

**creating America's favorite store**



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## In praise of fresh air

This year, we turn 110. We're fine with growing old. We're not fine with growing stale. So, to celebrate, we're going to throw open the windows and let in some fresh air.

We're rethinking and re-imagining, and if we find that we've picked up any bad habits over the decades, we're going to leave them far behind.

We're simply going to treat people as we'd like to be treated ourselves. Fair and Square.

We won't make anyone jump through hoops to get a good price. We won't fill mailboxes with junk. We'll have great prices every day and spectacular prices that last a whole month. And it won't stop there.

We'll keep dreaming up new ways to make you love shopping again, matching our calendar to the rhythm of your life.

Because we're not interested in being the biggest store or the flashiest store.

We want to be your favorite store.

# creating America's favorite store



## Dear Fellow Stockholders,

In 1902, retail revolutionary James Cash Penney created a new kind of store based on the Golden Rule. He would treat customers the way he wanted to be treated himself: Fair and Square. It's a simple idea – the

most powerful ideas always are – and it's the basis on which we are going to reclaim our birthright and become America's favorite store.

In recent years, the conventional wisdom – “the rules of retail” – has prevented the industry from evolving to customer preferences. As times change however, the needs of customers change and we need to respond with an infusion of new ideas.

One of the key challenges is, how do you take a 110-year-old company and make it relevant? That's why we're rethinking and re-imagining every aspect of our business, throwing open the windows and letting in some fresh air.

While 2011 was a year of transition, 2012 will be a year of transformation. We're enhancing our profit formula so that we can reward stockholders with significant financial performance over the long term.

In January, we unveiled the blueprint for the new jcpenny, which honors our rich legacy while setting a path to boldly transform the way America shops. In some ways, it is a return to the golden age of department stores, when retailers offered truly special experiences that customers loved. Our new strategy brings the spirit of those great department stores back for our customers in new, modern and exciting ways.

Our customers began to experience some of these changes on February 1st as we took the first step

in our transformation. We will continue to roll out new initiatives over the next few years, so that by 2015, shopping at jcpenny will be unlike any retail experience that exists today. There is a lot of work to be done in a short amount of time, but we are making great strides in our seven key areas of focus: personality, price, promotion, product, presentation, place and people.

## personality

We revitalized the jcpenny brand and projected a new personality that honors our century-old legacy. Our new logo is a key element of that personality. It's fresh, iconic and evocative of everything we stand for: Fair and Square. We're also transforming how we communicate with customers and have enlisted a fantastic new brand partner, Ellen DeGeneres, to help us in this effort.

## price

Plagued by the “games” of the industry over the last several decades, retailers – including jcpenny – barraged customers with a constant stream of promotions that proved to be ineffective. Each time we participated in this pricing war, we were discounting our brand and eroding the trust and loyalty of our customers.

Those days are over at jcpenny – we're pricing in a straightforward way. A fundamental element of our new strategy is to price merchandise from Day 1 at the price customers have already demonstrated they were willing to pay.

And we're making it simple. With our new Fair and Square™ pricing, we have three types of prices: Everyday, Month-long and Best. That's it. Clean. Simple. Honest value.

## **promotion**

In 2011, jcpenny hosted more than 590 sales events. Yet, on average our customers shopped only four times during the year. Essentially, more than 99 percent of the time our promotions didn't work, which limited the value we've been able to create for you, our stockholders.

We'll now host 12 meaningful events a year – each focused on the month – and we're syncing every element of our business to the monthly rhythm of our customers' lives.

## **product**

We're breathing new life into the best of our existing brands and adding exciting new ones, like Martha Stewart® and l'amour nanette lepore™. As part of our transformation, we will work with the best partners in the world to deliver extraordinary global brands that will forever change the way people view jcpenny.

## **presentation and place**

We are creating a store experience that will make our customers love shopping again. From our largest mall anchors to our smallest hometown stores, we'll implement a month-by-month, shop-by-shop initiative, resulting in the complete transformation of our stores into three compelling concepts. *The Shops*™ will consist of up to 100 curated stores, shops and boutiques along an engaging pathway known as *The Street*™. The Street will surround *The Square*™, which is a reinvented center core experience offering fun, helpful services and attractions that customers will love.

## **people**

Our associates are the heartbeat of our transformation, and our entire Company is undergoing an exciting culture shift. We're realigning our organization to ensure that associates are able to do the best work of their lives. We put in place a remarkable management team consisting of new and existing leaders and are making other important investments in our future.

Moving forward, we'll operate as a start-up company – staying focused on the prize, being nimble, quick to learn, agile and devoting all of our time and energy to fully realizing our vision. We're also dramatically simplifying our business model and our stores to improve both our top and bottom lines and drive long-term stockholder value.

Our sights are boldly set on transforming the way America shops. As we move through 2012, we will fundamentally revolutionize our brand, our pricing and our stores. This transformation won't happen overnight, but with Fair and Square as our compass, we're off to a strong start. I hope you are as excited as I am. Great things are ahead.



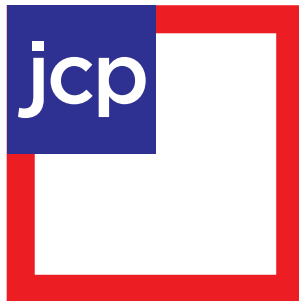
Ron Johnson  
Chief Executive Officer



# simply American

## modernizing an iconic brand

As one of our nation's first department stores, we're honoring our rich heritage as we boldly prepare for an exciting future. More than a century ago, James Cash Penney founded his company on the Golden Rule philosophy to always treat people the way we'd like to be treated: Fair and Square. It's a simple idea and it's the basis on which we're going to reclaim our birthright and become America's favorite store.



## a new logo takes shape

We're redefining the jcpenny brand to be a store for all Americans – young, old, rich, poor, urban and rural – by offering an experience they can't get anywhere else. To honor our roots, we've introduced a new brand identity that reflects the classic elements that have made jcpenny an enduring American name. This patriotic homage to our nation's flag signifies our brand promise to be Fair and Square in everything we do while symbolizing the importance of framing the things that matter most.







## jcp & ellen together again

jcpenny is making retail history and has invited beloved television personality Ellen DeGeneres along for the ride. Given that one of her first jobs was working at a jcpenny store in Metairie, Louisiana, we couldn't think of a more appropriate spokesperson to help bring the jcpenny story to life. Through a unique promotional partnership that combines Ellen's light-hearted humor with our shared sense of values, we're going to put the fun back into shopping again.



## “was it always this way?”

Ellen made her jcpenny commercial debut during the 2012 Academy Awards®. In each spot, Ellen travels back in time to find out if the hassles of retail shopping always existed. The campaign reinforces how jcpenny is changing the retail landscape with an honest, simple approach to shopping that's Fair and Square.



pricing integrity that's

# fair and square™

3 kinds of pricing.

**no games. no gimmicks.**

Our approach to pricing has fundamentally changed. Rather than rely on constant promotions to attract customers, we're going to make every day a great reason to shop jcpenney. With no coupons, weekend sales or early morning doorbusters needed to get a great price, we're getting out of the pricing war where there are no winners.

We aren't going to make anyone jump through hoops to figure out how or when to get a good price. We're going to be straightforward and use whole dollar prices. By being Fair and Square, we'll make shopping simple again so customers can find all the things they want at prices they're willing to pay. It's simple and the right thing to do.

1 happy return policy.

**any item, anytime, anywhere.  
it's that simple.**

Our new return policy is equally simple. We'll take back any item, anytime, anywhere. We're calling it our "happy returns" policy. If customers want to make a return, we're going to give it to them - no hassle.





month-long

best

Three pricing examples of a  
jcp home™ Pure Perfection™ bath  
towel under our new pricing strategy.

\$7

\$5

\$4

**it's best  
price friday.**

March down every  
1st and 3rd Friday.  
Just look for the blue.





in sync with the

# rhythm of our customers' lives

In life, there are milestones and celebrations. Whether it's finding that perfect Valentine's Day gift in February, honoring our mothers in May or preparing our homes for holiday guests in November, we want our customers to make jcpenny their favorite shopping destination for all of life's most cherished moments. And to show just how much we get it, we are syncing our business to the rhythm of our customers' lives. By aligning our promotions to a monthly cadence, customers can now shop jcpenny on their terms, not ours.



## celebrating the month

Every month, 14 million homes across the country receive a stunning book that creatively showcases our merchandise in a way that reflects the spirit and energy of that month. Backed by a robust marketing campaign, this monthly book serves as an introduction to all the great things

available at jcpenny. Additionally, we're adding special touches – like a free family portrait in March or bunny ears in April – to help customers celebrate what makes each month so special.





## American classics never go out of style

Our new creative direction takes a modern interpretation of the early *Saturday Evening Post* covers that celebrated everyday life in America. Our nostalgic yet whimsical approach to promoting everything from cardigans to table lamps is uniquely done in a way that makes shopping jcpenny relevant to everyone.





# brand new partnerships

Our transformation plans have clearly caught the attention of the retail industry as many of the world's most recognizable brands and designers are interested in collaborating with jcpenny. Martha Stewart and runway fashion designer Nanette Lepore are among the first to bring their namesake brands to jcpenny in 2013. We will announce many more exciting new partnerships during the year ahead.

## make yourself at home with Martha Stewart

Leading lifestyle expert Martha Stewart has joined forces with jcpenny to create a unique and comprehensive retail experience featuring Martha Stewart products, know-how and advice. Launching in February 2013, customers will be able to visit distinct Martha Stewart retail stores inside jcpenny and buy a variety of affordable, high-quality home and lifestyle merchandise designed and curated by Martha Stewart and her team. Staffed by trained associates, the Martha Stewart stores will also give customers direct access to the products and expertise that have made Martha Stewart such a trusted household name.



## elevating our private brands

As we transform our merchandise offering, the entire jcpenny merchant, design and sourcing teams are focused on elevating some of our most revered private brands by improving quality and restoring brand integrity. Our teams travel the globe to create the most exciting merchandise that complements our unique assortment of brand and designer partnerships. Private brands such as Worthington®, St. John's Bay®, The Original Arizona Jean Co.® and Stafford® will continue to be one of the many reasons customers love shopping jcpenny.





re-imagine an entirely new

# shopping experience

jcpennney is radically transforming its stores to create a dynamic environment that will keep customers coming back again and again. Our stores are re-energized monthly to create a sense of newness and excitement. Following the theme highlighted in our monthly book, stores bring each month to life with a fresh, clean look and bold color statements that showcase our must-have items of the season. Our sales floors now have wider aisles and considerably less signage so our great merchandise can stand out. These changes are just the beginning of our plans to revolutionize the in-store shopping experience at jcpennney.







## shop the shops, enjoy the street, visit the square

Starting August 2012, we'll unveil an inspiring new store environment that, over the next few years, will offer *The Shops* for showcasing major apparel and home brands such as Worthington, Liz Claiborne®, Martha Stewart and more. A dynamic collection of up to 100 Shops will surround *The Street*, an engaging pathway through our stores that gives customers a place to browse, relax or simply meet up with friends.

In 2013, we'll introduce *The Square*, a re-imagined center core experience. The Square won't be about selling products, but rather a gathering place for ongoing attractions and services. By 2015, stores will be uniquely merchandised with a Street of Shops and a lively Square. Soon, shopping at jcpenny will be unlike anything that exists in retail today.



## becoming America's **favorite place to work**

While our vision is to create America's favorite store, our sights are also set on becoming America's favorite place to work. Our entire organization is undergoing an exciting cultural shift that merges the talents of our existing team with fresh perspectives offered by new associates. Our strategy requires that we dramatically simplify our operations so associates are in position to do the best work of their lives. Together, we'll successfully build a brand that will continue to grow, modernize and be relevant for the next 110 years.



We know that to be America's favorite store, we need to be successful in big cities and small towns. That's why we're committed to being a valued part of more than 1,100 communities across the U.S. and Puerto Rico. Over the coming years, we intend to update every jcpenney store while thoughtfully growing our broad store footprint. And starting in 2014, you will begin to see a new look as we debut our new store prototype.





## board of directors

Thomas Engibous <sup>1,4</sup>  
Chairman of the Board,  
Retired Chairman of the Board,  
Texas Instruments Inc.

William Ackman <sup>3,4</sup>  
Founder and Chief Executive Officer,  
Pershing Square Capital Management, L.P.

Colleen Barrett <sup>2,3</sup>  
President Emeritus,  
Southwest Airlines Co.

Kent Foster <sup>1,4</sup>  
Retired Chairman of the Board,  
Ingram Micro Inc.

Ron Johnson  
Chief Executive Officer

Geraldine Laybourne <sup>2,3</sup>  
Founder and Former Chairman  
and Chief Executive Officer,  
Oxygen Media, LLC

Burl Osborne <sup>2,3</sup>  
Retired Chairman of the Board,  
The Associated Press

Leonard Roberts <sup>1,4</sup>  
Retired Chairman and  
Chief Executive Officer,  
RadioShack Corporation

Steven Roth <sup>2,4</sup>  
Chairman of the Board,  
Vornado Realty Trust

Javier Teruel <sup>1,4</sup>  
Retired Vice Chairman,  
Colgate-Palmolive Company;  
Partner, Spectron Desarollo, SC

Gerald Turner <sup>2,3</sup>  
President,  
Southern Methodist University

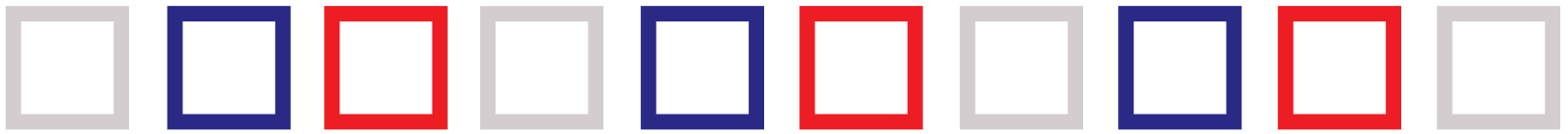
Mary Beth West <sup>1,2</sup>  
Executive Vice President and  
Chief Category and Marketing Officer,  
Kraft Foods Inc.

**1. Member of the Audit Committee:** This committee selects and retains the independent auditors for the annual audit of the Company's consolidated financial statements; approves audit fees and non-audit services and fees of the independent auditors; reviews the independent auditors' audit strategy and plan, scope, audit results, performance, and independence; participates in the certification process for periodic reports filed pursuant to the Securities Exchange Act of 1934; reviews internal audit reports on the adequacy of internal controls; reviews the status of significant legal matters and the Company's ethics program; reviews the scope of the internal auditors' plans and budget and results of their audits; and reviews the effectiveness of the Company's program for correcting audit findings.

**2. Member of the Corporate Governance Committee:** This committee considers matters of corporate governance and reviews developments in the governance area as they affect relations between the Company and its stockholders; develops and recommends to the Board corporate governance principles and practices for the Company; makes recommendations to the Board on the size, composition, organization, and responsibilities of the Board and its Directors; makes recommendations to the Board with respect to the qualifications of Directors, candidates for election as Directors, and the compensation of Directors; and makes recommendations to the Board regarding annual independence determinations and the annual performance self-assessment by the Board.

**3. Member of the Human Resources and Compensation Committee:** This committee reviews and administers the Company's annual and long-term incentive compensation plans; recommends or takes action with respect to senior executive officer compensation; performs periodic reviews of succession plans for key Company executives, including the CEO; reviews the annual financial condition and investment performance of the Company's retirement and welfare plans, including the annual actuarial valuation reports for the plans; and oversees the administration and operation of certain Company retirement and welfare plans.

**4. Member of the Finance and Planning Committee:** This committee reviews the Company's financial policies, strategies and capital structure.



## jcp leadership

Ron Johnson  
Chief Executive Officer

Michael Francis  
President

Kristen Blum  
EVP, Chief Technology Officer

Michael Dastugue  
EVP, Chief Financial Officer

Janet Dhillon  
EVP, General Counsel  
and Secretary

Mike Kramer  
Chief Operating Officer

Ken Mangone  
EVP, Product Development,  
Design and Sourcing

Laurie Beja Miller  
EVP, The Square

Tim Nichols  
EVP, jcpenny Stores

Liz Sweney  
EVP, Chief Merchant

Dan Walker  
Chief Talent Officer

## stockholder information

### Services for registered stockholders

Our transfer agent, Computershare (formerly BNY Mellon Shareowner Services), provides services such as record keeping, stock transfers, change of ownership, change of address and dividend payments for our registered stockholders. Registered stockholders who have questions or need assistance with their accounts should contact:

Computershare  
P.O. Box 358015  
Pittsburgh, PA 15252-8015  
1-800-842-9470  
[www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess)

### Annual meeting

Friday, May 18, 2012, at 10:00 a.m. CDT  
jcpenny Home Office  
6501 Legacy Drive  
Plano, TX 75024

