

## **jcpenny Simplifies Business Model to Drive Transformation**

### **Transitioning from a Culture of Management to One of Leadership; Begins with Actions to Realign Headquarters Organization**

PLANO, Texas, April 5, 2012 /PRNewswire/ -- J. C. Penney Company, Inc. ("jcpenny") (NYSE: JCP) today announced that it has begun to dramatically simplify its business model in order to align operations with the changes it is making to become America's favorite store. The Company's new approach to pricing, promotion, merchandising and the customer experience requires a more competitive operational structure, with fewer layers of management, wider spans of control and greater accountability throughout the organization.

(Logo: <https://photos.prnewswire.com/prnh/20110222/DA51975LOGO>)

To begin putting this framework in place, the Company is reorganizing the workforce at its headquarters in Plano, Texas, where it will be taking a range of actions to realign its management structure.

Ron Johnson, chief executive officer, said, "Simplicity is one of the guiding principles of our transformation. In years past, we've motivated our customers with endless promotions and discounts, and that required a lot of process-oriented work. At the new jcpenny, we're beginning to inspire customers with great merchandise, an exciting shopping environment and Fair and Square pricing. Just 60 days into our transformation, we can see – more clearly than we even imagined – that this is a simpler way to do business and a better way to compete.

"We are also transitioning from a culture based on management to one based on leadership," Johnson continued. "We are going to operate like a start-up. We are going to extend the reach and span of control of our very best talent. We are going to be nimble, quick to learn, quicker to react and totally committed to realizing our vision to become America's favorite store. Often in business, companies must streamline in order to leap forward. In our case, this has involved some very difficult decisions that have had an impact on many of our associates, but these changes are essential to help us achieve our long-term goals and, ultimately, grow our associate base as we grow our business."

Today's announcement is part of the Company's plan, announced on Jan. 26, to reduce annual expenses by \$900 million by the end of 2013. This includes \$200 million in savings from its corporate headquarters, as well as \$400 million in cost savings in store operations and \$300 million in advertising expense savings. The changes are expected to reduce expenses to below 30 percent of sales by the end of 2013 and position the Company to achieve an expense run rate of 27 percent by the completion of its transformation in 2015. The Company also announced that it plans to close its customer call center in Pittsburgh, Pa.

Mike Kramer, chief operating officer, said, "We are on the cutting edge of a new approach to retail. Even this early on in our transformation, it's clear that many of the processes required under the old business model are no longer needed. We are putting in place a new operating structure that creates a winning organization built on efficiency. For instance, we're rebuilding our merchandising and planning & allocation teams to continually curate our product offering, edit brands and assortments as appropriate, and ultimately organize our stores into a series of exciting Stores, Shops and Boutiques, which will feature newness on a monthly basis in the rhythm of our customers' lives. Actions like this will enable us to quickly take advantage of a variety of expense savings opportunities while enhancing our profit formula for the long term."

## **About jcpenny**

Over 110 years ago, James Cash Penney founded his company on the principle of treating customers the way he wanted to be treated himself: fair and square. Today, rooted in its rich heritage, J. C. Penney Company, Inc. (NYSE: JCP) is re-imagining every aspect of its business in order to reclaim its birthright and become America's favorite store. The Company is transforming the way it does business and remaking the customer experience across its 1,100 jcpenny stores and on [jcp.com](http://jcp.com). At every visit, customers will discover straightforward Fair and Square Pricing, month-long promotions that are in sync with the rhythm of their lives, exceptionally curated merchandise, artful presentation, and unmatched customer service. For more information about jcpenny, visit [jcp.com](http://jcp.com).

This release 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, recession, unemployment levels, consumer spending patterns, credit availability and debt levels, changes in store traffic trends, the cost of goods, trade restrictions, the impact of changes designed to transform our business, changes in tariff, freight and shipping rates, changes in the cost of fuel and other energy and transportation costs, increases in wage and benefit costs, competition and retail industry consolidations, interest rate fluctuations, dollar and other currency valuations, the impact of weather conditions, risks associated with war, an act of terrorism or pandemic, a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information and legal and regulatory proceedings. 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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