	—
n	890,165	836,106	836,106	836,106	836,106	836,106	—
alue y(5) d	1,163,103	1,163,103	1,163,103	1,163,103	1,163,103	655,361	—
	86,017	40,145	—	—	—	—	—
nent g	10,000	10,000	—	—	—	—	—
m (6)	685,887	—	—	—	559,839	580,139	580,139
np	3,372,070	1,736,251	836,106	836,106	1,395,945	1,416,245	580,139
	1,163,103	1,163,103	1,163,103	1,163,103	1,163,103	655,361	—
x	No Cap and No Gross Up	N/A	N/A	N/A	N/A	N/A	N/A
to cise ue or	—	—	—	—	—	—	—
on	3,372,070	1,736,251	836,106	836,106	1,395,945	1,416,245	580,139

Peter T. Heilmann

	Change in Control w/ Involuntary Termination ($)	Termination w/o Cause ($) (1)	Termination w/ Cause ($)	Voluntary Resignation ($)	Retirement ($) (2)	Death ($)	Disabilit
e nt 4)	1,360,000	680,000	—	—	—	—	—
m	71,401	71,401	71,401	71,401	Not yet eligible	71,401	—
	68,082	68,082	68,082	68,082	—	54,557	—

alue y(5) d							
	86,861	40,029	—	—	—	—	—
ment ng	10,000	10,000	—	—	—	—	—
m s(6)	764,411	—	—	—	Not yet eligible	662,634	662,634
np	2,292,674	801,430	71,401	71,401	—	734,035	662,634
	68,082	68,082	68,082	68,082	—	54,557	—
ax	Capped Benefits	N/A	N/A	N/A	N/A	N/A	N/A
e to cise	(146,615)	—	—	—	—	—	—
ue t or ion	2,146,058	801,430	71,401	71,401	—	734,035	662,634

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John P. Lauer

	Change in Control w/ Involuntary Termination ($)	Termination w/o Cause ($) (1)	Termination w/ Cause ($)	Voluntary Resignation ($)	Retirement ($) (2)	Death ($)	Disabilit
e nt 4)	1,136,000	568,000	—	—	—	—	—
n	63,013	61,290	61,290	61,290	61,290	61,290	—
alue y(5) d	323,255	323,255	323,255	323,255	323,255	230,433	
	55,364	24,528	—	—	—	—	—
nent g	10,000	10,000	—	—	—	—	—
m s(6)	615,301	—	—	—	368,331	522,624	522,624
np	1,879,678	663,818	61,290	61,290	429,621	583,914	522,624
	323,255	323,255	323,255	323,255	323,255	230,433	—
x	Capped Benefits	N/A	N/A	N/A	N/A	N/A	N/A
to cise ue or	(227,889)	—	—	—	—	—	—
on	1,651,789	663,818	61,290	61,290	429,621	583,914	522,624

(1) Assumes execution of an acceptable release agreement as provided by the Severance Plan.
(2) Normal retirement is at age 65. An employee with five years of service may retire at age 62 with unreduced traditional defined benefit pension benefits under Qualified Retirement Plan. Employees may elect early retirement after attaining 55 years of age and completing five years of service. Messrs. Cox, Forest and Lauer are the only NEOs eligible for early retirement as of year-end.
(3) If an NEO is disabled, he will continue to accrue credited vesting service as long as he is continuously receiving disability benefits under Matson’s sickness benefits plan or long-term disability benefit plan. Should the NEO stop receiving disability benefits, the accrual of credited vesting service will cease. Upon the later of attainment of age 65 or the date at which he is no longer eligible for disability benefits, the NEO will be entitled to receive a pension benefit based on his years of credited benefit service and his compensation prior to his becoming disabled.
(4) Includes benefits under the Qualified Retirement Plan and the Excess Benefits Plan.
(5) Represents the present value of amount paid as an annuity.
(6)

Includes the gain, if any, on accelerated stock options and the value of accelerated restricted stock based on the closing share price on December 31, 2017.

All amounts shown are lump-sum payments, unless otherwise noted. Assumptions used in the tables above include: Discount rates for qualified and non-qualified retirement plans of 3.8% and 3.2%, respectively. The assumed retirement age is the current age if eligible for early retirement (at least age 55 with five years of service); otherwise it is the normal retirement age 65. Qualified plan benefits (traditional defined benefit and cash balance) are assumed to be paid on a single life annuity basis (however, the cash balance portion could be paid in an actuarially equivalent lump sum). The cash balance accounts are projected to the assumed retirement age using 2.26% interest per year (the rate in effect for 2017) with no future pay credits. The projected qualified plan cash balance accounts were converted to life annuities at the assumed retirement age using the annuity conversion interest assumptions and mortality used in Matson's financial disclosures, i.e., 2.20% (for the first five years), 3.57% (next 15 years) and 4.24% (years in excess of 20) and the Applicable Mortality Table, as defined for lump sum calculations under Section 417(e) of the Internal Revenue Code. The Applicable Mortality Table is defined by the IRS for years through 2018, and for subsequent years, the assumption is that the IRS will continue to apply the same annual mortality improvements as it did through 2018 in each future year.

The Excess Benefits Plan benefits are paid, upon termination, as a lump sum equal to the present value of the traditional defined benefit assumed to be paid on a single life annuity basis plus the cash balance account. These present values were based on interest rates and mortality used in Matson's financial disclosures, i.e., for change in control lump sums (with 25% marginal tax rate adjustment): 1.65% (for the first five years), 2.68% (next 15 years) and 3.18% (years in excess of 20); for other scenarios (with 25% marginal tax rate adjustment): 0.88% (for the first five years), 2.00% (next 15 years) and 2.58% (years in excess of 20); and the Applicable Mortality Table, as defined for lump sum calculations under Section 417(e) of the Internal Revenue Code.

Statements in this section that are not historical facts are "forward-looking statements" that involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward looking statement.

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PROPOSAL 2 – ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Shareholders are being asked to vote to approve, on a non-binding, advisory basis, the compensation of our NEOs.

Matson's compensation philosophy is to align the Company's objectives with shareholder interests through a compensation program that attracts, motivates and retains talented executives, and rewards outstanding performance. The CD&A section of this Proxy Statement, beginning on page 18, discusses Matson's policies and procedures that implement compensation philosophy. Highlights of Matson's compensation program include the following:

- Executive compensation is closely aligned with performance. In 2017, approximately 65% of the NEOs' (other than the CEO) target total direct compensation was variable and performance-based, with 80% of the CEO's standard target total direct compensation variable and performance-based. The ratio of variable compensation is consistent with market practices.
- The cash incentive compensation paid to Matson's NEOs in 2017 reflected in the compensation tables in this Proxy Statement illustrate the Company's commitment to pay for performance. Above target performance of the overall Company goals and above target performance of individual goals resulted in payouts for NEOs ranging from approximately 134% to 139% of their respective targets.
- The Performance Share plan uses a multi-year performance measurement period and metrics (ROIC and TSR over a three-year period) to balance Matson's annual incentive plan focus (annual EBITDA and individual operational goals).
- Matson maintains (i) a clawback policy that applies to all senior management, (ii) a policy prohibiting hedging and other speculative transactions involving Company stock, and (iii) stock ownership guidelines for executive officers and Board members.

Promote Good and Discourage Bad Pay Practices. In addition to actions described above, the Company continues to monitor its existing pay practices, as highlighted below, to ensure that it adopts the best practices to the extent they are aligned to the business goals and strategy of the Company, as well as shareholder interests.

Promote Good Pay Practices	Discourage Bad Pay Practices
√Change in control agreements that include double triggers requiring both a change in control event and termination of employment before any severance payments can be made.	×No employment contracts with any executive officer.
√Pay package for the CEO that is in line with the Company's peer group.	×No guaranteed bonus payments to senior executives.
√Multiple, balanced different performance metrics to determine incentive payments in annual and long-term incentive awards.	×No bonus payouts that are not tied to performance.
√Vesting of 50% of annual equity award is tied to achievement of specified performance goals.	×No single trigger vesting of equity in change of control.
√Share ownership requirements for senior executives and board members.	×No pension payouts that are not proportional to pension payouts to employees generally.
√Minimum vesting periods of three years on all equity awards to senior executives.	×No excessive perquisites.
	×No excessive severance or change in control provisions.

×No tax reimbursements or gross-ups.

×No dividend or dividend equivalents paid on unvested Performance Shares.

×No unreasonable internal pay disparity.

×No re-pricing or replacing of underwater stock options, without prior shareholder approval.

The following resolution is being submitted for a shareholder advisory vote at the Annual Meeting:

“RESOLVED, that the Company’s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table and the other related tables and disclosure.”

Although the advisory vote is non-binding, the Compensation Committee and the Board will review the results of the vote and consider them in future determinations concerning Matson’s executive compensation program.

The Board of Directors recommends that shareholders vote “FOR” the approval of the resolution relating to executive compensation.

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AUDIT COMMITTEE REPORT

The Audit Committee provides assistance to the Board of Directors in fulfilling its obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of Matson, including the review and approval of all related person transactions required to be disclosed in this Proxy Statement. Among other things, the Audit Committee reviews and discusses with management and Deloitte & Touche LLP, Matson's independent registered public accounting firm, the results of the year-end audit of Matson, including the auditors' report and audited consolidated financial statements. In this context, the Audit Committee has reviewed and discussed Matson's audited consolidated financial statements with management, has discussed with Deloitte & Touche LLP the matters required to be discussed under applicable Public Company Accounting Oversight Board rules and, with and without management present, has discussed and reviewed the results of the independent registered public accounting firm's audit of the consolidated financial statements.

The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence. The Audit Committee has determined that the provision of non-audit services rendered by Deloitte & Touche LLP to Matson is compatible with maintaining the independence of Deloitte & Touche LLP from Matson in the conduct of its auditing function.

In compliance with applicable SEC rules, the Audit Committee has adopted policies and procedures for Audit Committee approval of audit and non-audit services. Under such policies and procedures, the Audit Committee pre approves or has delegated to the Chair of the Audit Committee authority to pre approve all audit and non prohibited, non audit services performed by the independent registered public accounting firm in order to provide that such services do not impair the auditor's independence. Any additional proposed services or costs exceeding pre approved cost levels require additional pre-approval as described above. The Audit Committee may delegate pre-approval authority to one or more of its members for services not to exceed a specific dollar amount per engagement. Requests for pre approval include a description of the services to be performed, the fees to be charged and the expected dates that the services will be performed.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that Matson's audited consolidated financial statements be included in Matson's Annual Report on Form 10 K for the fiscal year ended December 31, 2017 for filing with the SEC. The Audit Committee also has appointed Deloitte & Touche LLP as Matson's independent registered public accounting firm.

The foregoing report is submitted by Ms. Lau (Chair), Mr. Baird and Admiral Fargo.

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PROPOSAL 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed Deloitte & Touche LLP (“Deloitte”) as the independent registered public accounting firm of Matson for the ensuing year, and the Audit Committee recommends that shareholders vote in favor of ratifying such appointment. Deloitte has served Matson since at least 1976. Although ratification of this appointment is not required by law, the Board believes that it is desirable as a matter of corporate governance. If shareholders do not ratify the appointment of Deloitte, it will be considered as a recommendation to the Board and the Audit Committee to consider the retention of a different firm.

The Audit Committee is responsible for the overall audit fee negotiations with Deloitte and receives regular updates from Deloitte as to amounts billed to Matson. For the years ended December 31, 2017 and December 31, 2016, professional services were performed by Deloitte (including consolidated affiliates) as follows:

	Audit Fees1 ($)	Audit-Related Fees2 ($)	Tax Fees3 ($)	All Other Fees ($)
2017	2,320,000	127,000	53,000	0
2016	2,530,000	121,000	215,000	0

[1] Includes aggregate fees billed for the audit of the Company’s annual consolidated financial statements included in the Company’s Annual Report on Form 10 K, including Sarbanes-Oxley Section 404 attestation-related work, for the reviews of the interim consolidated financial statements included in the Company’s Quarterly Reports on Form 10 Q, which for 2016 included services relating to acquisitions, and for audit services provided in connection with other regulatory or statutory filings.

[2] Includes aggregate fees billed for audits of the Company’s employee benefit plans.

[3] Includes aggregate fees billed for tax compliance services and other tax related consultations.

Representatives of Deloitte are expected to be present at the Annual Meeting, where they will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from shareholders.

The Board of Directors recommends that shareholders vote “FOR” the ratification of the appointment of the independent registered public accounting firm for the year ending December 31, 2018.

OTHER BUSINESS

The Board of Directors of Matson knows of no other business to be presented for shareholder action at the Annual Meeting. However, should matters other than those included in this Proxy Statement properly come before the Annual Meeting, the proxyholders named in the accompanying proxy will use their best judgment in voting upon them.

SHAREHOLDER PROPOSALS FOR 2019

Proposals of shareholders submitted pursuant to Rule 14a 8 under the Exchange Act for inclusion in the Proxy Statement for Matson’s 2019 Annual Meeting of Shareholders must be received at the headquarters of Matson on or before the close of business on November 12, 2018 in order to be considered for inclusion in the 2019 Proxy Statement and proxy. Matson’s Bylaws require that notice of shareholder proposals made outside of Rule 14a 8 under the Exchange Act must be received by the Corporate Secretary, in accordance with the requirements of the Bylaws,

not later than December 27, 2018 and not earlier than November 27, 2018. If the annual meeting is not called for a date which is within 25 days of the anniversary date of the prior annual meeting, a shareholder's notice must be given not later than the close of business on the 10th day after the date on which notice of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first.

The Company's Bylaws provide that no person (other than a person nominated by the Board) will be eligible to be elected a director at an annual meeting of shareholders unless the Corporate Secretary has received, not later than December 27, 2018 and not earlier than November 27, 2018, a written shareholder's notice in proper form that the person's name be placed in nomination. If the annual meeting is not called for a date which is within 25 days of the anniversary date of the prior annual meeting, a shareholder's notice must be given not later than the close of business on the 10th day after the

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date on which notice of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever occurs first. To be in proper written form, a shareholder's notice must include information about each nominee and the shareholder making the nomination in accordance with the requirements of the Bylaws. The notice also must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. The chairman of the meeting may refuse to acknowledge or introduce any shareholder proposal or nomination if notice thereof is not received within the applicable deadlines or does not comply with the Bylaws. If a shareholder fails to meet these deadlines or fails to satisfy the requirements of SEC Rule 14a 4, the proxyholders named in the accompanying proxy will be allowed to use their discretionary voting authority to vote on any such proposal or nomination in accordance with their best judgment if and when the matter is raised at the meeting.

SHAREHOLDERS WITH THE SAME ADDRESS

The Company may elect to "household" the mailing of the proxy statement and our annual report for individual shareholders sharing an address with one or more other shareholders. This means that only one annual report and proxy statement will be sent to that address unless one or more shareholders at that address specifically elect to receive separate mailings. Shareholders who participate in householding will continue to receive separate proxy cards. Also, householding will not affect dividend check mailings. We will promptly send a separate annual report and proxy statement to a shareholder at a shared address on request. Shareholders with a shared address may also request us to send separate annual reports and proxy statements in the future, or to send a single copy in the future if we are currently sending multiple copies to the same address.

Requests related to householding should be mailed to Matson, Inc., 555 12th Street, Oakland, California 94607, Attn: Corporate Secretary or by calling (510) 628 4000. If you are a shareholder whose shares are held by a bank, broker or other nominee, you can request information about householding from your bank, broker or other nominee.

COPIES OF ANNUAL REPORT ON FORM 10 K

A copy of the Company's Annual Report on Form 10 K for the fiscal year ended December 31, 2017 (including the consolidated financial statements and consolidated financial statement schedules) will be sent to any shareholder without charge by contacting Matson, Inc., 555 12th Street, Oakland, California 94607, Attn: Corporate Secretary, or by calling (510) 628 4000.

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Exhibit A

This Proxy Statement includes non-GAAP measures. While Matson reports financial results in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also considers other non-GAAP measures to evaluate performance, make day-to-day operating decisions, help investors understand our ability to incur and service debt and to make capital expenditures, and to understand period-over-period operating results separate and apart from items that may, or could, have a disproportional positive or negative impact on results in any particular period. These non-GAAP measures include Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").

EBITDA Reconciliation

		Years Ended December 31,		
(In millions)		2017	2016	Change
Net Income		$ 232.0	$ 81.4	$ 150.6
Add:	Income taxes	(106.8)	49.1	(155.9)
Add:	Interest expense	24.2	24.1	0.1
Add:	Depreciation and amortization	100.4	96.5	3.9
Add:	Dry-dock amortization	46.2	38.9	7.3
EBITDA (1)		$ 296.0	$ 290.0	$ 6.0

(1)EBITDA is defined as the sum of net income plus income taxes, interest expense and depreciation and amortization (including deferred dry-docking amortization). EBITDA should not be considered as an alternative to net income (as determined in accordance with GAAP), as an indicator of our operating performance, or to cash flows from operating activities (as determined in accordance with GAAP) as a measure of liquidity. Our calculation of EBITDA may not be comparable to EBITDA as calculated by other companies, nor is this calculation identical to the EBITDA used by our lenders to determine financial covenant compliance.

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VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. MATSON, INC. 1411 SAND ISLAND PARKWAY HONOLULU, HI 96819 ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: E37150-P02696 KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. MATSON, INC. The Board of Directors recommends you vote FOR the following: For Withhold For All AllAllExcept To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below. ! ! ! 1. Election of Directors Nominees: 01) W. Blake Baird 02) Michael J. Chun 03) Matthew J. Cox 04) Thomas B. Fargo 05) Mark H. Fukunaga 06) Stanley M. Kuriyama 07) Constance H. Lau For Against Abstain The Board of Directors recommends you vote FOR proposals 2 and 3: ! ! ! ! ! ! 2. Advisory vote to approve executive compensation. 3. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018. NOTE: In their discretion, the proxies are authorized to vote upon such other matters as may properly be brought before the meeting or any adjournment or postponement thereof. ! For address change/comments, mark here. (see reverse for instructions) ! Yes ! No Please indicate if you plan to attend the Annual Meeting. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on April 26, 2018: The Annual Report & Form 10-K and Notice of Meeting & Proxy Statement are available at www.proxyvote.com. E37151-P02696 MATSON, INC. Annual Meeting of Shareholders April 26, 2018 8:30 AM This proxy is solicited by the Board of Directors The shareholder(s) hereby appoint(s) Matthew J. Cox and Peter T. Heilmann, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of MATSON, INC. that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 08:30 AM, HST on April 26, 2018, at the Bankers Club, First Hawaiian Center, 30th Fl, 999 Bishop Street, Honolulu, Hawaii, and any adjournment or postponement thereof. THIS PROXY WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR ALL DIRECTOR NOMINEES, FOR PROPOSALS 2 AND 3, AND IN THE DISCRETION OF THE PROXIES ON SUCH OTHER MATTERS AS MAY PROPERLY BE BROUGHT BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF. (If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.) Continued and to be signed on reverse side Address change/comments: