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1	2	3	 <p><b>JCPenney</b></p> <p>Every Day Matters™</p> <p><a href="http://jcp.com">jcp.com</a></p>		6	7
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29	 30					

# Investor Fact Book

**December 11, 2007**

## **About JCPenney**

JCPenney is one of America's leading retailers, operating 1,067 department stores throughout the United States and Puerto Rico, as well as one of the largest apparel and home furnishing sites on the Internet, jcp.com, and the nation's largest general merchandise catalog business. Through these integrated channels, JCPenney offers a wide array of national, private and exclusive brands which reflect the Company's commitment to providing customers with style and quality at a smart price. Traded as "JCP" on the New York Stock Exchange, the Company posted revenue of \$19.9 billion in 2006 and is executing its strategic plan to be the growth leader in the retail industry. Key to this strategy is JCPenney's "Every Day Matters" brand positioning, intended to generate deeper, more emotionally driven relationships with customers by fully engaging the Company's 155,000 Associates to offer encouragement, provide ideas and inspire customers every time they shop with JCPenney.

This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, which reflect the Company's current views of future events and financial performance, involve known and unknown risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, general economic conditions, including inflation, consumer spending patterns and debt levels, the cost of goods, trade restrictions, changes in tariff, freight, paper and postal rates, changes in the cost of fuel and other energy and transportation costs, competition and retail industry consolidations, interest rate fluctuations, dollar and other currency valuations, risks associated with war, an act of terrorism or pandemic, and a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information. Please refer to the Company's most recent Form 10-K and subsequent filings for a further discussion of risks and uncertainties. Investors should take such risks into account when making investment decisions. We do not undertake to update these forward-looking statements as of any future date.

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# Executive Summary

## JCPenney Vision for Growth

To be the preferred shopping choice for Middle America

## Long-Range Plan Goals

- **Customers:** Build deeper, more enduring customer relationships
- **Associates:** Increase associate engagement and retention
- **Shareholders:** Deliver industry leading financial performance

## Four Key Strategies of the Long-Range Plan

- **Customers:** Develop an emotional connection with our customer that is strong and enduring
- **Merchandise:** Inspire our customer with our merchandise and services
- **Associates:** Become the preferred choice for a retail career
- **Performance:** Establish JCPenney as the growth leader in the retail industry

## **10 Key Differentiators – JCPenney Competitive Advantages**

- Every Day Matters . . . Inspiring Customers
- American Living
- Sephora
- 8 Power Brands (private brands accounted for 45% of 2006 sales)
- Merchandise Flow Strategy (sophisticated end-to-end merchandising process)
- jcp.com Leadership (fastest growing sales channel -- 2006 sales approximately \$1.3 billion)
- New Store Growth...250 New Stores by the end of 2011 (accelerating growth of off-mall stores)
- Investing in Existing Stores (enhance store environment by renovating about 300 stores by 2011)
- Best Talent in Retail
- Gaining market share in a challenging environment

## **Growth Initiatives**

- Fundamentally improve brand positioning of JCPenney through “Every Day Matters”
- Continue to drive private brand growth through elevation of existing brands
- Launch new brands and merchandise concepts
- Capitalize on, and invest in, industry leadership position and infrastructure of jcp.com
- Accelerate new store openings – anticipate 250 new stores over 2007 – 2011 period
- Improve sales productivity of existing store base
- Improve inventory flow and cycle time

## **2006 Accomplishments**

- Launched the following new brands at JCPenney:
  - a.n.a, east5th, Izod, liz&co, (women's)
  - Sephora (beauty concept)
  - Studio (home)
  - CONCEPTS by Claiborne, Solitude (men's)
  - Van's, X-Games (children's)
- Launching American Living, a traditional/classic merchandise concept that will be a key element of women's, men's, children's, accessories and home beginning spring 2008
- Accelerated new stores growth with the opening of 28 new stores (more than JCPenney has opened on an annual basis in 20 years)
- Grew sales through jcp.com by 24% to approximately \$1.3 billion
- Increased comparable department store sales 3.7% -- 6<sup>th</sup> straight year of comp store increases
- Increased sales per gross square foot in stores to \$164 per gsf or \$231 per nsf
- Increased gross margin 100 bps to 39.3% of sales
- Increased operating income nearly 18% to 9.7% of sales
- Completed \$750 million common stock buyback program
- Increased annual cash dividend by 44 percent, (from \$0.50 to \$0.72 per share)

## **2007 YTD Accomplishments**

- Opened 50 new stores – primarily in successful off-mall format
- Strength in women's, especially Juniors, fine jewelry, and children's apparel
- Launched Ambrielle, private intimate apparel brand in Spring 2007
- Expanded Sephora inside JCPenney to 47 stores
- Completed \$400 million share repurchase program
- SG&A expenses well-managed (+0.6% 3Q YTD, 30 bps improvement as a % of sales) despite 50 new stores and weak consumer environment
- Internet sales through jcp.com increased 15% YTD
- Completed \$1 billion debt offering to refinance maturities and higher cost debt

# Long-Range Plan For Growth

## Four Key Strategies of the Long-Range Plan

### **I. Develop an emotional connection with our customer that is strong and enduring:**

1. Be the leader in understanding our current and potential new customers.
2. Effectively communicate why we are the best shopping choice.
3. Deliver an easy, enjoyable and exciting shopping experience that meets or exceeds our customer's expectations every time.

### **II. Inspire our customer with our merchandise and services:**

4. Be the leading retailer in delivering style and quality at smart prices.
5. Improve merchandise relevancy by offering the right products at the right place, at the right time, in the right quantities and at the right price.

### **III. Become the preferred choice for a retail career:**

6. Build a "WINNING TOGETHER" culture – a meaningful, challenging and exciting place to work.
7. Retain, attract and develop the best people in retail, reflecting the diversity of our customers.

### **IV. Establish JCPenney as the growth leader in the retail industry:**

8. Optimize growth in our core business, balancing sales, productivity, profitability, and return on investment.
9. Execute new growth opportunities that leverage our core strengths.

# Strong and Enduring Emotional Connection

## Marketing

- Overarching strategy is to develop an emotional connection with JCPenney customers that is strong and enduring
- Know our customer:
  - Understand style preferences, needs, wants and aspirations
  - Improve performance through evaluation of customer feedback and scorecards
  - Identify new customers and determine what would motivate them to shop at JCPenney
  - Understand current customers better to increase shopping frequency, conversion and cross shopping
- Communicate with our customer:
  - Execute the new brand positioning and connect with our customer
    - \* In their busy daily lives, women seek inspiration to create a better life for themselves and their families, and to find moments every day that make it better than the one before -- “Every Day Matters”
  - Articulate what JCPenney offers, communicating leadership and relevant points of difference that inspires the customer
  - Continue to execute powerful, effective events and promotions that drive store traffic

## STRONG AND ENDURING EMOTIONAL CONNECT WITH THE CUSTOMER

- Our goal every day is to offer inspiration and let customers know that what matters to them matters to us
- Redefine the customer relationship moving from/to:
  - Functional → Emotional
  - Transactional → Inspirational
  - Department store → their Preferred Shopping Choice
- Serve our customer:
  - Connect with the values of both customers and JCPenney associates, becoming one of the retail industry leaders in corporate social responsibility
- Grow the share of wallet from our existing customer base:
  - In 2005, of the 111 million households in the United States, 44 million were “known” JCPenney customers (made a purchase in the previous 12 months)
  - Significant opportunity to expand market penetration
- Spring brand campaign:
  - Nearly 90% of the total U.S. population of women ages 18 to 54 viewed the campaign about 12 times over a 4-week period
  - Focused on key primetime, “appointment television” with large audiences
- Academy Awards sponsorship:
  - Reached 41 million total viewers, including 19 million women between the ages of 18 and 54

## STRONG AND ENDURING EMOTIONAL CONNECT WITH THE CUSTOMER

- Hispanic marketing:
  - Exclusive retail sponsorship of Premio lo Nuestro, 11 million Hispanic viewers
- Overall marketing message is balanced between promotion and branding, however, JCPenney is not moving away from being a promotional retailer
- Manage customer profitability through customer analysis:
  - Retain and develop loyalty of decile 1 customers (most profitable)
  - Increase shopping frequency and share of wallet for deciles 2 – 4 customers (profitable)
  - Manage expenses related to decile 10 customers (least profitable)

# Inspiring Customers with Merchandise and Services

## JCPenney Value Proposition

- Best brands -- offering style and quality equal to specialty stores and better department stores at a smart price.
- Provide an array of good/better/best merchandise
- Lifestyle merchandise, reflecting the customers' life and style preferences:
  - Conservative - practical, conventional, hesitant to change and not influenced by many trends. Fashion trends are very stable and styles typically include appliqués and embroideries.
  - Traditional - largest customer segment, looks for classic, timeless merchandise, likes natural fibers, ease of care and stretch fabric
  - Modern - fastest growing lifestyle, more adventurous, open to change and interested in being current/in-line with trends. Not consumed with trends but rather attitude.
  - Trendy - smallest customer segment, adds life and direction to entire assortment. Trendy customer always looking for the latest trend, willing to push the envelope in every aspect of their wardrobe, they want to stand out. This segment requires fresh merchandise and quick cycle time

## **Continue to Launch Relevant Brands and Concepts**

- Destination brands – brands that are important to our customer, we are the destination for the customer to get the best assortment at a smart price
- Power brands – our key private brands, leaders in their category for style and value that drive traffic and build customer loyalty
- Concepts – big ideas that go beyond lifestyle and are true draws for JCPenney (American Living, Sephora, etc.)
- In the last two years, JCPenney has launched the following new brands and concepts:
  - (p)ivate, (e)xclusive, or (n)ational brands denoted
    - a.n.a (p) -- exceeded \$300 m first year, liz&co. (e), Izod (n), east5th (p), Ambrielle (p) (in women's)
    - Sephora (n) -- (beauty concept)
    - Chris Madden Hotel (p), Studio by the JCPenney Home Collection (p) -- (in home)
    - CONCEPTS by Claiborne (e), Solitude (e) -- (in men's)
    - X-Games (e), Van's (n), -- (in children's)
    - C7P...A Chip & Pepper Production (e) -- (juniors & young men's)
  - Announced American Living, a traditional/classic brand which will be carried in women's, men's, children's, accessories, shoes, and home beginning spring 2008 (e)

## **Growing Private Brands**

- Well established design and sourcing organization drives successful new private brand launches
- Private brand strategy for growth:
  - Private brands accounted for 45% of JCPenney sales in 2006 – optimal mix of private vs. national brands will be determined by the customer
  - Private brand gross margins are 300 to 500 basis point higher than national brands
  - Private and exclusive brands develop customer loyalty through differentiation, smart pricing
- Eight power brands generate about 80% of private brand sales:
  - Ambrielle (intimate apparel)
  - Arizona\* (juniors, young men's, children's)
  - a.n.a (women's casual)
  - Cooks for The JCPenney Home Collection (home)
  - Chris Madden for The JCPenney Home Collection (home)
  - St. John's Bay\* (women's and men's casual sportswear)
  - Stafford (men's career and accessories)
  - Worthington (women's career and accessories)

*\* sales exceeded \$1 billion in 2006*

## **Sephora Inside JCPenney**

- Successfully integrated into JCPenney stores with substantially higher sales per square foot than Company average
- Sephora brings the most exciting new beauty concept to JCPenney:
  - Customers now have access to beauty products at JCPenney
  - Drives more frequent shopping visits
  - Attracts younger, more affluent customers
  - Provides a substantial cross-sell shopping opportunity
- Currently operate 47 Sephora shops inside JCPenney
- Continue rollout in 2008 and beyond at a measured pace
- Created JCPenney/Sephora teams for merchandise, planning, allocation and training
- Key elements that create an impactful customer experience with Sephora:
  - Sephora inside JCPenney is indistinguishable in terms of look and feel from a stand alone Sephora store
  - The best brands and products from Sephora are available at JCPenney
  - Sell-through rates consistent between Sephora and JCPenney
  - Associate engagement and training is paramount to the success of bringing Sephora to life

## **American Living**

- Will be largest launch in Company's history
- Product will begin arriving in stores in January 2008
- Formal launch in February 2008 in men's, women's children's, accessories, shoes, and home
- Available in ~600 stores, catalog, and Internet through jcp.com
- American Living will be displayed as a total collection (i.e., a central hub) in new stores and primarily in respective departments in existing stores
- Product being designed and developed by best talent in the U.S.
- Potential to be a \$1 billion brand over time

## **Building a Power Brand**

- Assess opportunity (consumer research, competitive review, white space)
- Define brand (lifestyle alignment, assortment plan, pricing, promotion, flow strategy)
- Design the concept (collection, silhouette, fabrication)
- Production (placement, quality assurance, shipping)
- Messaging (imaging, print, media, promotion)
- Brand identity and experience – ensure consistency of merchandise, marketing, presentation, packaging, etc.

## **The Store Experience**

- The focus of the store organization is improving the shopping experience
- Customer satisfaction surveys measure the effectiveness and improvement of the store shopping experience. Topics surveyed include: customer loyalty, associate interaction, merchandise assortments, store execution and store environment
- Satisfied customers are:
  - 1.5 times more likely to return to JCPenney
  - 2 times more likely to recommend JCPenney to a friend
  - Half of these customers returned to JCPenney within 30 days

# Growth Initiatives

## jcp.com – Leveraging Technology to Accelerate Growth

- Establish jcp.com as the “gateway” for customers to experience the compelling merchandise assortments offered at JCPenney
- Continue to innovate and introduce new functionality
- Focus on “game-changing” business processes
- Invest in a durable asset
- Build a flexible business model

## Accelerated Opening of New Stores

- New stores open at a sales productivity level which exceeds the Company average
- Strong financial performance of new stores
- Mall stores core to business, off-mall stores represent new growth opportunity (now have about 85 new off-mall stores)
- New stores will primarily be in the off-mall format (approx. 80-90% of new stores in this format)
- Create more frequent shopping trips (off-mall locations)
- Capture greater share of wallet
- Smaller trade areas required to open stores; fewer transfer sales

- At the end of 2007, approximately 10% of our store base will have been opened in the past 5 years
- Opened 6 stores in 2003, 14 in 2004, 18 in 2005, 28 in 2006, 50 in 2007
- Plan to open 250 new stores from 2007-2011
- On a long-term basis, have identified up to 400 opportunities for new stores, relocations or expansions
- By 2011, store base will be about 1,200 stores
- Approximately 18 percent square footage growth through 2011
- New store location strategy:

<b>Mall</b>	<b>Off-Mall</b>
Core strength	New Customer
Opportunistic acquisitions	Future growth opportunity
Weekends and holiday destination	Weekday destination

## **Accelerated Rate of Existing Store Renovations**

- Maintain a focus on enhancing the store portfolio through renovations of the existing store base and evolving the store prototype to provide a best-in-class shopping experience
  - Plan to renovate about 300 stores from 2007-2011
  - Currently 50% of the store base is in a new or renovated state
  - Goal is to have about 80% of the store base in a new or renovated state by 2011
  - Additional fixture roll-outs in support of new product and concept launches such as Ambrielle, Sephora and American Living (due spring 2008) will also enhance existing stores
- Store signage, wayfinders (maps), price check scanners and other initiatives increase the ease of shopping in existing stores

# Improved Merchandise Flow and Cycle Time Reduction

## Improved Merchandise Flow

- Objective of better merchandise flow:
  - Getting the Right Product
  - In the Right Quantity
  - In the Right Size
  - At the Right Time
  - To the Right Store
- JCPenney's markdown optimization strategy is holistic, beginning with assortment planning
- Strategic merchandise flow is a markdown optimization strategy, managing inventory from the planning phase to store receipt
- Store grading is a tool used to adapt assortments by store, an aid in developing floor sets and a process in preparing initial inventory allocations
- Merchandise flow benefits:
  - Increase customer satisfaction (fewer out-of-stocks)
  - Increase opportunity for full price selling (reduces markdowns)
  - Reduces inventory handling costs by limiting multiple handling opportunities
  - Alleviate stock room crowding, lower inventory carrying levels, increase inventory turnover

## **Cycle Time Reduction**

- Cycle time is:
  - The amount of time it takes to bring a product from initial concept to of merchandise to placement on a store fixture
  - Average cycle time was about 52 weeks in 2005, moving to 25 weeks
- Benefits of improved cycle time:
  - Provides for trend right merchandise in stores when the customer wants it
  - Higher frequency of new product in stores
  - Drives more frequent customer visits to JCPenney
  - Better gross margins (less fashion risk and lower markdowns)
  - Reduced inventory levels – increased inventory turns, lower carrying costs
  - Better stock balancing
  - Improved advertised item service levels (in-stocks)
  - Higher basics service levels (in-stocks)
- JCPenney has distinct advantage in reducing cycle time:
  - Over 50 years of direct sourcing experience
  - A long history of supplier relationships
  - Substantial private brand economies of scale

- Exceptionally talented teams
- Leading edge, proprietary technology
- Cycle time improvement will be achieved through:
  - Pre-planning – from design to merchandise replenishment parameters
  - Better pre-positioning of raw materials
  - Collaboration across the entire supply chain
  - Centralized technical product development

# Become “The” Preferred Choice for a Retail Career

## Become the preferred choice for a Retail Career

- Associate engagement – associates that build customer relationships by creating a positive shopping experience, turning a transaction into more of an interaction (measured through associate and customer surveys)
- Talent retention and acquisition – turn jobs into careers, provide better reporting and visibility on associate turnover, focus on hiring the right person that matches the position, improve interviewing skills of frontline managers
- Leadership development – through the JCPenney Retail Academy, “Winning Together, Leading Together” training classes taught by Mike Ullman (CEO) and Mike Theilmann (EVP-HR) target the highest potential leaders of the Company; store and district management also participate in additional leadership training classes designed for their positions
- Increased focus on corporate responsibility – better integration of social responsibility and environmental concerns with the Company strategy and operating processes

# Long Range Growth Leadership & Financials

## 2006 Financial Accomplishments

- Reached initial 2005-2009 Long-Range Plan financial goals about 3 years early
- Financial position inflection point through operating performance, operating profit 9.7% of sales, an increase of 100 basis points
- Value delivery to investors:
  - Key financial metrics are substantially aligned with industry leaders
  - Completed \$750 million stock repurchase program announced
  - 44% increase in annual dividend
  - Credit rating agencies upgraded JCPenney long-term debt ratings to investment grade level
- Capital markets increased both debt and equity valuations throughout the year
- The following table represent the mix of consolidated net retail sales (stores, Direct & services):

	<b><u>2006</u></b>
Women's apparel	22%
Home	21%
Men's apparel and accessories	20%
Children's apparel	11%
Women's accessories	10%
Family footwear	6%
Fine jewelry	5%
Services & other	5%
	<hr/>
	100%
	<hr/>

## Third Quarter 2007 Operating Results

	<b>Nov. 3, 2007</b>	<b>Oct 28, 2006</b>	<b><i>Inc./</i>(Dec.)</b>
Total net sales	\$ 4,729	\$ 4,781	(1.1)%
Gross margin	1,879	1,985	(5.3)%
Selling, general and administrative (SG&A)	1,348	1,377	(2.1)%
Depreciation and amortization	110	98	12.2%
Pre-opening	19	14	35.7%
Real estate and other (income)	(9)	(8)	N/A
Total operating expenses	1,468	1,481	(0.9)%
Operating income	411	504	(18.5)%
Net interest expense	41	36	13.9%
Bond premiums and unamortized costs	-	-	N/A
Income from continuing operations before income taxes	370	468	(20.9)%
Income tax expense	109	182	(40.1)%
Income from continuing operations	\$ 261	\$ 286	(8.7)%
Discontinued operations, net of income tax expense of \$4 and \$1	-	1	N/A
Net income	\$ 261	\$ 287	(9.1)%
Earnings per share from continuing operations - diluted	\$ 1.17	\$ 1.26	(7.1)%
Earnings per share - diluted	\$ 1.17	\$ 1.26	(7.1)%
Comparable department store sales increase	(3.5)%	5.2%	
Total department store sales increase	(0.7)%	7.0%	
Internet sales increase	11.8%	27.0%	
Total Direct sales (decrease)/increase	(3.6)%	5.3%	
Gross margin	39.7%	41.5%	
SG&A expenses	28.5%	28.8%	
Total operating expenses	31.0%	31.0%	
Operating income	8.7%	10.5%	

Financial Data

Ratios as a  
% of Sales

## Third Quarter 2007 YTD Operating Results

	<u>Nov. 3, 2007</u>	<u>Oct 28, 2006</u>	<u>Inc./<i>(Dec.)</i></u>
Total net sales	\$ 13,470	\$ 13,239	1.7%
Gross margin	5,360	5,290	1.3%
Selling, general and administrative (SG&A)	3,882	3,859	0.6%
Depreciation and amortization	310	274	13.1%
Pre-opening	40	21	90.5%
Real estate and other (income)	(31)	(30)	N/A
Total operating expenses	4,201	4,124	1.9%
Operating income	1,159	1,166	(0.6)%
Net interest expense	110	102	7.8%
Bond premiums and unamortized costs	12	-	N/A
Income from continuing operations before income taxes	1,037	1,064	(2.5)%
Income tax expense	363	387	(6.2)%
Income from continuing operations	\$ 674	\$ 677	(0.4)%
Discontinued operations, net of income tax expense of \$4 and \$1	7	(1)	N/A
Net income	\$ 681	\$ 676	0.7%
Earnings per share from continuing operations - diluted	\$ 2.98	\$ 2.90	2.8%
Earnings per share - diluted	\$ 3.01	\$ 2.90	3.8%
Comparable department store sales increase	0.7%	4.4%	
Total department store sales increase	2.6%	5.5%	
Internet sales increase	15.4%	24.6%	
Total Direct sales (decrease)/increase	(3.2)%	4.0%	
Gross margin	39.8%	40.0%	
SG&A expenses	28.8%	29.1%	
Total operating expenses	31.2%	31.2%	
Operating income	8.6%	8.8%	

Financial Data

Ratios as a  
% of Sales

**Financials***(in millions, except per share data)*

	<b>2004</b>	<b>2005</b>	<b>2006 (53 weeks)</b>
Retail sales, net			
Department stores	\$ 15,357	\$ 15,943	\$ 16,950
Direct (Catalog/Internet)	2,739	2,838	2,953
Total	<u>18,096</u>	<u>18,781</u>	<u>19,903</u>
Gross margin	6,792	7,191	7,825
Selling, general and administrative expenses	5,135	5,227	5,521
Depreciation & Amortization	359	372	389
Preopening	11	15	27
Real estate and other (income)/expense	12	(54)	(34)
Operating profit	<u>1,275</u>	<u>1,631</u>	<u>1,922</u>
Net interest expense	223	169	130
Bond premiums and unamortized costs	47	18	-
Income/(loss) from continuing operations before income taxes	<u>1,005</u>	<u>1,444</u>	<u>1,792</u>
Income taxes	348	467	658
Income/(loss) from continuing operations	<u><b>657</b></u>	<u><b>977</b></u>	<u><b>1,153</b></u>
Diluted earnings per share from continuing operations	\$ 2.20	\$ 3.83	\$ 4.88
Average shares used for diluted EPS calculation	307	255	232
Ratios as % of sales			
Gross margin	37.5%	38.3%	39.3%
SG&A expenses	28.4%	27.8%	27.7%
Total operating expenses	30.5%	29.6%	29.6%
Operating profit	7.0%	8.7%	9.7%

**End of Year Debt Position**

<i>(\$ in billions)</i>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Long-Term Debt	\$3.9	\$3.5	\$3.5
Cash	<u>4.7</u>	<u>3.0</u>	<u>2.8</u>
Net Debt	(0.8)	.5	.7
Leverage Ratio (x)	2.4	1.8	1.5
Fixed Charged Coverage Ratio (x)	4.1	5.5	6.9

**Capital Expenditures**

Capital expenditures about \$1.2 billion in 2007

<i>(\$ in millions)</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>
New stores	\$175	\$365	\$650
Existing stores	\$205	\$266	\$375
Technology	\$110	\$110	\$75
Other	\$45	\$31	\$100
<b>Total</b>	<b>\$535</b>	<b>\$772</b>	<b>\$1,200</b>

## **Long-Range Plan EPS Growth Drivers and Financial Profile**

- Total department store sales increase mid-to-high single digits
- Comparable department store sales increase low-to-mid single digits
- Direct (Internet and catalog) sales increase mid single digits
- Gross margin - about 40%
- Total operating expenses - about 28%
- Operating Income - 12% to 12.5%
- ROE >26%
- ROIC >20%
- Leverage Ratio approximately 0.6 times
- Fixed Charge Coverage about 10.5 times
- Dividend Outlook – maintain competitive payout within the retail industry
- Common stock repurchase programs are planned to essentially offset earnings per share dilution from the exercise of employee stock options and equity programs.
- Continued financial flexibility and strengthening of credit profile

## Executive Board Biographies



**MYRON E. (MIKE) ULLMAN, III** is chairman of the board and chief executive officer of J. C. Penney Company, Inc. Before joining JCPenney, Mike served as directeur general, group managing director of LVMH Mötet Hennessy Louis Vuitton from 1999 to 2002. He previously served as group chairman and chief executive officer of DFS Group Limited (1995-1999) and as chairman and chief executive officer of R.H. Macy & Co., Inc. (1992-1995). Mike serves on the board of Starbucks Coffee Company, and is vice chairman of the National Retail Federation and Chairman of the Board for Mercy Ships International, a global medical and human services charity.



**KEN C. HICKS** has served as president and chief merchandising officer since January 2005. Ken leads all merchandising initiatives to ensure that the Company is providing a broad selection of private, national and exclusive brands that offer great style and quality at smart prices, including the recent launch of two new concepts, Sephora Inside JCPenney and American Living by POLO Ralph Lauren's Global Brand Concepts. He joined the Company in 2002 as president and chief operating officer of JCPenney stores and merchandise operations. Previously, Ken was president of Payless Shoe Source and executive vice president of merchandising and programming for the Home Shopping Network. Ken has also held a number of senior merchandise positions at May Department Stores and was a senior engagement manager at McKinsey & Co.



**JEFFREY J. ALLISON** is executive vice president and general merchandise manager of home and custom decorating. Jeff provides strategic leadership and direction for the Company's Home business and industry-leading Home private brands, including Chris Madden, Studio and Cooks, all under the JCPenney Home Collection. Jeff joined JCPenney in 2000, and previously held the role of executive vice president and director of planning and allocation. He was formerly vice president of finance at Express, Inc., a division of The Limited, Inc., which he joined in 1990.



**JOANNE L. BOBER** has served as executive vice president, general counsel and secretary since 2005. She was previously senior vice president and general counsel at The Chubb Corporation from 1999 to 2005. Joanne's career has also included positions as senior vice president, general counsel and secretary at General Signal Corporation and partner at Jones, Day, Reavis and Pogue where she worked for 13 years.



**MICHAEL J. BOYLSON** has served as executive vice president and chief marketing officer since 2003. He oversees the development and execution of JCPenney's brand strategy, including the Company's new brand positioning, "Every Day Matters." In addition, Mike oversees the marketing vision for JCPenney's private and proprietary brands, with a focus on the Company's top five private apparel brands. Mike began his career with JCPenney in 1978. In 2006, he was inducted into the Retail Advertising Hall of Fame.



**LANA CAIN** has served as executive vice president and general merchandise manager of the men's and children's divisions since 2003. Lana oversees the development of merchandise for these divisions including direction for some of the Company's billion dollar private brands including Stafford, St. John's Bay and Arizona, and recently launched exclusive designer brands, CONCEPTS by Claiborne and Solitude. Prior to joining JCPenney, Lana was president and chief merchandising officer for Goody's Family Clothing. She previously held senior merchandise management positions at Sears Roebuck, Stage Stores and Joske's of Texas.



**ROBERT B. CAVANAUGH** is executive vice president and chief financial officer, a position he has held since 2001. In his role, Bob is responsible for developing and executing the company's financial plans, and providing leadership to the corporate strategic planning, treasurer's, controller's, tax services, investor relations, business finance and internal auditing functions. Bob joined JCPenney in 1978, and served as executive vice president and chief financial officer of Eckerd Drug Stores in 1999 and 2000. Prior to that, he held positions of increasing responsibility in corporate finance, and was elected vice president and treasurer in 1995.



**THOMAS A. CLERKIN** is senior vice president and director of finance for stores, catalog and Internet. In this position, which he has held since 2001, Tom oversees financial analysis and reporting for JCPenney's operating units and leads the implementation of financial strategies. He joined JCPenney in 1971 in catalog, and has held a variety of management positions of increasing responsibility in personnel, administrative services, treasurer's, specialty retailing and planning and research.



**MICHAEL DASTUGUE** has served as senior vice president and director of property development for JCPenney since 2005. In this role, Michael is responsible for strategies designed to make JCPenney an easy, enjoyable and exciting place to shop by enhancing the store environment to provide the best-in-class shopping experience, and leading the Company's aggressive store expansion program to open 250 new stores from 2007 to 2011. Prior to his current position, Michael served as senior vice president and director of corporate finance. He began his career with JCPenney as a treasurer's financial analyst in 1991, and subsequently held a variety of finance management positions of increasing responsibility.



**BERNARD D. FEIWUS** is senior vice president and chief operating officer of JCPenney Direct, responsible for marketing, systems, inventory, and operations (including outlet stores) for JCPenney's Direct business. Bernie joined JCPenney in 2001, having previously been president of eRewards.com. He also served as president of Brierley & Partners and spent 19 years at Neiman Marcus, including eight years as president and chief executive officer of Neiman Marcus Direct. Previously, Bernie spent 10 years at Citicorp where he held a variety of management positions.



**JOHN W. IRVIN** has served as executive vice president and president of JCPenney Direct since 2001, responsible for the Company's catalog and Internet business. Under his leadership, jcp.com continues to thrive as the Company's fastest growing shopping channel and lead the industry as the largest online retailer of apparel and general merchandise with approximately \$1.3 billion in sales in 2006. John joined JCPenney in 2001, and was previously the president and chief executive officer of Spiegel, Inc. With more than 30 years in the retail industry, his career includes senior positions at Mervyn's, Maison Blanche Department Stores, the Dallas Market Center, Sanger-Harris and Foley's.



**CLARENCE L. KELLEY** is executive vice president and director of planning and allocation. Clarence leads the execution of the Company's merchandise planning and allocation strategies, with a primary focus on driving sales and improving inventory productivity. Previously, he was senior vice president and director of planning and allocation for Home, Family Footwear and Women's Accessories. Clarence came to JCPenney in 2001 as director of planning and allocation of the Home division. Prior to joining JCPenney, he held positions of increasing responsibility, including divisional vice president of planning for the Kmart Corporation and divisional controller for Lane Bryant.



**JAMES W. LaBOUNTY** is senior vice president and director of supply chain management, and president of JCP Logistics LP, an operating subsidiary of the Company. Jim is responsible for providing strategic and operational leadership for supply chain activities surrounding the movement of merchandise from suppliers to JCPenney stores and Direct customers. This includes distribution activities in 21 facilities throughout the United States, supported by over 8,000 Associates. Jim joined JCPenney in 2001 and became director of supply chain in 2004. Prior to joining JCPenney, Jim served over 28 years in the U.S. Army.



**PETER M. McGRATH** has served as executive vice president and director of private brands, product development and sourcing since 2005. Peter directs the development of the Company's industry-leading private brand strategy along with the international and domestic sourcing operations. Additionally, he leads the Company's cycle time reduction initiative with a focus of reducing the average time from product conceptualization and design to the arrival of goods from 50 weeks to 25 weeks. Peter is recognized as a leader and expert in the global apparel trade and has served in several leadership positions with industry organizations. He is currently chairman of global product marketing for the U.S.D.A. Cotton Board. He joined JCPenney in 1973.



**THOMAS NEALON** is executive vice president and chief information officer. In his role, Tom oversees the Company's information technology, including the design and ongoing development of systems and infrastructure to support the Company's Long-Range Plan and strategic business objectives. He joined JCPenney in 2006 from EDS, where he served on assignment as the senior vice president and chief information officer at Southwest Airlines. Prior to his position at Southwest Airlines, he served as a partner for the Feld Group, an IT management consultancy firm and as chief information officer of Frito-Lay, Inc.



**BERYL RAFF** has been executive vice president and general merchandise manager of fine jewelry since 2005. In her role, Beryl oversees the largest full-service, fine jewelry department store business in the U.S., ensuring that the Company is offering a broad selection of merchandise with great style and quality at smart prices. Prior to joining JCPenney in 2001, Beryl served as the chairman and chief executive officer of Zale Corporation. In 1999, the Women's Jewelry Association named her to its Lifetime Hall of Fame, and in 2002 the American ORT Jewelry Industry presented her with their Community Achievement Award.



**ELIZABETH H. SWENEY** is executive vice president and general merchandise manager of women's apparel, the largest division in the Company. Under her leadership, JCPenney has launched a number of successful private and exclusive designer brands, including a.n.a, Liz & Co., Bisou Bisou and nicole by Nicole Miller. Liz joined JCPenney in 2000. She previously held several senior-level positions at Kellwood Co., which she joined after 17 years with Montgomery Ward & Co.



**MICHAEL W. TAXTER** has served as executive vice president, director of JCPenney stores since 2002, with leadership of all store-level execution strategies and responsibility for district and regional support units. In recent years, he has overseen the development and execution of comprehensive improvements in store operations and service programs following the Company's centralization process. Mike began his career with JCPenney in 1971 and held positions including regional president, director of stores coordination, district manager and store manager.



**MICHAEL THEILMANN** has served as executive vice president, chief human resources and administration officer since 2005. In this role, he is responsible for strategies designed to make JCPenney the preferred choice for a retail career, including the implementation of WINNING TOGETHER, the Company's employment brand which focuses on making JCPenney a great place to work. Mike also oversees the Company's communications and corporate social responsibility functions. Previously, he served as senior vice president International Human Resources and chief people officer at Yum! Brands, Inc. Before joining Yum!, Mike worked in human resources at Burger King and Grand Metropolitan. He has been in the human resources field for nearly 20 years.

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