

The net periodic pension cost for retirement and severance benefits for the years ended March 31, 2006, 2005 and 2004 consisted of the following:

	Millions of Yen			Millions of U.S. dollars
	2006	2005	2004	2006
Service cost	¥ 7,170	¥ 6,965	¥ 9,511	\$ 61
Interest cost on projected benefit obligation	6,447	5,934	7,596	55
Expected return on plan assets	(8,184)	(7,011)	(7,178)	(70)
Amortization of unrecognized prior service cost	(4,895)	(4,897)	(3,230)	(41)
Amortization of unrecognized actuarial loss	8,715	7,219	22,622	74
Settlement and curtailment loss	—	1,138	—	—
Settlement loss of unrecognized actuarial loss from the transfer of the substitutional portion of the Employees' Pension Fund	—	—	24,018	—
De-recognition of the previously accrued salary progression	—	—	(1,251)	—
Net periodic pension cost	¥ 9,253	¥ 9,348	¥ 52,088	\$ 79

Total expenses related to pension plans for the years ended March 31, 2006, 2005 and 2004 consisted of the following:

	Millions of Yen			Millions of U.S. dollars
	2006	2005	2004	2006
Net periodic pension cost for defined benefit pension plans	¥ 9,253	¥ 9,348	¥ 52,088	\$ 79
The amount of cost recognized for defined contribution pension plans	1,075	1,053	373	9
Subsidy from government on the transfer of the substitutional portion of the Employees' Pension Fund	—	—	(19,606)	—
Total expenses for pension plans	¥ 10,328	¥ 10,401	¥ 32,855	\$ 88

The amount of contribution to a multi-employer plan (ITOCHU Union Pension Fund) was ¥3,518 million (\$30 million) and ¥2,739 million for the years ended March 31, 2006 and 2005, respectively.

Plan assets of the Company and certain subsidiaries by asset category as of March 31, 2006 and 2005 and target allocation percentages were as follows:

	2006	2005	Target Allocation
Asset category:			
Equity securities	52.8%	56.9%	49.6%
Debt securities	25.6	18.3	30.4
Cash	12.9	19.8	13.9
Other	8.7	5.0	6.1
Total	100.0%	100.0%	100.0%

Note: Other mainly included life insurance company general accounts.

In setting its portfolio investment policy for plan assets, the Company, on a long-term basis, focuses on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company establishes the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets and manages the portfolio by considering the operations.

In addition, the Company determines its expected long-term rate of return considering the above investment policy, the expectations of future returns and historical returns on plan assets.

Cash flow of the Company and certain subsidiaries:

The Company and certain subsidiaries expect to contribute about ¥9,188 million (\$78 million) to defined benefit pension plans in the year ending March 31, 2007.

The following benefit payments, which reflect expected future service are expected to be paid:

Years ending March 31	Millions of Yen	Millions of U.S. dollars
2007	¥ 10,749	\$ 92
2008	11,892	101
2009	12,997	111
2010	13,424	114
2011	13,684	116
2012 - 2016	71,404	608