

## MARVIN ELLISON NAMED PRESIDENT AND CEO-DESIGNEE

ON OCTOBER 13, 2014

### A MESSAGE FROM MIKE ULLMAN

Dear Associates,

Eighteen months ago, I returned to JCPenney with a single goal – to get the business back on track after what had been a very challenging period. What I believed then was that the Company was down, but not anywhere near out. And the good news is, we couldn't be kept down for long. Today, due to the hard work, determination, and drive of our 120,000 associates, JCPenney is back – we're back in the eyes of our customers, we're back in the effective way we run the business, and we're back on solid financial footing. My fondness for and faith in the people of JCPenney were a big part of my decision to return, and each of you has my deepest thanks for your contribution to the progress we've made together.

It was always my intention to stay on as long as it took to stabilize the Company and get us moving in the right direction. Once it became clear that that had been accomplished, our Board of Directors undertook a comprehensive process to identify our next CEO. This morning, I am delighted to report that we have found that person in Marvin Ellison. A highly talented and accomplished executive with 30 years of experience in the retail industry, Marvin will join JCPenney as President and CEO-Designee on Nov. 1 and take over as CEO on Aug. 1, 2015.



This is very exciting news for JCPenney. Marvin Ellison has spent his entire career excelling at two of the country's best retailers. He spent the past 12 years at Home Depot, where he has served since 2008 as executive vice president of its U.S. stores operation, with responsibility for 2,000+ stores and, among other things, training their 275,000 associates. Marvin was instrumental in some of Home Depot's biggest recent wins, including surpassing its closest competitor in comparable sales for the first time in many years – and sustaining that lead. He also led the centralization of the Company's field organization and has taken other critical actions that have enhanced the company's operating profit, gross margin and bottom line. Prior to joining Home Depot, Marvin spent 15 years at Target, rising quickly through the ranks in a variety of operational roles during a period of tremendous growth.

He knows retailing and is highly regarded across the industry for his ability to drive customer loyalty, engage and motivate store sales associates and effectively run operations. Marvin is also a longtime supporter of JCPenney and has great respect for our heritage and our place in the American retail landscape. The Board and I are confident that the depth and breadth of his retail experience and his proven ability to manage high-performing teams will drive the continued resurgence of JCPenney.

I will remain CEO until August 2015, at which point I will become Executive Chairman of the Board to ensure a smooth, seamless leadership transition. I will stay in that role for one year, supporting Marvin as he continues to position the Company for long-term profitable growth.

Please join me in welcoming Marvin Ellison to our organization. He and his family are in the process of moving to Dallas, and I know he looks forward with great anticipation to working with our team of associates and experiencing the Warrior Spirit firsthand!

Thank you again for your work, your passion and your commitment to JCPenney.

Mike

# COMPANY ANNOUNCES GROWTH INITIATIVES FOR 2015-2017

ON OCTOBER 8, 2014

## A MESSAGE FROM MIKE ULLMAN

**A**t our 2014 analyst meeting in New York City today, we presented our plans for restoring sustainable profitable growth during the next three years. I'm pleased to report that, thanks to your efforts, we are in a far stronger position today than we were when we began our turnaround effort 18 months ago.

### Compelling Customer Proposition

Leaders across the organization attributed our progress and enhanced outlook to a renewed focus on the compelling customer proposition that differentiates JCPenney in the marketplace.

We have rebuilt and reestablished the right merchandise assortment including:

- Powerful private brands such as St. John's Bay, Ambrielle and JF J.Ferrari;
- Sought-after national brands such as Levi's, Nike, and Disney; and
- Exclusive attractions our customers value and that can only be found at JCPenney.

We are also demonstrating digital leadership by advancing the mobile commerce functionality of jcpenny.com, providing customers with enhanced options to shop, ship or pick up their JCPenney merchandise. This includes putting in place an enterprise-wide inventory network that will enable several customer-centric capabilities such as same day pick-up and same day delivery, creating a seamless customer experience. Finally, Company leadership outlined how associate engagement – integral to building customer loyalty – has significantly improved across JCPenney, enabling teams to achieve customer service scores that are at an all-time high.

### Incremental Growth Opportunities

During the analyst meeting, Company leadership identified three areas of the business that are expected to generate incremental sales growth between 2015 and 2017. These initiatives include:

1. **Revitalizing the highest traffic area in the store – center core – as a leading destination for beauty, jewelry and fashion accessories;**
2. **Improving the productivity of the Home Store with value-driven products and a tailored promotional strategy; and**
3. **Maximizing the power, reach and integration of our omnichannel capabilities.**

### Store Attractions Update

We are focused on attracting a new and younger customer by investing in popular in-store attractions that can only be found at JCPenney. To that end, we have announced the expansion of our highly successful partnership with Sephora and have agreed to open additional Sephora inside JCPenney locations through 2017, entering new and smaller markets as the first major beauty destination in town.

JCPenney is leveraging its position as the only U.S. department store retailer carrying an exclusive assortment of Disney merchandise by opening more than 100 additional Disney-branded Shops inside JCPenney by back-to-school 2015. We have also entered into an agreement with Hallmark to test a Hallmark shop concept carrying greeting cards, gifts, ornaments, holiday décor and more in 15 JCPenney stores this fall, including a newly opened Hallmark shop within the Home department at Store 2795 in Frisco, Texas.

### Financial Goals for 2015-2017

During the meeting we also provided financial performance goals, including achieving \$1.2 billion in EBITDA – an important measurement of operating profitability – in 2017. This reflects expectations for top line improvements associated with incremental growth potential, as well as continued market share gains in our underlying business, which represents a \$3.5 billion sales opportunity. Of that amount, we conservatively expect to realize approximately \$2 billion in incremental sales during the next three years, resulting in mid-single digit sales growth during this period.

### Revised Third Quarter 2014 Guidance

We revised our third quarter sales guidance to reflect softer selling than expected during the month of September due to lower levels of clearance compared to last year and the continued difficult retail environment. We now expect comparable store sales for the third quarter of 2014 to be in the low-single digit range, compared to the original guidance of mid-single-digit growth. We reaffirm all other guidance for the third quarter and full fiscal year 2014, which includes delivering mid-single digit comparable store sales growth and positive free cash flow for the year.

### Progress On Our Vision

JCPenney is gaining back market share, growing sales and gross margins and continuing to tightly manage expenses. Having developed a strong foundation for growth, we remain focused on restoring profitability and expect to grow our business in the third and fourth quarters. Although we recognize there's more work to be done in a highly competitive retail environment, I couldn't be more encouraged by the significant progress our teams have made in such a short amount of time.

I am confident the initiatives we are putting in place will fuel new growth and earn greater customer loyalty as we pursue our vision to become the preferred shopping choice for Middle America.

Mike

# We're listening

Every day we listen to our customers to learn more about how we can serve them better. As a company with 116,000 associates in more than 1,100 locations across America and around the world, it's vitally important that we also listen to each other — to benefit from the unique perspectives we each bring to our jobs and improve the way we work together.

You can make your voice heard today by taking our new associate survey, which is now available online. It's brief - it takes about 15 minutes to complete - and, most importantly, it's anonymous.

Please take this opportunity to tell us what's on your mind and how you feel about your work, your team and the Company's future. You'll be helping jcpenny take an important step forward on our path to success.

The survey is voluntary, so thank you in advance for taking time to share your point of view. We appreciate all you do for our Company and our customers.

Respectfully,

A handwritten signature in black ink, appearing to read "Mike".

Mike

> [Click here to take the survey by Oct. 6](#)  
Login: jcp Password: survey

**jcpenny**



**Dear Team Members:**

More than a century ago, James Cash Penney founded this Company on the principle of the Golden Rule: treat others the way you would like to be treated. While jcpenny has gone through many changes throughout its history, the foundation built by honesty, trust and integrity has never wavered, and has sent a message to our customers, shareholders and suppliers that we are a Company that always interacts with the highest ethical standards.

That foundation is the cornerstone which will carry us forward as we regain our strong foothold in American retailing.

We recognize that each of us – regardless of whether you work in one of our stores, supply chain facilities, customer care centers, our Home Office, or in one of our international offices -- is vital to our ongoing efforts to maintain and strengthen our commitment to the sound principles of honesty, trust and integrity on which jcpenny was founded.

We have been and continue to be committed to the values of:

- Treating all team members with respect, kindness, courtesy and honesty;
- Dealing fairly and honestly with our business contacts, customers, vendors, shareholders and contractors;
- Striving to create a workplace with high ethical standards; and
- Asking questions when it just doesn't square with what is right and just.

I'd like to ask that each one of you join me in dedicating ourselves to the ethical principles on which our Company was founded and under which we will continue to grow and succeed.

As we focus on returning the Company to profitable growth, I look forward to working together to ensure that our original values continue to be reflected in the daily actions of all of us.

Sincerely,

A handwritten signature in black ink, reading "Mike Ullman". The signature is fluid and cursive, with a long horizontal flourish at the end.

Myron E. (Mike) Ullman, III  
Chief Executive Officer

# HOLIDAY WISHES

*From Mike Ullman*

Fellow Associates,

As we all work together to "Rule the Yule," I wanted to take a moment to wish each of you a happy, healthy and safe holiday season. It has been a year of challenge and change, and I am thankful for the opportunity to join you in a fight we believe is worth winning.

A new year is in front of us, and great things lie ahead. For all you do for JCPenney and our customers, you have my sincere thanks.

Merry Christmas,

A handwritten signature in white ink, appearing to read "Ullman".



Dear Vendor Partner:

As we close out the fiscal year, I want to take the opportunity to thank you again for your continued support and partnership with JCPenney. It has been important to us throughout our journey to restore profitable growth, and we remain focused on that goal. While 2013 brought a lot of change and challenges to JCPenney and the entire retail sector, we are pleased with the Company's performance and expect to end the year on a positive note.

The Holiday season was certainly an interesting one, with a compressed calendar, winter snow storms and challenging mall traffic. In spite of the significant headwinds facing all retailers, we made it through the holiday shopping season in good shape. With your partnership, JCPenney's combination of relevant and giftable merchandise, focus on customer service, and compelling promotions enabled our teams to drive sales between Black Friday and Christmas that exceeded our expectations.

The Company experienced especially good performance in several categories including outerwear, sweaters, fleece and cold weather accessories, active wear, young men's, juniors, housewares, Sephora, boots, and athletic shoes. In addition, we are pleased to share that sales through jcp.com continued to be robust this season. Gift card sales were also particularly strong during the period, which shows customers have faith in JCPenney and trust we will continue to be their preferred shopping destination for years to come.

We are now looking ahead to a new year that will bring new brands and new opportunities for growth at JCPenney. Here are just some of the items we are excited to share:

- Over the coming weeks, we will be revamping and re-merchandising our intimates floor in time for the Valentine's Day holiday. We are re-launching Ambrielle and bringing back dedicated staffing and bra fit specialists to better serve our customer.
- We have exciting new ideas in Men's and Women's apparel, including exclusive partnerships in the golf wear business for men and career dressing for women that we'll be announcing soon.
- During the Academy Awards, we will be launching an exciting marketing campaign as we have done in years past. We think you will like our new brand positioning and how it will speak to our entire customer base.
- By early March, the revamp of our Home floor will be complete and we will be ready for business, with relevant assortments of national and private brands that will better resonate with JCPenney's customer, a floor layout that is easier to shop, and a promotional cadence that draws more traffic both in stores and online.

We will release our Fourth Quarter earnings in February. At that time, we will have more news to share about the final months of 2013 and, more importantly, how we intend to continue our turnaround progress in 2014 by prudently managing our business, engaging and rewarding our people, and delivering on our promise to the customer every single day.

Once again, I want to thank you personally, and on behalf of the entire team at JCPenney, for your continued support. With your partnership, we are confident that JCPenney is on the right track.

Happy New Year.

A handwritten signature in black ink, appearing to read "MEU", is located below the "Happy New Year" text.

Myron E. Ullman