UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 4, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _______________

Commission File Number: 1-15274

J. C. PENNEY COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-0037077**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6501 Legacy Drive, Plano, Texas 75024 - 3698
(Address of principal executive offices)
(Zip Code)

(972) 431-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
221,641,421 shares of Common Stock of 50 cents par value, as of September 7, 2007.

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements.

J. C. Penney Company, Inc.
Consolidated Statements of Operations
(Unaudited)

($ in millions, except per share data)	**13 weeks ended**		**26 weeks ended**	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Retail sales, net	$ 4,391	$ 4,238	$ 8,741	$ 8,458
Cost of goods sold	2,717	2,655	5,260	5,153
Gross margin	1,674	1,583	3,481	3,305
Operating expenses:				
Selling, general and administrative expenses	1,243	1,219	2,534	2,482
Depreciation and amortization expenses	100	88	200	176
Pre-opening expense	15	5	21	7
Real estate and other (income)	(13)	(9)	(22)	(22)
Total operating expenses	1,345	1,303	2,733	2,643
Operating income	329	280	748	662
Net interest expense	37	32	69	66
Bond premiums and unamortized costs	12	-	12	-
Income from continuing operations before income taxes	280	248	667	596
Income tax expense	105	70	254	205
Income from continuing operations	$ 175	$ 178	$ 413	$ 391
Income/(loss) from discontinued operations, net of income tax expense/(benefit) of $4, $1, $4 and $(1)	7	1	7	(2)
Net income	$ 182	$ 179	$ 420	$ 389
Basic earnings/(loss) per share:				
Continuing operations	$ 0.79	$ 0.76	$ 1.84	$ 1.68
Discontinued operations	0.03	0.01	0.03	(0.01)
Net income	$ 0.82	$ 0.77	$ 1.87	$ 1.67
Diluted earnings/(loss) per share:				
Continuing operations	$ 0.78	$ 0.75	$ 1.82	$ 1.66
Discontinued operations	0.03	0.01	0.03	(0.01)
Net income	$ 0.81	$ 0.76	$ 1.85	$ 1.65

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

J. C. Penney Company, Inc.
Consolidated Balance Sheets
(Unaudited)

($ in millions)	Aug. 4, 2007	July 29, 2006	Feb. 3, 2007
Assets			
Current assets			
Cash and short-term investments	$ 2,180	$ 2,374	$ 2,747
Receivables	624	330	263
Merchandise inventory (net of LIFO reserve of of $8, $24 and $8)	3,649	3,461	3,400
Prepaid expenses	230	191	238
Total current assets	6,683	6,356	6,648
Property and equipment (net of accumulated depreciation of $2,267, $2,217 and $2,115)	4,570	3,897	4,162
Prepaid pension	1,284	1,464	1,235
Other assets	542	546	628
Total Assets	$ 13,079	$ 12,263	$ 12,673
Liabilities and Stockholders' Equity			
Current liabilities			
Trade payables	$ 1,635	$ 1,410	$ 1,366
Accrued expenses and other current liabilities	1,492	1,262	1,692
Current maturities of long-term debt	105	343	434
Total current liabilities	3,232	3,015	3,492
Long-term debt	3,705	3,114	3,010
Deferred taxes	1,100	1,260	1,206
Other liabilities	800	969	677
Total Liabilities	8,837	8,358	8,385
Stockholders' Equity			
Common stock (1)	111	114	112
Additional paid-in capital	3,431	3,367	3,430
Reinvested earnings at beginning of year	922	512	512
Adjustment to initially apply FIN 48(2)	5	-	-
Net income	420	389	1,153
Retirement of common stock	(320)	(408)	(578)
Dividends declared	(90)	(84)	(165)
Reinvested earnings at end of period	937	409	922
Accumulated other comprehensive (loss)/income	(237)	15	(176)
Total Stockholders' Equity	4,242	3,905	4,288
Total Liabilities and Stockholders' Equity	$ 13,079	$ 12,263	$ 12,673

(1) 1,250 million shares of common stock are authorized with a par value of $0.50 per share. The total shares issued and outstanding were 222 million shares as of August 4, 2007, 227 million shares as of July 29, 2006 and 226 million shares as of February 3, 2007.
(2) See Note 1 for a discussion of the adoption of FIN 48, "Accounting for Uncertainty in Income Taxes."

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

J. C. Penney Company, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	26 weeks ended	
($ in millions)	Aug. 4, 2007	July 29, 2006

Cash flows from operating activities:		
Net income	$ 420	$ 389
(Income)/loss from discontinued operations	(7)	2
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset impairments, PVOL and other unit closing costs	3	2
Depreciation and amortization	200	176
Net (gains) on sale of assets	(6)	(5)
Benefit plans (income)/expense	(34)	15
Stock-based compensation	28	22
Tax benefits from stock-based compensation	15	3
Deferred taxes	13	15
Change in cash from:		
Receivables	(61)	17
Inventory	(250)	(252)
Prepaid expenses and other assets	13	14
Trade payables	268	239
Current income taxes payable	(223)	(146)
Accrued expenses and other	(190)	(312)
Net cash provided by operating activities	189	179
Cash flows from investing activities:		
Capital expenditures	(598)	(323)
Proceeds from sale of assets	8	11
Net cash (used in) investing activities	(590)	(312)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	980	-
Premium on early retirement of debt	(9)	-
Payments of long-term debt, including capital leases	(633)	(7)
Common stock repurchased	(400)	(516)
Dividends paid, common	(130)	(71)
Proceeds from stock options exercised	41	78
Excess tax benefits from stock-based compensation	20	33
Tax withholding payments reimbursed by restricted stock	(8)	-
Net cash (used in) financing activities	(139)	(483)
Cash flows from discontinued operations:		
Operating cash flows	(2)	8
Investing cash flows	(25)	(34)
Financing cash flows	-	-
Total cash (paid for) discontinued operations	(27)	(26)
Net (decrease) in cash and short-term investments	(567)	(642)
Cash and short-term investments at beginning of year	2,747	3,016
Cash and short-term investments at end of period	$ 2,180	$ 2,374

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

Notes to the Unaudited Interim Consolidated Financial Statements

1) Nature of Operations and Summary of Significant Accounting Policies

J. C. Penney Company, Inc. is a holding company whose principal operating subsidiary is J. C. Penney Corporation, Inc. (JCP). JCP was incorporated in Delaware in 1924, and J. C. Penney Company, Inc. was incorporated in Delaware in 2002, when the holding company structure was implemented. The holding company has no independent assets or operations, and no direct subsidiaries other than JCP. The holding company and its consolidated subsidiaries, including JCP, are collectively referred to in this quarterly report as “JCPenney” or the “Company,” unless otherwise indicated.

The Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP’s outstanding debt securities. The guarantee by the Company of certain of JCP’s outstanding debt securities is full and unconditional.

The accompanying Interim Consolidated Financial Statements are unaudited but, in the opinion of management, include all material adjustments necessary for a fair presentation and should be read in conjunction with the Consolidated Financial Statements and notes thereto in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007 (2006 10-K). The Company follows the same accounting policies to prepare quarterly financial statements as are followed in preparing annual financial statements. A description of such significant accounting policies is included in the 2006 10-K. The February 3, 2007 financial information was derived from the audited Consolidated Financial Statements, with related footnotes, included in the 2006 10-K.

All significant intercompany transactions and balances have been eliminated in consolidation.

Because of the seasonal nature of the retail business, operating results for interim periods are not necessarily indicative of the results that may be expected for the full year.

Certain reclassifications were made to prior year amounts to conform to the current period presentation. The most significant reclassifications relate to store merchandise distribution center expenses, depreciation and amortization, and pre-opening expenses. Effective with the 2006 fourth quarter, store merchandise distribution center expenses are included in Cost of Goods Sold and depreciation and amortization and pre-opening expenses are presented as separate line items on the Consolidated Statements of Operations. Previously, store merchandise distribution center expenses, depreciation and amortization and pre-opening expenses were included in Selling, General and Administrative Expenses. None of the reclassifications impacted the Company's net income in any period.

Income Taxes

The Company adopted the provisions of the Financial Accounting Standards Board's (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), on February 4, 2007. The Company's adoption of this standard was consistent with FASB Staff Position (FSP) FIN 48-1, "Definition of Settlement in FASB Interpretation No. 48" (FSP 48-1), that was issued in May 2007 and that provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing unrecognized tax benefits. As a result of the implementation of FIN 48, the Company recognized a $5 million decrease in the liability for unrecognized tax benefits with a corresponding increase to retained earnings.

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2001. The Company's U.S. income tax returns for fiscal years 2001 through 2005 have been audited and resolution of issues pertaining to those years is expected in 2007. The Company is audited by the taxing authorities of virtually all states and certain foreign countries and is subject to examination by these taxing jurisdictions for fiscal years generally after 2000.

The total amount of unrecognized tax benefits as of February 4, 2007 was $169 million. Included in the balance are $106 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. The remaining $63 million of unrecognized tax benefits, that if recognized, would favorably affect the effective tax rate, will be reduced upon settlement by $17 million related to the federal tax deduction of state taxes.

Over the next twelve months, management anticipates that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $40 million ($15 million of which would affect the effective tax rate) and related accrued interest of $23 million ($15 million net of federal income tax benefit) will also be reduced either because the Company's tax position will be sustained upon audit or the Company will agree to a disallowance.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company had $25 million ($16 million net of a $9 million federal deferred tax benefit) of interest and penalties accrued at February 4, 2007.

While there was no change during the first quarter of 2007, during the second quarter of 2007, the FIN 48 liability decreased by approximately $2 million and accrued interest expense (impacting the effective tax rate) decreased by $1 million (net of federal income tax benefit) due to certain issues becoming effectively settled.

FSP FAS 13-2, "Accounting for a Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction," which became effective for the Company on February 4, 2007, requires a recalculation of returns on leveraged leases if there is a change or projected change in the timing of cash flows relating to income taxes generated by the leveraged lease. Adopting the provisions of FSP FAS 13-2 did not have a material impact on the Company's consolidated financial statements.

Effect of New Accounting Standards

In February 2007, the FASB issued Statement of Financial Accounting Standards No. (SFAS) 159, "The Fair Value Option for Financial Assets and Liabilities." SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value option is elected, unrealized gains and losses will be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 but does not expect the adoption to have a material impact on its consolidated financial statements.

SFAS 157, "Fair Value Measurements," the provisions of which will be effective as of the beginning of the Company's 2008 fiscal year, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements. The Company does not expect that the adoption of SFAS 157 will have a material impact on its consolidated financial statements.

2) Common Stock Repurchase Programs

Common stock is repurchased through open market transactions and retired on the same day it is repurchased. The excess of the purchase price over the par value is allocated between reinvested earnings and additional paid-in capital.

2007 Common Stock Repurchase Program

In March 2007, the Company's Board of Directors (Board) authorized a $400 million common stock repurchase program to be funded with cash proceeds from employee stock option exercises and existing cash and short-term investment balances. The program commenced and was completed in the second quarter of 2007. In total, 5.1 million shares were repurchased.

2006 Common Stock Repurchase Program

In the second quarter of 2006, the Company commenced the $750 million common stock repurchase program that had been authorized by the Board in February 2006. During this period, the Company repurchased 8.0 million shares of common stock for $530 million. In total, 11.3 million shares were repurchased under this program, which was completed in September 2006. These common stock repurchases were funded with cash proceeds from employee stock option exercises and existing cash and short-term investment balances.

3) Earnings per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted-average number of shares of common stock outstanding for the period. The diluted EPS calculation includes the impact of restricted stock units and shares that could have been issued under outstanding stock options during the period, except when the effect would be anti-dilutive at the continuing operations level.

Income from continuing operations and shares used to compute basic and diluted EPS from continuing operations are reconciled below:

(in millions, except EPS)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	July 29, 2006	Aug. 4, 2007	July 29, 2006
Earnings:				
Income from continuing operations, basic and diluted	$ 175	$ 178	$ 413	$ 391
Shares:				
Average common shares outstanding (basic shares)	223	233	224	233
Adjustment for assumed dilution:				
Stock options and restricted stock awards	2	2	3	3
Average shares assuming dilution (diluted shares)	225	235	227	236
EPS from continuing operations:				
Basic	$ 0.79	$ 0.76	$ 1.84	$ 1.68
Diluted	$ 0.78	$ 0.75	$ 1.82	$ 1.66

For each of the periods presented above, 1 million average potential shares of common stock were excluded from the EPS calculation because their effect would be anti-dilutive.

4) Cash and Short-Term Investments

($ in millions)	Aug. 4, 2007	July 29, 2006	Feb. 3, 2007
Cash	$ 146	$ 133	$ 119
Short-term investments	2,034	2,241	2,628
Total cash and short-term investments	$ 2,180	$ 2,374	$ 2,747

Restricted Short-Term Investment Balances
Short-term investments include restricted balances of $59 million, $56 million and $58 million as of August 4, 2007, July 29, 2006 and February 3, 2007, respectively. Restricted balances are pledged as collateral for a portion of casualty insurance program liabilities.

5) Supplemental Cash Flow Information

($ in millions)	26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**
Interest paid by continuing operations	$ 147	$ 136
Interest received by continuing operations	$ 67	$ 73
Total income taxes paid	$ 430	$ 291
Less: income taxes (received) attributable to discontinued operations	(1)	(9)
Income taxes paid by continuing operations	$ 431	$ 300

6) Credit Agreement

On April 7, 2005, the Company, JCP and J. C. Penney Purchasing Corporation entered into a five-year $1.2 billion unsecured revolving credit facility (2005 Credit Agreement) with a syndicate of lenders with JPMorgan Chase Bank, N.A., as administrative agent.

The 2005 Credit Agreement includes a requirement that the Company maintain: (i) a Leverage Ratio (as defined in the 2005 Credit Agreement) of no more than 3.0 to 1.0 as of the last day of each fiscal quarter, measured on a trailing four-quarters basis and (ii) a Fixed Charge Coverage Ratio (as defined in the 2005 Credit Agreement) of at least 3.2 to 1.0 for each period of four consecutive fiscal quarters. As of August 4, 2007, the Company was in compliance with these requirements with a Leverage Ratio of 1.6 to 1.0, and a Fixed Charge Coverage Ratio of 7.2 to 1.0.

No borrowings, other than the issuance of standby and import letters of credit totaling $140 million as of the end of the second quarter 2007, have been made under the 2005 Credit Agreement.

7) Long-Term Debt

In the second quarter of 2007, the Company accelerated the redemption of the remaining $303 million principal amount of JCP's 8.125% Debentures Due 2027. The Company incurred a pre-tax charge of $12 million for this early redemption related to the call premium and write-off of unamortized costs of these Debentures.

In the first quarter of 2007, the Company repaid at maturity $325 million outstanding principal amount of JCP's 7.60% Notes due 2007.

In April 2007, the Company closed on its offering of $1.0 billion aggregate principal amount of new senior unsecured notes, consisting of $300 million aggregate principal amount of 5.75% Senior Notes Due 2018 and $700 million aggregate principal amount of 6.375% Senior Notes Due 2036. The Company received proceeds of $980 million from the offering net of underwriting discounts. A portion of the net proceeds of the offering was used for the early redemption of JCP's 8.125% Debentures Due 2027. The balance of the net proceeds from the offering will be used for general corporate purposes, including payment of the remaining 2007 and the 2008 long-term debt maturities.

8) Comprehensive Income and Accumulated Other Comprehensive (Loss)/Income

Comprehensive Income

($ in millions)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	July 29, 2006	Aug. 4, 2007	July 29, 2006
Net income	$ 182	$ 179	$ 420	$ 389
Other comprehensive (loss)/income:				
Net unrealized (losses)/gains in real estate investment trusts	(54)	5	(61)	(1)
Total comprehensive income	$ 128	$ 184	$ 359	$ 388

Accumulated Other Comprehensive (Loss)/Income

($ in millions)	Aug. 4, 2007	July 29, 2006	Feb. 3, 2007
Net unrealized gains in real estate investment trusts(1)	$ 105	$ 117	$ 166
Net actuarial gain/(loss) and prior service (cost)/credit - pension and postretirement plans(2)	(342)	-	(342)
Nonqualified retirement plan minimum liability adjustment (3)	-	(102)	-
Accumulated other comprehensive (loss)/income	$ (237)	$ 15	$ (176)

(1) Shown net of a deferred tax liability of $58 million as of August 4, 2007, $65 million as of July 29, 2006 and $92 million as of February 3, 2007.
(2) Shown net of a deferred tax asset of $218 million as of both August 4, 2007 and February 3, 2007.
(3) Shown net of a deferred tax asset of $65 million as of July 29, 2006. Not applicable to August 4, 2007 and February 3, 2007 due to the adoption of the recognition provisions of SFAS 158. See Note 10.

9) Stock-Based Compensation

In May 2005, the Company's stockholders approved the J. C. Penney Company, Inc. 2005 Equity Compensation Plan (2005 Plan), which reserved an aggregate of 17.2 million shares of common stock for issuance to employees (associates) and non-employee directors. Since June 1, 2005, all grants have been made under the 2005 Plan. The 2005 Plan provides for grants to associates of options to purchase the Company's common stock, restricted and non-restricted stock awards (shares and units) and stock appreciation rights. The 2005 Plan also provides for grants of restricted and non-restricted stock awards (shares and units) and stock options to non-employee members of the Board. As of August 4, 2007, 13.2 million shares of stock were available for future grants.

Associate stock options and restricted stock awards typically vest over periods ranging from one to three years. Beginning in 2007, the exercise price of stock options and the market value of restricted stock awards are determined based on the closing market price of the Company's common stock on the date of grant. Prior to 2007, the price under the 2005 Plan was set at the opening market price of the Company's common stock on the date of grant. The 2005 Plan does not permit the granting of stock options below grant-date market value nor does it allow any repricing subsequent to the date of grant. Associate stock options have a maximum term of 10 years.

Over the past three years, the Company's annual stock option and restricted stock award grants have averaged about 1.2% of total outstanding stock. The Company issues new shares of common stock upon the exercise of stock options, granting of restricted shares and vesting of restricted stock units.

Stock-Based Compensation Cost

($ in millions)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Stock awards (shares and units)	$ 9	$ 10	$ 17	$ 12
Stock options	5	5	11	10
Total stock-based compensation cost	$ 14	$ 15	$ 28	$ 22
Total income tax benefit recognized for stock-based compensation arrangements	$ 6	$ 6	$ 11	$ 8

Stock Options

On March 14, 2007, the Company granted approximately 1.4 million stock options to associates at an option price of $78.50 representing the annual grant under the 2005 Plan. As of August 4, 2007, options to purchase 8.4 million shares of common stock were outstanding. If all options were exercised, common stock outstanding would increase by 3.8%. Additional information regarding options outstanding as of August 4, 2007 follows:

(Shares in thousands; price is weighted-average exercise price)

	Exercisable			Unexercisable			Total Outstanding		
	Shares	**%**	**Price**	**Shares**	**%**	**Price**	**Shares**	**%**	**Price**
In-the-money	4,816	92%	$ 38	1,795	56%	$ 53	6,611	78%	$ 42
Out-of-the-money[1]	394	8%	71	1,417	44%	79	1,811	22%	77
Total options outstanding	5,210	100%	$ 41	3,212	100%	$ 64	8,422	100%	$ 50

(1) Out-of-the-money options are those with an exercise price equal to or above the closing price of JCPenney common stock of $65.73 as of August 4, 2007.

The following table summarizes stock options outstanding as of August 4, 2007, as well as activity during the six months then ended:

(options in thousands)	Stock Options	Weighted-Average Exercise Price
Outstanding at February 3, 2007	8,291	$ 43
Granted	1,432	79
Exercised	(1,051)	38
Forfeited or expired	(250)	43
Outstanding at August 4, 2007	8,422	50
Exercisable at August 4, 2007	5,210	$ 41

As of August 4, 2007, there was $42 million of unrecognized compensation expense, net of estimated forfeitures, for stock options not yet vested, which will be recognized over the remaining weighted average vesting period of approximately 1.1 years.

Stock Awards

On March 14, 2007, the Company granted approximately 362,000 performance-based restricted stock unit awards to associates, representing the annual grant under the 2005 Plan. The performance unit grant is a target award with a payout matrix ranging from 0% to 200% based on 2007 earnings per share (defined as per common share income from continuing operations, excluding any unusual and/or extraordinary items as determined by the Human Resources and Compensation Committee of the Board). A payment of 100% of the target award would be achieved at earnings per share of $5.44. In addition to the performance requirement, the award also includes a time-based vesting requirement, under which one-third of the earned performance unit award vests on each of the first three anniversaries of the grant date provided that the associate remains continuously employed with the Company during that time. Upon vesting, the performance units will be paid out in shares of JCPenney common stock.

In addition to the annual associate performance-based restricted stock unit awards, the Company granted ad-hoc awards of approximately 96,000 restricted stock units to associates during the first half of 2007. The majority of these awards were granted in the first quarter of 2007.

The Company granted approximately 17,000 and 18,000 restricted stock units to non-employee members of the Board during the second quarters of 2007 and 2006, respectively. No such awards were granted in the first quarters of 2007 and 2006.

The initial one-third, or approximately 254,000, of the Company's March 2006 annual grant of performance-based restricted stock unit awards vested in the first quarter of 2007. The total earned was based on 200% of the target award as determined by the 2006 payout matrix and the Company achieving $4.88 of EPS from continuing operations for 2006.

The following table summarizes the non-vested stock awards (shares and units) as of August 4, 2007 and activity during the six months then ended:

(awards in thousands)	Non-Vested Stock Awards	Weighted-Average Grant Date Fair Value
Outstanding at February 3, 2007	1,147	$ 56
Granted	475	79
Vested	(304)	60
Forfeited	(55)	60
Outstanding at August 4, 2007	1,263	$ 60

As of August 4, 2007, there was $40 million of unrecognized compensation expense related to unearned associate stock awards, which will be recognized over the remaining weighted average vesting period of approximately 1.2 years.

Common Stock Outstanding

During the first six months of 2007 and 2006, the number of outstanding shares of common stock changed as follows:

	26 weeks ended	
(in millions)	Aug. 4, 2007	July 29, 2006
Shares outstanding at beginning of year	226	233

Exercise of stock options	1	2
Common stock repurchased and retired	(5)	(8)
Shares outstanding at end of period	222	227

10) Retirement Benefit Plans

The Company provides retirement and other postretirement benefits to substantially all associates. Retirement benefits are an important part of the Company's total compensation and benefits program designed to attract and retain qualified and talented associates. The Company's retirement benefit plans consist of a non-contributory qualified defined benefit pension plan (primary pension plan), a non-contributory supplemental retirement plan and deferred compensation plan for certain management associates, a 1997 voluntary early retirement program, a contributory medical and dental plan and a 401(k) and employee stock ownership plan. These plans are discussed in more detail in the Company's 2006 10-K. Associates hired or rehired on or after January 1, 2002 are not eligible for retiree medical or dental coverage. Associates hired or rehired on or after January 1, 2007 are not eligible to participate in the primary pension plan, as discussed further on the following page.

Net Periodic Benefit (Credit)/ Cost

The components of net periodic benefit (credit)/cost for the qualified and nonqualified pension plans and the postretirement plan for the 13 weeks ended August 4, 2007 and July 29, 2006 are as follows:

($ in millions)	**Pension Plans**					
	Qualified		**Supplemental (Nonqualified)**		**Postretirement Plan**	
	13 weeks ended		**13 weeks ended**		**13 weeks ended**	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Service cost	$ 24	$ 23	$ 1	$ 1	$ -	$ 1
Interest cost	54	53	5	5	1	-
Expected return on plan assets	(103)	(94)	-	-	-	-
Net amortization	1	19	7	4	(8)	(8)
Net periodic benefit (credit)/cost	$ (24)	$ 1	$ 13	$ 10	$ (7)	$ (7)

The components of net periodic benefit (credit)/cost for the qualified and nonqualified pension plans and the postretirement plans for the 26 weeks ended August 4, 2007 and July 29, 2006 are as follows:

	Pension Plans					
($ in millions)	**Qualified**		**Supplemental (Nonqualified)**		**Postretirement Plan**	
	26 weeks ended		**26 weeks ended**		**26 weeks ended**	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Service cost	$ 47	$ 47	$ 2	$ 1	$ -	$ 1
Interest cost	109	106	11	11	1	1
Expected return on plan assets	(207)	(186)	-	-	-	-
Net amortization	3	38	13	9	(16)	(15)
Net periodic benefit (credit)/cost	$ (48)	$ 5	$ 26	$ 21	$ (15)	$ (13)

Employer Contributions

The Company's policy with respect to funding the primary pension plan is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended (ERISA), and not more than the maximum amount deductible for tax purposes. In the fourth quarter of 2006, the Company made a discretionary contribution of $300 million to its qualified pension plan even though no additional funding was required under ERISA. In 2007, the Company again plans to make a discretionary contribution based on factors such as market conditions and whether the funded position of the pension plan allows such a contribution to be tax deductible. The Company does not expect to be required to make a contribution under ERISA in 2007. The Company did not make a discretionary contribution during the first half of 2007 or 2006.

Retirement Benefit Plan Changes

Effective January 1, 2007, the Company implemented certain changes to its retirement benefits. With respect to the 401(k) plan, all associates who are 21 or older are immediately eligible to participate in the plan. Further, eligible associates, who have completed one year and at least 1,000 hours of service, will be offered a fixed Company matching contribution of 50 cents on each dollar contributed up to 6% of pay. The Company may make additional discretionary matching contributions. This fixed plus discretionary match replaces the former Company contribution of an amount equal to 4.5% of available profits plus discretionary contributions. The vesting period for Company matching contributions under the 401(k) plan has been changed from five-year pro rata vesting to full vesting after three years.

The pension plan is closed to associates hired or rehired on or after January 1, 2007. Instead, those associates participate in a retirement account that is part of the defined contribution 401(k) plan, to which the Company will contribute an amount equal to 2% of the participants' annual pay after one year of service. Participating associates will be fully vested after three years. Associates hired or rehired on or prior to December 31, 2006 continue to participate in the Company's pension plan and earn credited service.

These changes have not had a significant impact on retirement benefit plan expenses and are not expected to significantly impact the Company's future financial condition, liquidity or results of operations.

Adoption of SFAS 158

The Company adopted the recognition and disclosure provisions of SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)," as of February 3, 2007. SFAS 158 required the Company to recognize the funded status of its defined benefit pension and postretirement plans directly on the balance sheet.

Funded status is the difference between the fair value of plan assets and the plan's benefit obligation. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The initial adoption was reflected as a $234 million decrease to the February 3, 2007 balance of accumulated other comprehensive (loss)/income, a component of stockholders' equity, and included the elimination of the additional minimum liability, which is no longer required. In periods subsequent to adoption, adjustments to other comprehensive income will reflect prior service cost or credits and actuarial gain or loss amounts arising during the period and reclassification adjustments for amounts being recognized as components of net periodic pension/postretirement cost, net of tax, in accordance with current pension accounting rules.

SFAS 158 will also require the Company to measure the funded status of its pension and postretirement plans as of the year-end balance sheet date by the 2008 fiscal year-end. Currently, the Company's measurement date for its plans is October 31.

11) Real Estate and Other (Income)/Expense

($ in millions)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Real estate activities	$ (9)	$ (9)	$ (19)	$ (17)
Net gains from sale of real estate	(5)	(2)	(5)	(5)
Other	1	2	2	-
Total	$ (13)	$ (9)	$ (22)	$ (22)

Real estate and other consists of ongoing operating income from the Company's real estate subsidiaries, investments in real estate partnerships, as well as periodic gains and losses on the sale of real estate properties, asset impairments, other charges associated with closing store and catalog facilities and other non-operating items.

12) Litigation, Other Contingencies and Guarantees

As of February 3, 2007, the Company estimated its total potential environmental liabilities to range from $52 million to $87 million and recorded management's best estimate of $63 million in other liabilities in the consolidated balance sheet as of that date. This estimate covered potential liabilities primarily related to underground storage tanks, remediation of environmental conditions involving the Company's former Eckerd drugstore locations, and asbestos removal in connection with approved plans to renovate or dispose of Company facilities. Even if the Company were to incur losses at the upper end of the estimated range, management does not believe that such losses would have a material effect on the Company's financial condition, results of operations, or liquidity. There have been no material changes to these environmental liabilities through the end of the second quarter of 2007.

In addition, the Company is subject to various legal and governmental proceedings involving routine litigation incidental to its business. Reserves have been established based on management's best estimates of the Company's potential liability in certain of these matters. These estimates have been developed in consultation with in-house and outside counsel. While no assurance can be given as to the ultimate outcome of these matters, management currently believes that the final resolution of these actions, individually or in the aggregate, will not have a material adverse effect on the results of operations, financial position, liquidity or capital resources of the Company. These matters are more fully discussed in the 2006 10-K.

As of August 4, 2007, JCP had guarantees totaling $31 million, which consist of: $3 million related to investments in a real estate investment trust; $20 million maximum exposure on insurance reserves established by a former subsidiary included in the sale of the Company's Direct Marketing Services business; and $8 million for certain personal property leases assumed by the purchasers of the Company's Eckerd drugstore operations (Eckerd), which were previously reported as operating leases. These guarantees are described in detail in the 2006 10-K.

13) Discontinued Operations

Eckerd Drugstores

Discontinued operations reflected net credits of $7 million, or $0.03 per share, for both the second quarter and first half of 2007. For the second quarter of 2006, discontinued operations were a net credit of $1 million, or $0.01 per share, while the first half of 2006 reflected a net charge of $2 million, or $0.01 per share. Results of discontinued operations for the 2007 and 2006 periods presented related primarily to management's on-going review and true-up of Eckerd reserves.

Management continues to review and update the remaining reserves related to the sale of Eckerd on a quarterly basis and believes that the overall reserves, as adjusted, are adequate at the end of the second quarter of 2007 and consistent with original estimates. Any cash payments for the Eckerd-related reserves are included separately in the Company's Consolidated Statements of Cash Flows as discontinued operations. The Company's financial statements reflect Eckerd as a discontinued operation for all periods presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

J. C. Penney Company, Inc. is a holding company whose principal operating subsidiary is J. C. Penney Corporation, Inc. (JCP). JCP was incorporated in Delaware in 1924, and J. C. Penney Company, Inc. was incorporated in Delaware in 2002, when the holding company structure was implemented. The holding company has no independent assets or operations and no direct subsidiaries other than JCP. The holding company and its consolidated subsidiaries, including JCP, are collectively referred to in this quarterly report as "JCPenney" or the "Company," unless otherwise indicated.

The Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP's outstanding debt securities. The guarantee by the Company of certain of JCP's outstanding debt securities is full and unconditional.

The following discussion, which presents the results of the Company, should be read in conjunction with the Company's consolidated financial statements as of February 3, 2007, and for the year then ended, and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), all contained in the Company's Annual Report on Form 10-K for the year ended February 3, 2007 (2006 10-K).

This discussion is intended to provide information that will assist the reader in understanding the Company's financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, how operating results affect the financial condition and results of operations of the Company as a whole, as well as how certain accounting principles affect the Company's financial statements. Unless otherwise indicated, this MD&A relates only to results from continuing operations, all references to earnings per share (EPS) are on a diluted basis and all references to years relate to fiscal years rather than to calendar years.

Key Items

Strong Operating Performance

- EPS from continuing operations for the second quarter of 2007 increased to $0.78, from $0.75 per share in last year's second quarter. On a dollar basis, income from continuing operations was $175 million, compared to $178 million in the same period last year. Results for the second quarter and first half of 2006 included a credit of $0.11 per share, or $26 million, related to federal and state income tax credits. For the first half of 2007, EPS from continuing operations increased 9.6% to $1.82 from $1.66 per share for the same period last year. Income from continuing operations on a dollar basis reached a record level of $413 million in the first half of 2007, representing a 5.6% increase from $391 million for the same period last year.

- Net income per share, including the effects of discontinued operations, was $0.81 for the second quarter of 2007, compared to $0.76 for the comparable 2006 period. For the first half of 2007, net income per share was $1.85, compared to $1.65 for the first half of 2006. Net income in the second quarter and first half of 2007 included an after-tax credit of $7 million, or $0.03 per share, related to discontinued operations. Discontinued operations for the comparable prior year periods were not material.

- Operating income for the second quarter of 2007 improved to $329 million, or 7.5% of sales, compared with $280 million, or 6.6% of sales, last year. This represents an increase of 17.5% on a dollar basis, or 90 basis points as a percent of sales. Operating income for the first half of 2007 was $748 million, or 8.6% of sales, compared with $662 million, or 7.8% of sales, last year. This represents an increase of 13.0% on a dollar basis, or 80 basis points as a percent of sales.

- Total department store sales increased 4.6% for the second quarter and reflect sales of 47 new and relocated stores opened since the second quarter of last year. Comparable department store sales increased 1.9% for the second quarter of 2007. This represents the seventeenth consecutive quarter of comparable department store sales gains. Internet sales increased 17.4% for the second quarter of 2007, which reflects the continued transition from print media to the Internet channel. Total Direct sales, which also include print and outlet store sales, decreased 2.3% for the second quarter of 2007. For the first half of 2007, total department store sales increased 4.5%, comparable department store sales increased 2.1% and the Internet channel increased 17.6%. Total Direct sales decreased 3.0% for the same period.

New Store Growth and Sephora inside JCPenney

- During the second quarter of 2007, the Company opened 15 new and relocated stores, with 13 in the off-mall format and seven representing relocations. For the first half of 2007, the Company opened 22 new and relocated stores, with 17 in the off-mall format and eight being relocations. In addition, the Company opened 22 Sephora inside JCPenney locations during the second quarter of 2007, increasing the total Sephora inside JCPenney locations to 36.

2007 Common Stock Repurchase Program

- During the second quarter of 2007, the Company repurchased 5.1 million shares of common stock for $400 million, completing the repurchase program authorized by the Board of Directors in March 2007.

Early Redemption of Long-Term Debt

- On June 1, 2007, the Company used a portion of the proceeds from the senior unsecured notes issued in April 2007 for the early redemption of the remaining $303 million principal amount of JCP's 8.125% Debentures Due 2027. The Company incurred a pre-tax charge of $12 million for this early redemption related to the call premium and write-off of unamortized costs.

Results of Operations

The following discussion and analysis, consistent with all other financial data throughout this report, focuses on the results of operations and financial condition from the Company's continuing operations.

($ in millions, except EPS)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Retail sales, net	$ 4,391	$ 4,238	$ 8,741	$ 8,458
Gross margin	1,674	1,583	3,481	3,305
Operating expenses:				
SG&A expenses	1,243	1,219	2,534	2,482
Depreciation and amortization expenses	100	88	200	176
Pre-opening expense	15	5	21	7
Real estate and other (income)	(13)	(9)	(22)	(22)
Total operating expenses	1,345	1,303	2,733	2,643
Operating income	329	280	748	662
Net interest expense	37	32	69	66
Bond premiums and unamortized costs	12	-	12	-
Income from continuing operations before income taxes	280	248	667	596
Income tax expense	105	70	254	205
Income from continuing operations	$ 175	$ 178	$ 413	$ 391
Diluted EPS from continuing operations	$ 0.78	$ 0.75	$ 1.82	$ 1.66
Ratios as a percent of sales:				
Gross margin	38.1%	37.3%	39.8%	39.1%
SG&A expenses	28.3%	28.8%	29.0%	29.3%
Total operating expenses	30.6%	30.7%	31.2%	31.3%
Operating income	7.5%	6.6%	8.6%	7.8%

For the second quarter of 2007, the Company reported income from continuing operations of $175 million, or $0.78 per share, compared to $178 million, or $0.75 per share, for the comparable 2006 period. Income from continuing operations for the first half of 2007 was $413 million, or $1.82 per share, compared to $391 million, or $1.66 per share, for the first half of 2006. Results for the second quarter and first half of 2006 included tax credits of $26 million, or $0.11 per share.

The Company's improved earnings were attributable to a combination of sales increases, improvement in gross margin and SG&A expense leverage. EPS for the second quarter and the first half of 2007 benefited from the reduction in average shares outstanding compared to the prior year due to the Company's 2007 and 2006 common stock repurchase programs.

Retail Sales, Net

($ in millions)

	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Retail sales, net	$ 4,391	$ 4,238	$ 8,741	$ 8,458
Sales percent increase/(decrease):				
Comparable department stores(1)	1.9 %	6.6%	2.1 %	3.9%
Total department stores	4.6 %	7.1%	4.5 %	4.6%
Internet sales	17.4 %	24.5%	17.6 %	23.2%
Total Direct (Internet/catalog)	(2.3)%	2.7%	(3.0)%	3.4%

(1) Comparable department store sales include sales from new stores, relocated stores and stores reopened after being closed for an extended period (e.g., stores closed due to natural disasters) after they have been open for 12 full consecutive fiscal months. Stores remodeled and minor expansions not requiring store closure remain in the comparable department store sales calculation.

Department Store Sales. Total department store sales increased 4.6% for the second quarter of 2007 and comparable department store sales increased 1.9%. These increases were on top of second quarter 2006 increases of 7.1% for total department store sales and 6.6% for comparable department store sales. The second quarter of 2007 marks the 17th consecutive quarter that the Company has reported a comparable department store sales increase. For the first half of 2007, total department store sales increased 4.5% and comparable department store sales increased 2.1%. Total department store results reflect sales of 47 new or relocated stores opened subsequent to last year's second quarter, including 15 stores opened in the second quarter of this year and seven opened in the first quarter.

For the second quarter of 2007, sales gains were driven primarily by increases in number of units sold and the number of units per transaction, with positive trends in average unit retail prices. The Company experienced sales gains in both basic and fashion merchandise, with the strongest results in children's and women's apparel. These improvements are a result of continued positive customer response to the style, quality, selection and smart pricing offered in the Company's merchandise assortments, including the success of the Company's newer private brands, such as a.n.a® and east5th™ in women's apparel and Studio by the JCPenney Home Collection™, and strong initial response to the latest brand launches, such as Ambrielle™, Liz & Co.® and CONCEPTS by Claiborne™. Private brand sales, including exclusive brands found only at JCPenney, were 49% of total department store merchandise sales for the second quarter, and contributed significantly to the overall sales gains. From a regional perspective, sales increased across all areas of the country, with the strongest performance in the northwestern and southwestern regions of the country.

Additionally, management is pleased with the initial results of Sephora inside JCPenney locations and through the link from jcp.com to Sephora.com. In the second quarter of 2007, the Company added 22 Sephora inside JCPenney locations (eight in new stores and 14 in existing stores) bringing the total to 36. The Company plans to have a total of approximately 50 by the end of the year, with a continued rollout in 2008 and beyond.

Direct (Internet/Catalog) Sales. Internet continued to experience strong sales trends, increasing 17.4% for the second quarter 2007, on top of a 24.5% increase in the same period last year. Internet sales increased 17.6% for the first half of 2007 compared with an increase of 23.2% for the first half of 2006. For the second quarter and first half of 2007, Internet sales exceeded catalog print media sales, and were nearly half of total Direct sales, up from approximately 41% for last year's first half.

Total Direct sales, which also include print media and catalog outlet stores, decreased 2.3% for the second quarter of 2007, compared to a 2.7% increase for the same period last year. Direct sales represented 13.5% of total net retail sales for the second quarter of 2007, compared to 14.3% of total net retail sales for the second quarter of 2006. Overall, Direct sales were below expectations for the second quarter and first half of 2007 due primarily to weakness in the Spring and Summer Big Book.

Merchandise Initiatives

The Company continues to enhance its strong private, exclusive and national brands that develop customer loyalty by focusing its merchandise more closely on customer lifestyles. Additional resources are being focused on the Company's branding efforts to ensure consistency in product design, packaging, in-store presentation, lifestyle marketing and point-of-sale support.

Private and Exclusive Brand Launches. In March 2007, the Company announced, in partnership with Chip and Pepper, the launch of "C7P™… A Chip & Pepper® Production," a denim and sportswear line for juniors and young men to be sold exclusively at JCPenney. The new collection debuted in stores and online at jcp.com for the 2007 Back-to-School season.

American Living. As announced in February 2007, the Company plans to launch American LivingÔ, a new lifestyle brand created exclusively for the JCPenney customer by Polo Ralph Lauren's Global Brand Concepts in the spring season of 2008. The launch will be the largest in the Company's history and will include a full range of merchandise for men, women, and children, as well as intimate apparel, accessories and home goods.

Gross Margin

Gross margin increased 80 basis points to 38.1% of sales for the second quarter of 2007, or $1,674 million on a dollar basis, compared to 37.3% or $1,583 million for the comparable 2006 period. Through the first half of 2007, gross margin improved 70 basis points to $3,481 million or 39.8% of sales, compared to $3,305 or 39.1% of sales for the first half of 2006. This improvement reflects continued benefits from the Company's improved planning and allocation technology and processes, early benefits from initiatives such as cycle time reduction and more effective merchandise flow. These process improvements allowed for a smoother seasonal transition and less clearance from spring and summer to the critical Back-to-School selling season.

SG&A Expenses

SG&A expenses for the second quarter of 2007 were well leveraged at 28.3% of sales, an improvement of 50 basis points as a percent of sales, compared to 28.8% of sales for the second quarter of 2006. On a dollar basis, SG&A expenses for the 2007 second quarter were $1,243 million, compared to $1,219 million for last year's second quarter. For the first half of 2007, SG&A expenses improved 30 basis points as a percent of sales, to 29.0%, compared to 29.3% for the first half of 2006. On a dollar basis, SG&A expenses for the first half of 2007 were $2,534 million, compared to $2,482 million for last year's first half. SG&A expenses were favorably impacted in both the quarter and year-to-date periods in 2007 by the anticipated, and previously disclosed, decline in pension expense, as well as leverage of Direct operating costs.

Depreciation and Amortization Expenses

As expected with the accelerated store growth and investments in improving existing stores, depreciation and amortization expenses increased to $100 million, or 20 basis points higher as a percentage of sales, for the second quarter of 2007, compared to $88 million for the comparable 2006 period. Depreciation and amortization expenses increased to $200 million, or 20 basis points higher as a percentage of sales, for the first half of 2007, compared to $176 million for the comparable 2006 period.

Pre-Opening Expense

Pre-opening expense includes costs such as advertising, hiring and training costs for new associates, processing and stocking initial merchandise inventory and rental costs. In connection with the Company's accelerated growth strategy, pre-opening expense increased to $15 million for the second quarter of 2007, compared to $5 million for the comparable 2006 period. Through the first half of 2007, pre-opening expense increased to $21 million, compared to $7 million for the comparable 2006 period.

The increase in pre-opening expense for the first half of 2007 is related to the opening of 22 new and relocated stores (15 in the second quarter) and the 28 new and relocated store openings planned for the third quarter of this year. In addition, the Company's Gretna, Louisiana, department store is scheduled to reopen in the third quarter of 2007. For the first half of 2006, three new stores were opened, all during the first quarter. The Company opened 25 new and relocated stores during the third quarter of 2006.

Real Estate and Other (Income)/Expense

Real Estate and Other consists of ongoing real estate activities, as well as gains and losses on the sale of real estate properties, asset impairments, other charges associated with closing store and catalog facilities and other non-operating items. Real Estate and Other for the second quarter of 2007 resulted in a credit of $13 million, compared to a credit of $9 million in the second quarter of 2006. The increase was primarily the result of gains on the sale of real estate properties. For the first half of both 2007 and 2006, Real Estate and Other resulted in a credit of $22 million due primarily to ongoing real estate activities.

Net Interest Expense

Net interest expense consists primarily of interest expense on long-term debt, net of interest income earned on cash and short-term investments. For the second quarter of 2007, net interest expense was $37 million, an increase of 15.6% when compared to the $32 million incurred in the second quarter of 2006. The increase was primarily the result of an increase in average long-term debt combined with a decrease in short-term investments. For the first half of 2007, net interest expense was $69 million, compared to $66 million for the first half of 2006.

Bond Premiums and Unamortized Costs

Bond premiums and unamortized costs for the second quarter and first half of 2007 consisted of a pre-tax charge of $12 million related to the call premium and write-off of unamortized costs for the June 1, 2007 early redemption of JCP's 8.125% Debentures Due 2027. No such expenses were incurred during the comparable periods in 2006.

Income Taxes

The Company's effective income tax rate for continuing operations was 37.5% for the second quarter of 2007, which benefited primarily from legislative changes affecting state income taxes in certain states, reducing the tax liability by $3 million. For the second quarter of 2006, income taxes from continuing operations included a credit of $26 million, from one-time federal and state credits resulting from the expiration of the statute of limitations related to certain tax items, which reduced the effective tax rate to 28.2%. The Company's effective income tax rate for continuing operations for the first half of 2007 was 38.1%, compared with 34.4% for the first half of 2006.

The Company adopted the provisions of FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes," on February 4, 2007. Upon adoption, the Company recognized a $5 million decrease in the liability for unrecognized tax benefits, which was accounted for as an increase to retained earnings. See Note 1 for a discussion of FIN 48.

Discontinued Operations

Discontinued operations reflected net credits of $7 million, or $0.03 per share, for both the second quarter and first half of 2007. For the second quarter of 2006, discontinued operations resulted in a net credit of $1 million, or $0.01 per share, while the first half of 2006 reflected a net charge of $2 million, or $0.01 per share. Results of discontinued operations for the 2007 and 2006 periods presented related primarily to management's on-going review and true-up of Eckerd reserves.

Merchandise Inventory

Merchandise inventory increased 5.4% to $3,649 million as of August 4, 2007, compared to $3,461 million as of July 29, 2006, primarily as a result of new store openings and stores planned to open in the third quarter of 2007. On a comparable store basis, inventories increased in line with sales. Merchandise inventory was $3,400 million at February 3, 2007. At the end of the second quarter of 2007, inventory was well-balanced between basics and fashion merchandise, and reflected current seasonal merchandise.

Financial Goals

In order for the Company to achieve its objective of becoming the growth leader in the retail industry, long-range planning targets have been established related to operating financial goals, key financial metrics, cash flow, credit ratings, dividends and earnings per share growth. As announced at the Company's April 2007 Analyst Meeting, the Company's 2007-2011 Long Range Plan includes certain financial objectives, including accelerated store growth, private brand initiatives, and a competitive dividend rate, which the Company has increased twice since early 2006. Long range financial objectives included in the 2007-2011 Long Range Plan consist of:

- Mid- to high-single digit annual growth of total department store sales, low- to mid-single digit annual growth of comparable store sales and mid-single digit annual growth of Direct sales for 2008-2011;
- Continued improvement during the plan period of gross margin and operating expense ratios, which on an annualized basis, are expected to reach 40% and 28% of sales, respectively, by 2011;
- Operating income of 12% to 12.5% of sales by 2011;
- A 16% compound annual growth rate in earnings per share for 2008-2011;
- Capital expenditures of approximately $1.275 billion per year for 2008-2011; and
- Continued improvement in returns on capital and financial leverage metrics, with an expected cash position of approximately $1.5 billion by 2011.

The Company's ability to achieve the financial goals set forth in the 2007-2011 Long Range Plan could be impacted by various risk factors beyond its control. These risk factors are discussed in the Company's 2006 10-K.

Liquidity and Capital Resources

The Company ended the second quarter with approximately $2.2 billion in cash and short-term investments, which represented approximately 57% of the $3.8 billion of outstanding long-term debt, including current maturities. Cash and short-term investments included restricted short-term investment balances of $59 million as of August 4, 2007, which are pledged as collateral for a portion of casualty insurance program liabilities.

During the second quarter of 2007, the Company used $400 million of available cash and short-term investments, including cash from stock option exercises, to repurchase 5.1 million shares of stock and complete the 2007 common stock repurchase program. The program had been authorized by the Board in March 2007.

On April 27, 2007, the Company issued $1.0 billion aggregate principal amount of new senior unsecured notes, consisting of $300 million aggregate principal amount of 5.75% Senior Notes Due 2018 and $700 million aggregate principal amount of 6.375% Senior Notes Due 2036. The Company received proceeds of $980 million, net of underwriting discounts. On June 1, 2007, a portion of the net proceeds was used for the early redemption of the remaining $303 million of JCP's 8.125% Debentures Due 2027. In the second quarter of 2007, the Company incurred a pre-tax charge of $12 million for this early redemption related to the call premium and write-off of unamortized costs. The remaining net proceeds of the offering will be used for general corporate purposes, including the repayment of 2007 and 2008 long-term debt maturities.

The Company, JCP and J. C. Penney Purchasing Corporation are parties to a five-year $1.2 billion unsecured revolving credit facility (2005 Credit Agreement) with a syndicate of lenders with JPMorgan Chase Bank, N.A., as administrative agent. As of August 4, 2007, the Company was in compliance with the financial covenants under the 2005 Credit Agreement. No borrowings, other than the issuance of standby and import letters of credit totaling $140 million as of the end of the second quarter of 2007, have been made under the 2005 Credit Agreement. See Note 6 to the Unaudited Interim Consolidated Financial Statements for further discussion of the 2005 Credit Agreement.

Cash Flows
The following is a summary of the Company's cash flows from operating, investing and financing activities for both continuing and discontinued operations:

($ in millions)

	26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**
Net cash provided by/(used in):		
Continuing operations:		
Operating activities	$ 189	$ 179
Investing activities	(590)	(312)
Financing activities	(139)	(483)
Discontinued operations:		
Operating activities	(2)	8
Investing activities	(25)	(34)
Financing activities	-	-
Net (decrease) in cash and short-term investments	$ (567)	$ (642)

Cash Flow from Operating Activities - Continuing Operations
Net cash flow from operating activities increased slightly from last year due primarily to improved operating performance.

Cash Flow from Investing Activities - Continuing Operations
Capital expenditures were $598 million for the first half of 2007, compared with $323 million for the first half of 2006. Capital spending was principally for new stores and store renewals and modernizations. As announced in April 2007, the Company has accelerated its new store opening plans and now expects to open 50 stores a year over the next five years. Most new stores will be in the off-mall format. Additionally, the Company plans to renovate approximately 300 stores by the end of 2011, with 65 planned for 2007. During the first half of 2007, the Company opened 22 new stores, including eight relocations. The Company continues to expect 2007 capital expenditures to total approximately $1.2 billion.

Cash Flow from Financing Activities - Continuing Operations
During the first quarter of 2007, the Company received proceeds of $980 million, net of underwriting discounts, from the issuance of $1.0 billion aggregate principal amount of new senior unsecured notes. There were no issuances of new debt in the first half of 2006. For the first half of 2007, cash payments on long-term debt, including capital leases, totaled $633 million, primarily consisting of the $303 million early redemption of JCP's 8.125% Debentures Due 2027 in June 2007 and the $325 million outstanding

principal amount of JCP's 7.60% Notes Due 2007, which matured during the first quarter. Such payments totaled $7 million for the first half of 2006.

During the second quarter of 2007, the Company repurchased 5.1 million shares of common stock for $400 million. During the second quarter of 2006, the Company repurchased 8.0 million shares of common stock for $530 million, $14 million of which settled subsequent to the end of the second quarter.

Net proceeds from the exercise of stock options were $41 million for the first half of 2007, compared to $78 million for the first half of 2006.

In February 2007, the Board authorized a plan to increase the quarterly common stock dividend 11% to $0.20 per share ($0.80 per share on an annual basis), beginning with the May 1, 2007 dividend. This increase, combined with the Board's February 2006 authorization increasing the quarterly common stock dividend from $0.125 per share ($0.50 per share on an annual basis) to $0.18 per share ($0.72 per share on an annual basis) beginning with the May 1, 2006 dividend reflects a 60% increase in quarterly common stock dividends since February 2006.

As authorized by the Board, the Company paid quarterly dividends as follows during the first half of 2007 and 2006:

	2007		2006	
	Per Share	**Total** *(in millions)*	**Per Share**	**Total** *(in millions)*
February 5, 2007 and February 1, 2006	$ 0.18	$ 41	$ 0.125	$ 29
May 1, 2007 and May 1, 2006	0.20	45	0.18	42
August 1, 2007	0.20	44		
		$ 130		$ 71

Two dividend payments were made during the first quarter of 2007 due to a shift in the fiscal calendar as a result of the 53rd week in 2006. Dividends are paid when, as and if declared by the Board.

Management believes that cash flow generated from operations, combined with the net proceeds from the new senior notes issued in April 2007 and existing cash and short-term investments will be adequate to fund 2007 capital expenditures, working capital, and dividend payments, and repay 2007 and 2008 long-term debt maturities. Accordingly, management does not anticipate the need for additional external financing in 2007. Management believes that the Company's financial position will continue to provide the financial flexibility to support its strategic plan. In late April 2007, both Standard & Poor's Ratings Services and Fitch Ratings revised their rating outlook for the Company from stable to positive.

The Company's cash flows may be impacted by many factors, including the competitive conditions in the retail industry and the effects of the current economic environment and consumer confidence. Based on the nature of the Company's business, management considers the above factors to be normal business risks.

Aggregate information about the Company's obligations and commitments to make future payments under contractual or contingent arrangements was disclosed in the 2006 10-K. In addition, in conjunction with the adoption of FIN 48 as of the beginning of 2007, the Company continues to have $40 million of unrecognized tax benefits reflected as a current liability as of the end of the second quarter of 2007 due to the reasonable possibility of resolution of the related uncertain tax positions during the next twelve months. For the remaining unrecognized tax benefits, discussed in Note 1 to the Unaudited Interim Consolidated Financial Statements, the future timing of cash flows cannot be reasonably estimated and could take several years to settle with the respective taxing authorities.

Accounting for Stock-Based Compensation

Stock-Based Compensation Cost

($ in millions)	13 weeks ended		26 weeks ended	
	Aug. 4, 2007	**July 29, 2006**	**Aug. 4, 2007**	**July 29, 2006**
Stock awards (shares and units)	$ 9	$ 10	$ 17	$ 12
Stock options	5	5	11	10
Total stock-based compensation cost	$ 14	$ 15	$ 28	$ 22
Total income tax benefit recognized for stock-based compensation arrangements	$ 6	$ 6	$ 11	$ 8

As of August 4, 2007, there was $40 million of unrecognized compensation expense related to unearned associate stock awards (shares and units), which will be recognized over the remaining weighted average vesting period of approximately 1.2 years. Additionally, there was $42 million of unrecognized compensation expense, net of estimated forfeitures, for stock options not yet vested, which will be recognized over the remaining weighted average vesting period of approximately 1.1 years.

Critical Accounting Policies

Management's discussion and analysis of its financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Management bases its estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates estimates used, including those related to inventory valuation under the retail method; valuation of long-lived assets; estimation of reserves and valuation allowances specifically related to closed stores, insurance, income taxes, litigation and environmental contingencies and pension accounting. Actual results may differ from these estimates under different assumptions or conditions.

There have been no changes in the Company's critical accounting policies during the first half of 2007, except for the treatment of tax contingency accruals. Effective February 4, 2007, the Company began to measure and record tax contingency accruals in accordance with FIN 48, "Accounting for Uncertainty in Income Taxes." The expanded disclosure requirements of FIN 48 are presented in Note 1 to the Unaudited Interim Consolidated Financial Statements.

For a further discussion of the judgments management makes in applying its accounting policies, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the 2006 10-K.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1 to the Unaudited Interim Consolidated Financial Statements.

Seasonality

The results of operations and cash flows for the 13 and 26 weeks ended August 4, 2007 are not necessarily indicative of the results for the entire year. The Company's annual earnings depend to a great extent on the results of operations for the last quarter of its fiscal year when a significant portion of the Company's sales and profits are recorded.

Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements made within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect the Company's current view of future events and financial performance. The words expect, plan, anticipate, believe, intend, should, will and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to 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, 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. Furthermore, the Company typically earns a disproportionate share of its operating income in the fourth quarter due to holiday buying patterns, and such buying patterns are difficult to forecast with certainty. While the Company believes that its assumptions are reasonable, it cautions that it is impossible to predict the degree to which any such factors could cause actual results to differ materially from predicted results. For additional discussion on risks and uncertainties, see Item 1A, Risk Factors, beginning on page 4 of the Company's 2006 10-K. The Company intends the forward-looking statements in this Quarterly Report on Form 10-Q to speak only as of the date of this report and does not undertake to update or revise these projections as more information becomes available.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risks in the normal course of business due to changes in interest rates. The Company's market risks related to interest rates at August 4, 2007 are similar to those disclosed in the 2006 10-K.

Item 4. Controls and Procedures.

Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting during the Company's second quarter ended August 4, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Gayle G. Pitts, et al v. J. C. Penney Direct Marketing Services, Inc., AEGON Direct Marketing Services, Inc., and J. C. Penney Life Insurance Company n/k/a Stonebridge Insurance Company, No. 01-03395-F, in the 214th Judicial District Court of Nueces County, Texas; Appellant(s): Stonebridge Life Insurance Company f/k/a J. C. Penney Life Insurance Company, J. C. Penney Direct Marketing Services, Inc., and AEGON Direct Marketing Services, Inc. v. Gayle G. Pitts, et al, No. 13-05-131-CV, in the Court of Appeals for the Thirteenth District of Texas; and Stonebridge Life Insurance Company (f/k/a J. C. Penney Life Insurance Company), J. C. Penney Direct Marketing Services, Inc., and AEGON Direct Marketing Services, Inc. (f/k/a AEGON Special Markets Group, Inc.) v. Gayle G. Pitts , et al, No. 06-0655, in the Supreme Court of Texas.

Vicente Balderaz v. AEGON Direct Marketing Services, Inc. and J. C. Penney Life Insurance Company n/k/a Stonebridge Life Insurance Company, No. D-0101-CV-200500249 in the First Judicial District Court of the State of New Mexico, County of Santa Fe.

These matters were previously reported in the 2006 10-K for the fiscal year ended February 3, 2007.

In the Texas DMS Lawsuit, the Supreme Court of Texas decertified the class and remanded the case to the trial court on August 31, 2007.

In the New Mexico Lawsuit, the trial court denied the plaintiff’s motion for class certification on August 22, 2007. On August 31, 2007, the plaintiff filed an application in the Court of Appeals of the State of New Mexico seeking permission to appeal the trial court’s order denying class certification.

If the denials of class certification in these cases are maintained, the cases do not involve any material liability, and the Company will not make further disclosures with respect to these matters.

Item 1A. Risk Factors.

There have been no material changes to the risk factors set forth under Part I, Item 1A of the 2006 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Securities

The table below sets forth information with respect to purchases made by or on behalf of the Company of the Company's common stock during the quarter ended August 4, 2007:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
May 6, 2007 through June 9, 2007	3,776,600	$ 79.54	3,776,600	$ 100
June 10, 2007 through July 7, 2007	1,290,026 (2)	$ 77.22	1,289,993	$ -
July 8, 2007 through August 4, 2007	-	$ -	-	$ -
Total	5,066,626		5,066,593	

(1) In March 2007, the Board of Directors approved a common stock repurchase program of up to $400 million. This program, which the Company announced on March 29, 2007, was completed on June 13, 2007.

(2) Includes 33 shares withheld to cover tax-withholding requirements relating to the vesting of restricted stock awarded under the Company's equity compensation plans.

Item 4. Submission of Matters to a Vote of Security Holders.

1. Election of Directors. At the Company's Annual Meeting of Stockholders held on May 18, 2007, each of the nominees listed below was elected a director to hold office until the next annual meeting of stockholders and until his or her respective successor has been elected and qualified. Set forth below next to the name of each of the nominees is the number of shares of common stock voted for such nominee and the number of shares of common stock withholding authority with respect to such nominee:

Nominee	For	Authority Withheld
Colleen C. Barrett	193,280,066	3,058,195
M. Anthony Burns	190,804,335	5,533,926
Maxine K. Clark	193,131,187	3,207,074
Ann Marie Tallman	192,799,359	3,538,902

The following persons' term of office as a director continued after the meeting for the terms indicated:

Term expiring at the 2008 Annual Meeting of Stockholders:
Thomas J. Engibous
Kent B. Foster
Leonard H. Roberts
Myron E. Ullman, III

Term expiring at the 2009 Annual Meeting of Stockholders:
Vernon E. Jordan, Jr.[(1)]
Burl Osborne
R. Gerald Turner
Mary Beth West

(1) In accordance with the retirement age for directors set forth in the Company's Bylaws, Mr. Jordan retired from the Board of Directors upon attaining age 72 on August 15, 2007.

2. Ratification of Appointment of Independent Auditor. The Board of Directors' proposal regarding the appointment of KPMG LLP as independent auditor required the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote as of the record date of the Company's Annual Meeting to pass. At the Company's Annual Meeting, the stockholders ratified the appointment of KPMG LLP as independent auditor for the fiscal year ending February 2, 2008 by a vote of 189,703,851 shares voting for, 4,614,542 shares voting against, 2,019,866 shares abstaining and 2 broker non-votes.

3. Stockholder proposal relating to stockholder approval of certain severance agreements. This proposal required the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote as of the record date of the Company's Annual Meeting to pass. At the Company's Annual Meeting, the proposal was approved by a vote of 129,101,683 shares voting for, 43,138,488 shares voting against, 2,882,352 shares abstaining and 16,215,738 broker non-votes.

4. Stockholder proposal relating to adoption of a majority vote standard for the election of directors. This proposal required the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote as of the record date of the Company's Annual Meeting to pass. At the Company's Annual Meeting, the proposal was not approved by a vote of 100,657,584 shares voting for, 76,562,242 shares voting against, 2,902,697 shares abstaining and 16,215,738 broker non-votes.

Item 6. Exhibits.

Exhibit Index

Exhibit No.	Exhibit Description	Incorporated by Reference Form	SEC File No.	Exhibit	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation of J. C. Penney Company, Inc., as amended to May 19, 2006	10-Q	001-15274	3.1	06/07/2006	
3.2	J. C. Penney Company, Inc. Bylaws, as amended to February 28, 2007	8-K	001-15274	3.1	03/06/2007	
10.1**	J. C. Penney Corporation, Inc. Supplemental Term Life Insurance Plan for Management Profit-Sharing Associates, as amended and restated July 1, 2007					X
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X

*** Indicates a management contract or compensatory plan or arrangement.*

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J. C. PENNEY COMPANY, INC.
By /s/ W. J. Alcorn
W. J. Alcorn
Senior Vice President and Controller
(Principal Accounting Officer)

Date: September 12, 2007

Exhibit 10.1

J. C. PENNEY CORPORATION, INC.
SUPPLEMENTAL TERM LIFE INSURANCE PLAN
FOR MANAGEMENT PROFIT-SHARING ASSOCIATES
AS AMENDED AND RESTATED
JULY 1, 2007

J. C. PENNEY CORPORATION, INC.
SUPPLEMENTAL TERM LIFE INSURANCE PLAN
FOR MANAGEMENT PROFIT-SHARING ASSOCIATES

TABLE OF CONTENTS

ARTICLE 1

INTRODUCTION

1.1 Purpose Of Plan. The J. C. Penney Corporation, Inc. Supplemental Term Life Insurance Plan For Management Profit-Sharing Associates (the "Plan") is an "employee welfare benefit plan" pursuant to ERISA. The purpose of the Plan is to permit eligible retired profit-sharing management Associates of J.C. Penney Corporation, Inc. and certain designated subsidiaries who elect to participate to purchase group term life insurance benefits directly from the Insurer (as hereinafter defined). This document, together with the Policies (as hereinafter defined) will be construed as a single group term life insurance plan. Capitalized terms used throughout the Plan have the meanings set forth in Article 2 unless the context clearly requires otherwise or another definition is expressly assigned to the term in a particular usage.

The Policies covered by this Plan are listed below and attached hereto:

- J.C. Penney Corporation, Inc. Active and Retired Management Profit Sharing Associates-Associate Term Life Coverage Basic Plan

1.2 Plan Status. The Plan is intended to satisfy the requirements of an after-tax option pursuant to the cafeteria plan requirements under Section 125(d) of the Code.

1.3 Suppression Of Prior Plan. This document is effective July 1, 2007 except as otherwise provided herein. All prior versions of the Plan document are hereby suppressed or superseded. The Plan was originally adopted effective January 1, 1978.

ARTICLE 2

DEFINITIONS

2.1 "Administrator" means the Benefits Administration Committee of the Company or such other person or committee as may be appointed from time to time by the Human Resources Committee of the Company or any successor thereto ("HR Committee").

2.2 "Annual Earnings for Benefits" means the greater of (i) the Participant's "Annual Earnings for Benefits" for purposes of the Associate-Paid Plan on the Participant's retirement date or (ii) for a retired Participant who is reemployed by a Participating Employer and who becomes eligible for the Associate-Paid Plan and later loses eligibility under the Associate-Paid Plan, such retired Participant's Annual Earnings for Benefits at such time as the Participant lost eligibility under the Company-Paid Plan.

2.3 "Associate" means a person who is employed by a Participating Employer and paid through a participating employer's payroll system. The term "Associate" does not include a person who is classified as an independent contractor by the Participating Employer for purposes of federal income tax reporting and withholding. The designation of an "Associate" by the Company shall be final and not subject to any redetermination of employment classification by any taxing authority such as the Internal Revenue Service or any other governmental authority or agency. The term "Associate" does not include any person who performs services for a Participating Employer as a "leased employee" within the meaning of Code Section 414 (n), or who performs services through an agreement with a leasing organization. The term "Associate" does not include a person covered by a collective bargaining agreement that does not expressly provide for participation in the Plan, provided that the representative of the person with whom the collective bargaining agreement is executed has had an opportunity to bargain in good faith concerning Plan benefits.

2.4 "Associate-Paid Plan" means the J.C. Penney Corporation, Inc. Associate-Paid Group Term Life Insurance Plan, as amended from time to time.

2.5 "Claims Administrator" means the entity or entities, individuals or committees appointed from time to time pursuant to Article 6 or for fully insured option benefits, the Insurer.

2.6 "Code" means the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation, that amends, supplements or replaces such section or subsection.

2.7 "Company" means J. C. Penney Corporation, Inc., a Delaware corporation, or any successor corporation.

2.8 "Company-Paid Plan" means the J. C. Penney Corporation, Inc. Group Term Life Insurance Plan, as amended from time to time.

2.9 "Date of Disability", "Disabled", and "Disability" have the meanings set forth in the Company-Paid Plan.

2.10 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation, that amends, supplements or replaces such section or subsection.

2.11 "Insurer" means the insurance company or companies issuing the Policy or Policies.

2.12 "MSRP Retiree" means a former Associate who retired from a Participating Employer and who is eligible to receive Associate-paid life insurance coverage under the terms of the Supplemental Retirement Program for Management Profit-Sharing Associates of J.C. Penney Corporation, Inc., as amended from time to time. The term "MSRP Retiree" also includes any additional former Associate so designated from time to time in the discretion of the Board of Directors of the Participating Employer or the Benefits Administration Committee or the HR Committee of the Company in accordance with the provisions of the Supplemental Retirement Program.

2.13 "Participant" means an MSRP Retiree who has satisfied the eligibility requirements of Article 3, has purchased life insurance coverage under the terms of the Plan, and whose coverage under the Plan has not terminated.

2.14 "Participating Employer" means the Company and any subsidiary or affiliate of the Company which is designated as a Participating Employer under the Plan by the HR Committee, excluding, however, any division of the Company or of a subsidiary or affiliate that is designated by the HR Committee as ineligible to participate in the Plan. Appendix I contains a list of the Participating Employers currently participating in the Plan that have adopted the Plan pursuant to Article 7.

2.15 "Plan" means the J.C. Penney Corporation, Inc. Supplemental Group Term Life Insurance Plan for Management Profit-Sharing Associates, as set forth herein and as may be amended from time to time.

2.16 "Policy" or "Policies" means the life insurance policies through which Plan benefits are provided, which are incorporated by reference into the Plan.

2.17 "Plan Year" means the period with respect to which the records of the Plan are maintained, which will be the 12-month period beginning on January 1 and ending on December 31.

2.18 "Supplemental Retirement Program" means the Supplemental Retirement Program for Management Profit-Sharing Associates of J. C. Penney Corporation, Inc., as amended from time to time.

ARTICLE 3

PARTICIPATION

3.1 Eligibility For Coverage. An Associate who qualifies as an MSRP Retiree will be eligible to purchase coverage under the Plan, effective upon retirement, provided the MSRP Retiree was a participant in the Associate-Paid Plan immediately prior to retirement, but only if the MSRP Retiree properly completes the enrollment procedures required by the Administrator within 31 days after retirement. If the MSRP Retiree has assigned his term life insurance provided by the Associate-Paid Plan, the assignee may elect the coverage provided by this Section 3.1. No late enrollment procedures are available for MSRP Retirees. Notwithstanding the foregoing, an MSRP Retiree who was receiving coverage under the Associate-Paid or the Company-Paid Plan on account of Disability on the MSRP Retiree's retirement date will not become eligible to purchase coverage under this Plan.

3.2 Termination of Coverage. A Participant's coverage under the Plan will terminate automatically on the earliest to occur of the following: (i) the last day of the month in which the Participant attains age 65; (ii) subject to Article 8, the date on which the Plan is terminated, or amended to terminate coverage with respect to any group or class of MSRP Retirees that includes the Participant; (iii) the date on which the Policy under which the Participant's benefits are provided is cancelled or terminated and not replaced; iv) the last day of the month in which the Participant fails to make any required premium payment; (v) the last day of the month in which the Participant becomes eligible for coverage under the Company-Paid Plan or Associate-Paid Plan as an active Associate; or (vi) the date of the Participant's death. A Participant whose coverage is terminated pursuant to subsection (v) above, shall again become eligible to participate in the Plan on the first day of the month on or after the date he or she ceases to be an active Associate eligible for coverage under the Company-Paid Plan or Associate-Paid Plan.

3.3 Enrollment Procedures. The Administrator may from time to time prescribe enrollment procedures and forms that are consistent with the terms of the Plan.

3.4 Coverage Not Extended by Payment. The duration of a Participant's coverage is determined solely by the terms of the Plan, and coverage which has otherwise terminated will not be extended even if premium payments for the terminated coverage continue to be made and/or processed on behalf of the Participant.

ARTICLE 4

LIFE INSURANCE BENEFITS

4.1 Amount of Life Insurance. An MSRP Retiree may purchase life insurance coverage under the Policies in an amount equal to 100% of the MSRP Retiree's Annual Earnings for Benefits from $1,000 up to $2,000,000. Coverage will be rounded to the next higher $1,000 if it is not already an even multiple of $1,000.

4.2 Evidence of Good Health. To the extent required by the Plan, applicable Policies, the Insurer or the Administrator, Participants will be required to provide evidence of good health satisfactory to the Insurer or Administrator as a condition to coverage.

4.3 Payment of Benefits. Except as provided in 4.7, the Insurer will pay benefits payable under the Policy or Plan to the beneficiary or beneficiaries as soon as practicable after receipt by the Insurer of properly submitted claims. Benefits will be paid in a single lump sum payment unless the Participant (or the beneficiary, if applicable) elects a different method of payment offered by the Insurer.

4.4 Designation of Beneficiary. Except as provided in 4.7, a Participant may designate one or more beneficiaries to receive the life insurance benefits under the Plan with respect to coverage on the Participant’s life, or may change a prior beneficiary designation, in accordance with procedures specified by the Administrator from time to time. If no beneficiary has been designated under a Policy (or the beneficiary is not alive on the date of the Participant’s death), benefits will be paid as provided in the Policy.

4.5 Benefit Limitation. Benefits under the Plan are subject to the terms of the Policies and to applicable state law.

4.6 Recovery of Overpayment. Any amounts paid to any person in excess of the amount to which he is entitled under the Plan will be repaid by that person to the Insurer promptly following receipt by the person of a notice of such excess payments. In the event such repayment is not made, such repayment may be made, at the discretion of the Insurer, by reducing or suspending any future payments due under the Plan to the person and by taking such other or additional action as may be permitted by applicable law.

4.7 Accelerated Payment Option. A Participant who is terminally ill (as hereinafter defined) may elect to receive a prepayment, as an accelerated payment option, up to the lesser of $250,000 or 50% of the applicable life insurance benefit under the Plan. The balance of the life insurance benefit under the Plan will be paid to the Participant's beneficiary upon the Participant's death, subject to the terms of the Plan. The accelerated payment option will be paid to the Participant in a lump sum, or in twelve equal monthly installments if the Participant so elects. If the Participant dies before receiving the full amount of the accelerated payment option under this Section, the remainder will be paid to the beneficiary or beneficiaries as part of the balance of the life insurance benefit, subject to the terms of the Plan. For purposes of this Plan, a Participant will be considered to be "terminally ill" if the Participant furnishes to the Insurer satisfactory proof that the Participant's life expectancy is twelve months or less.

4.8 Payment Satisfied Claim. Any payment for the benefit of a Participant, the Participant’s estate or the Participant’s beneficiary that is made in accordance with the foregoing provisions of this Article or that is made as a settlement to any claim or lawsuit, will, to the extent of the payment, be in full satisfaction of all claims under the Plan against the Participating Employers, the Insurer and the Administrator, any of whom may require such payee, as a condition precedent to such payment, to execute a release acknowledging receipt of such payment. No interest will be paid on any underpayment of benefits or on any benefit payments that have been delayed for any reason, unless required by law.

4.9 No Double Payment. Under no condition will the Plan pay more than one benefit on account of a Participant's death. If a Participant has coverage under the Plan at the time of his or her death under more than one of the Plan's provisions, the Plan will pay only under the one applicable provision with the highest amount of coverage.

4.10 Alienation and Assignment. The interests of the Participants and their beneficiaries under the Plan are not in any way subject to their debts or other obligations, and may be transferred or assigned only to the extent permitted by the applicable Policy or a Qualified Domestic Relations Order.

4.11 Qualified Domestic Relations Orders. To the extent required by Section 609 of ERISA with respect to life insurance plans, benefits available under the Plan will be provided in accordance with the applicable requirements of any Qualified Domestic Relations Order (as defined in Section 609 of ERISA). The Administrator will establish procedures, consistent with this Section, to determine whether an order is a Qualified Domestic Relations Order and to administer the provision of Plan benefits under such a qualified order.

ARTICLE 5

FUNDING OF BENEFITS

5.1 Associate-Paid Premiums. The Participants will pay all or a portion of the cost of premiums with respect to benefits under the Policies as determined by the Administrator in its discretion from time to time. The Administrator will have full and exclusive power to determine the cost of coverage to be paid by each Participant, and to adjust the required cost from time to time. In establishing the amount of required Participant cost, the Administrator may rely on tables, appraisals, valuations, projections, opinions, and reports furnished by agents employed or engaged by the Administrator or the Company, and may take into account the projected or anticipated costs and expenses relating to the Plan, including without limitation administrative costs and insurance premiums. Premiums required of Participants will be treated as fixed premium payments, and neither the Participants nor any beneficiary will be entitled to any dividend, credit, refund, or rebate under any Policy on account of actual claims experience, investment performance, or similar factors, but all such dividends, credits, refunds, and rebates shall be the sole property of the Company, except to the extent that the aggregate amount of such dividends, credits, refunds, or rebates exceeds the aggregate payments made by the Participating Employers for the employer portion of the cost of premiums under the Policies. The amount of any such excess shall be applied by the Administrator in its discretion from time to time for the benefit of Participants or their beneficiaries.

5.2 Participating Employer Obligations. The Participating Employers will pay the portion, if any, of the cost of premiums with respect to benefits under the Policies as determined by the Administrator in its discretion from time to time. The Participating Employers' obligations under the Plan are limited to the payment of such portion of applicable premiums due under any Policies in force, and no Participant or beneficiary will have any claim or cause of action against any Participating Employer on account of the failure of an Insurer to pay benefits due under the Policies.

5.3 Source of Benefits. Benefits under the Plan will be paid solely from the Policies and only to the extent provided under such Policies. Any payment for the benefit of a Participant that is made in accordance with the terms of the Policies will, to the extent of the payment, be in full satisfaction of all claims under the Plan against the Participating Employers, the Administrator, and the Insurer, any of whom may require such payee, as a condition precedent to such payment, to execute a release acknowledging receipt of such payment.

ARTICLE 6

ADMINISTRATION OF THE PLAN

6.1 General Powers and Duties of the Administrator. The Administrator will have the full power, responsibility, and discretion to administer the Plan and to construe and apply Plan provisions, and will be the named fiduciary with respect to the operation and administration of the Plan, except with respect to the specific responsibilities delegated to the claims Administrator performed by the Insurer pursuant to the Policies or delegated to the Insurer or another fiduciary pursuant to Section 6.3 or 6.4. The Administrator, and all other persons with discretionary control respecting the operation, administration, control, and/or management of the Plan will perform their duties under the Plan solely in the interests of Participants.

6.2 Specific Powers and Duties of the Administrator. The Administrator will administer the Plan and have the full authority and discretion necessary to accomplish that purpose, including without limitation the authority and discretion to: (i) resolve all questions relating to the eligibility of Associates to become or continue as Participants, (ii) determine the amount of benefits, if any, payable to Participants under the Plan and determine the time and manner in which such benefits are to be paid, except where payment of claims has been allocated to a Claims Administrator or Insurer, (iii) engage any administrative, legal, medical, accounting, clerical, or other services it deems appropriate in administering the Plan, (iv) construe and interpret the Plan, supply omissions from, correct deficiencies in and resolve inconsistencies or ambiguities in the language of the Plan, resolve inconsistencies or ambiguities between the provisions of this document and the provisions of any agreement with a Claims Administrator or any Policy, and adopt rules for the administration of the Plan which are not inconsistent with the terms of the Plan document or Policy, (v) compile and maintain all records it determines to be necessary, appropriate or convenient in connection with the administration of the Plan, (vi) review the performance of any Insurer or Claims Administrator with respect to the Insurer’s or Claims Administrator’s administrative duties, privacy practices, responsibilities and obligations under the Plan, (vii) resolve all questions of fact relating to any matter for which it has administrative responsibility and (viii) operate the Plan in compliance with effective new laws or regulations until the Plan is amended. The Administrator shall perform all of the duties and may exercise all of the powers and discretion that the Administrator deems necessary or appropriate for the proper administration of the Plan, and shall do so in a uniform, nondiscriminatory manner. Any failure by the Administrator to apply any provisions of this Plan to any particular situation shall not represent a waiver of the Administrator’s authority to apply such provisions thereafter. Every interpretation, choice, determination or other exercise of any power or discretion given either expressly or by implication to the Administrator shall be conclusive and binding upon all parties having or claiming to have an interest under the Plan or otherwise directly or indirectly affected by such action, without restriction, however, on the right of the Administrator to reconsider and redetermine such action. Any decision rendered by the Administrator and any review of such decision shall be limited to determining whether the decision was so arbitrary and capricious as to be an abuse of discretion. The Administrator may adopt such rules and procedures for the administration of the Plan as are consistent with the terms hereof.

6.3 Appointment and Authority of Claims Administrator. The Administrator may appoint one or more Claims Administrators with respect to the Plan. With respect to the portion of the Plan for which the Claims Administrator has been appointed, the Claims Administrator will be responsible for the review, payment, and/or denial of claims for benefits, for making determinations with respect to appeals as provided in Section 10, and for carrying out any obligations established by agreement with the Administrator. In carrying out its responsibilities under the Plan, the Claims Administrator will have the authority and discretion to (i) determine the amount of benefits, if any, payable to Participants under the Plan and determine the time and manner in which such benefits are to be paid, (ii) construe and interpret the Plan, supply omissions from, correct deficiencies in and resolve inconsistencies or ambiguities in the language of the Plan, and adopt rules for the administration of claims which are not inconsistent with the terms of the Plan, and (iii) compile and maintain all records it determines to be necessary, appropriate or convenient in connection with the Plan or Policies. The Claims Administrator shall perform all of the duties and may exercise all of the powers and discretion that the Claims Administrator deems necessary or appropriate for the proper administration of the Plan, and shall do so in a uniform, nondiscriminatory manner. Any failure by the Claims Administrator to apply any provisions of this Plan to any particular situation shall not represent a waiver of the Claims Administrator's authority to apply such provisions thereafter. Every interpretation, choice, determination or other exercise of any power or discretion given either expressly or by implication to the Claims Administrator shall be conclusive and binding upon all parties having or claiming to have an interest under the Plan or otherwise directly or indirectly affected by such action, without restriction, however, on the right of the Claims Administrator to reconsider and redetermine such action. The Claims Administrator may adopt such rules and procedures for the administration of the Plan as are consistent with the terms hereof.

6.4 Authority of Insurer. The Insurer will be responsible for the review, payment, and/or denial of claims and appeals for benefits under the Policy. In carrying out its responsibilities under the Policy, the Insurer will have the authority and discretion to (1) determining eligibility for benefits and the amount and form of payment of any benefits payable under their respective component benefit Policy; (2) construe and interpret the Policy, and (3) compile and maintain all records it determines to be necessary, appropriate or convenient in connection with the Policy and (4) prescribing claims procedures to be followed and the claims forms to be used by employees pursuant to the their respective component benefit plans.

The Insurer, not the Company, is responsible for paying claims with respect to this Plan. The Company shares responsibility only with the Insurer for administering eligibility for Policy benefits.

The Insurer shall perform all of the duties and may exercise all of the powers and discretion that the Insurer deem necessary or appropriate for the proper administration of the Plan, and shall do so in a uniform, nondiscriminatory manner. Any failure by the Insurer to apply any provisions of this Plan to any particular situation shall not represent a waiver of the Insurer's authority to apply such provisions thereafter. Every interpretation, choice, determination or other exercise of any power or discretion given either expressly or by implication to the Insurer shall be conclusive and binding upon all parties having or claiming to have an interest under the Plan or otherwise directly or indirectly affected by such action, without restriction, however, on the right of the Insurer to reconsider and redetermine such action. Any decision rendered by the Insurer and any review of such decision shall be limited to determining whether the decision was so arbitrary and capricious as to be an abuse of discretion. The Insurer may adopt such rules and procedures for the administration of the Plan as are consistent with the terms hereof. If the validity of the Administrator's decision or finding is challenged in court or any other forum, it shall not be given de novo review, rather it shall be upheld unless clearly arbitrary or capricious.

6.5 Allocation of Fiduciary Responsibility. The Administrator from time to time may delegate to any other persons or organizations any of its rights, powers, duties, and responsibilities with respect to the operation and administration of the Plan that are permitted to be delegated under ERISA. Any such allocation or delegation will be reviewed periodically by the Administrator, and will be terminable upon such notice as the Administrator in its discretion deems reasonable and proper under the circumstances. Whenever the Administrator delegates discretionary authority respecting the administration of the Plan to another person or organization, the Administrator's responsibility with respect to such delegation is limited to the selection of the person to whom authority is delegated and the periodic review of such person's performance and compliance with applicable law and regulations. Any breach of fiduciary responsibility by the person to whom authority has been delegated which is not proximately caused by the Administrator's failure to properly select or supervise, and in which breach the Administrator does not otherwise participate, will not be considered a breach by the Administrator.

When benefits are provided under a fully insured option, the Insurer will be the named Fiduciary for benefit claims and appeals and the provisions of all benefits, without any action on the part of the Administrator.

6.6 Information to be Submitted to the Administrator. To enable the Administrator to perform its functions, each Participating Employer will supply full and timely information to the Administrator on all matters relating to Associates and Participants as the Administrator may require and will maintain such other records required by the Administrator to determine the benefits due to Participants under the Plan.

6.7 Expenses and Compensation. The expenses of administering the Plan, including without limitation the expenses of the Administrator properly incurred in the performance of its duties under the Plan, will be paid by the Company. The Administrator will not be compensated by the Plan for services as Administrator.

6.8 Reporting and Disclosure. The Company will be the "administrator" of the Plan as defined in ERISA section 3(16)(A) for purposes of the reporting and disclosure requirements imposed by ERISA and the Code. The Administrator will assist the Company, as requested, in complying with such reporting and disclosure requirements.

6.9 Claims Procedure. A Participant, or an authorized representative of a Participant may file a claim for benefits or eligibility to participate with the Administrator or a person designated by the Administrator, which person will be a named fiduciary under ERISA section 402(a)(2) for purposes of this Section. All claims must be made in writing and signed by the claimant or the claimant's authorized representative. If the claimant does not furnish sufficient information to determine the validity of the claim, the Administrator, the Insurer or other named fiduciary will advise the claimant in writing of any additional information that is required to make a determination.

(a) Eligibility. Each claim for eligibility (unless the eligibility claim arises in the context of a denial of a claim for benefits, in which case the time frames in subpart 6.8(b) apply) will be approved or disapproved by the Administrator, the Insurer or other named fiduciary within 60 days following the receipt of the information necessary to process the claim unless special circumstances require an extension of time for processing, in which case a decision will be rendered as soon as possible but not later than 120 days after receipt of the information necessary to process the claim.

(b) Benefits. Each claim for benefits will be approved or disapproved by the Administrator, the Insurer or other named fiduciary within the time frame and pursuant to the procedures established in the applicable component program or Policy.

For purposes of determination of the amount of, and entitlement to, benefits under the Policy, the Insurer is the named fiduciary under the Plan, with the full power to interpret and apply the terms of the Plan as they relate to the benefits provided under the applicable insurance contract.

To obtain benefits from the Insurer, the Participant must follow the claims procedures under the applicable insurance contract, which may require the Participant to complete, sign and submit a written claim on the Insurer's form.

The Insurer will decide a Participant's claim in accordance with its reasonable claims procedures, as required by ERISA. The Insurer has the right to secure independent medical advice and to require such other evidence as it deems necessary in order to decide a claim. If the Insurer denies a claim in whole or in part, then the Participant will receive a written notification setting forth the reason(s) for the denial.

If a claim is denied, the Participant may appeal to the Insurer for a review of the denied claim. The Insurer will decide the appeal in accordance with its reasonable claims procedures, as required by ERISA.

If the participant does not appeal on time, then he or she will lose his or her right to file suit in a state or federal court, as he or she will not have exhausted his or her internal administrative appeal rights (which generally is a prerequisite to bringing a suit in state or federal court).

The applicable attached insurance contract (including the certificate of insurance booklet) provides more information about how to file a claim and details regarding the Insurer's claims procedures.

(c) General. In the event a claim for benefits or eligibility to participate is denied in whole or in part, the Administrator, the Insurer or other named fiduciary will notify the claimant in writing of the denial of the claim. Such notice by the Administrator, the Insurer or other named fiduciary will also set forth, in a manner calculated to be understood by the claimant, the specific reason for such denial, the specific Plan provisions on which the denial is based, information related to any medical professional whose judgment was relied upon in making the determination, information related to standards used in making the determination, a description of any additional material or information necessary to perfect the claim with an explanation of why such material or information is necessary, and an explanation of the Plan's appeals procedure as set forth in Section 6.9.

6.10 Appeals Procedure. A claimant may appeal a denial of his claim under the Plan by requesting a review of the decision by the Administrator or a person designated by the Administrator or the Insurer, which person will be a named fiduciary under ERISA section 402(a)(2) for purposes of this Section and will have the same authority and discretion as the Administrator with respect to the appeal.

(a) Eligibility. An appeal must be submitted to the Administrator in writing within 60 days (unless the denial arises from a denied claim for benefits, in which case the time frames in 6.9(b) apply) after the notice of denial of the claim for eligibility is received and must include all information that would assist in reviewing the denial. The Administrator, the Insurer or other named fiduciary will make a full and fair review of each appeal and any written materials submitted in connection with the appeal. The Administrator or other named fiduciary will act upon each appeal within 60 days after receipt thereof unless special circumstances require an extension of the time for processing, in which case a decision will be rendered as soon as possible but not later than 120 days after the appeal was first received. The extension request must be provided to the claimant or the claimant's authorized representative before the expiration of the original 60 day period and indicate the special circumstances requiring the extension of time and the date by which the Plan expects to make a determination.

(b) Benefits. An appeal must be submitted to the Administrator, Insurer or other named fiduciary in writing within 180 days after the denial and must (i) request a review of the denied claim for benefits or eligibility under the Plan, (ii) set forth all of the grounds upon which the claimant's request for review is based and any facts, documents, records or other information in support thereof, and (iii) set forth any issues or comments which the claimant deems pertinent to the appeal. The Administrator, the Insurer or other named fiduciary will make a full and fair review of each appeal and any written materials submitted in connection with the appeal without regard to whether such information was submitted or considered in the initial benefit determination. The review on appeal will be conducted by the Administrator, the Insurer or another named fiduciary who is neither the individual who made the adverse benefit determination that is the subject of the appeal, nor the subordinate of such individual. The Administrator, the Insurer or other named fiduciary will act upon each appeal within the time frame required by law as set forth in the Insurer's procedures.

(c) General. The claimant, upon written request to the Administrator, the Insurer or other named fiduciary and during normal business hours, will be given the opportunity to review pertinent documents or materials, provided the Administrator, the Insurer or other named fiduciary finds the requested documents or materials are pertinent to the appeal. On the basis of its review, the Administrator, the Insurer or other named fiduciary will make an independent determination on the claimant's denied claim for eligibility or benefits under the Plan. The decision of the Administrator, the Insurer or other named fiduciary on any claim for benefits will be final and conclusive upon all parties thereto.

In the event the Administrator, the Insurer or other named fiduciary denies an appeal in whole or in part, it will give written or electronic notice of the decision to the claimant or the claimant's authorized representative, which notice will set forth in a manner calculated to be understood by the claimant the specific reasons for such denial, make specific reference to the pertinent Plan provisions on which the decision was based, and provide any other additional information, as applicable, required by 29 Code of Federal Regulations § 2560.503-1 applicable to a disability plan.

6.11 Time Limit for Legal Action. Every ERISA right of action by any Participant, former Participant, a Participant's Representative, beneficiary, or the Participant's estate against the Plan, or any Plan fiduciary, must be brought no later than three years from the date Associate's employment ended, or from receipt of notice of an Adverse Benefit Determination, if earlier, except as otherwise required by ERISA. All levels of claims and appeal outlined in this Article 6 must be completed before the claimant can bring a legal action.

6.12 Uniform Application of Rules and Policies. The Administrator in exercising its discretion granted under any of the provisions of the Plan will do so only in accordance with rules and policies that it establishes, which rules and policies will be uniformly applicable to all Associates, MSRP Retirees and their beneficiaries.

6.13 Reliance on Tables, etc. The Administrator is entitled to rely upon all tables, valuations, certificates, and reports furnished by any duly appointed actuary, upon all certificates and reports made by any duly appointed independent qualified public accountant and upon all opinions given by legal counsel. The Administrator will be fully protected in respect of any action taken or suffered by the Administrator in good faith reliance upon all such tables, valuations, certificates, reports, opinions, or other advice. The Administrator is also entitled to rely upon any data or information furnished by a Participating Employer or by an Associate, MSRP Retiree, or beneficiary as to the age or Annual Earnings for Benefits of any person, or as to any other information pertinent to any calculation or determination to be made under the provisions of the Plan, and, as a condition to payment of any benefit under the Plan, may request an Associate, MSRP Retiree, or beneficiary to furnish such information as the Administrator deems necessary or desirable in administering the Plan. If an Associate, MSRP Retiree, or beneficiary does not provide accurate information in connection with enrollment or coverage under the Plan, the Administrator may, in its discretion, delay or deny the affected coverage. If any relevant facts regarding an Associate, MSRP Retiree, or beneficiary are inaccurate or misstated, the Administrator may make an equitable adjustment of contributions, and the true facts will be used by the Administrator to determine whether, and in what amount, coverage is in effect or benefits will be paid.

6.14 Nondiscrimination Testing. If, in the judgment of the Administrator, any component benefit program offered under the Plan or any portion of it may fail to meet any applicable requirement of the Code related to discrimination testing whether under Code § 125, 105(h), 79 or 129, or any regulations promulgated thereunder, the Administrator may take such action as it deems appropriate to assure compliance with such requirements, and such action may be taken with or without the consent of any Participant. The Administrator may, at any time, cap a salary reduction or require any Participant or class of Participants to amend the amount of their salary reductions for a Plan Year if the Administrator determines that such action is necessary or advisable in order to (a) satisfy any of the Code's nondiscrimination requirements applicable to this Plan; (b) prevent any Participants who are Highly Compensated Employees or class of Employees from having to recognize more income for federal income tax purposes from the receipt of benefits hereunder than would otherwise be recognized; (c) maintain the qualified status of benefits received under this Plan; or (d) satisfy Code nondiscrimination requirements or other limitations applicable to the Company's qualified plans. In the event that contributions need to be reduced for a class of Participants, the Administrator will reduce the salary reduction amount. In the event that contributions need to be reduced for a class of Participants, the Administrator will reduce the salary reduction amounts for each affected Participant, beginning with the Participant in the class who had elected the highest salary reduction amount and continuing with the Participant in the class who had elected the next highest salary reduction amount, and so forth, until the defect is corrected. The Administrator may treat the Plan as two or more separate plans solely for purposes of compliance with the Code, if authorized under the applicable Code section, provided that the Administrator designates the features that are to be considered as separate plans and the applicable provisions of each separate plan. A separate plan may be designated on the basis of eligible Associates, Participants, benefits provided, coverage options, Participant contributions required, or any other factors or combination of factors. The Administrator may also combine this Plan, or any feature treated under this Section as a separate plan, with any other plan or plans maintained by the Association or the Company solely for purposes of compliance with the applicable Code section's discrimination testing requirements.

6.15 Records and Reports. The Administrator and Claims Administrator(s) will maintain adequate records of all of their proceedings and acts and all such books of account, records, and other data as may be necessary for administration of the Plan. The Administrator and Claims Administrator(s) will make available to each Participant upon his request such of the Plan's records as pertain to him for examination at reasonable times during normal business hours in accordance with the Claims Administrator's confidentiality procedures.

6.16 Availability of Plan Information and Documents. Any Participant having a question concerning the administration of the Plan or the Participant's eligibility for participation in the Plan or for the payment of benefits under the Plan may contact the Administrator and request a copy of the Plan document. Each Participating Employer will keep copies of this Plan document, exhibits and amendments hereto, and any related documents on file in its administrative offices, and such documents will be available for review by a Participant or a designated representative of the Participant at any reasonable time during regular business hours. Reasonable copying charges for such documents will be paid by the requesting party.

ARTICLE 7

ADOPTION BY PARTICIPATING EMPLOYERS

7.1 Adoption Procedure. Any subsidiary or affiliate of the Company may become a Participating Employer under the Plan provided that (i) the HR Committee approves the adoption of the Plan by the subsidiary or affiliate and designates the subsidiary or affiliate as a Participating Employer in the Plan, and (ii) by appropriate resolutions of the board of directors or other governing body of the subsidiary or affiliate, the subsidiary or affiliate agrees to become a Participating Employer under the Plan and also agrees to be bound by any other terms and conditions which may be required by the HR Committee or the Administrator, provided that such terms and conditions are not inconsistent with the purposes of the Plan. A Participating Employer may withdraw from participation in the Plan, subject to approval by the Administrator, by providing written notice to the Administrator that withdrawal has been approved by the board of directors or other governing body of the Participating Employer. The HR Committee may at any time remove a Participating Employer from participation in the Plan by providing written notice to the Participating Employer that the HR Committee has approved removal. The HR Committee will act in accordance with this Article pursuant to unanimous written consent or by majority vote at a meeting.

ARTICLE 8

AMENDMENT AND TERMINATION

8.1 Right to Suspend Premium Payments. It is the expectation of the Participating Employers that they will continue to pay any employer portion of premium payments as determined under Article 5, but they do not assume an individual or collective contractual obligation to do so, and the right is reserved by the HR Committee at any time to reduce, suspend, or discontinue any such premium payments.

8.2 Right to Amend. Except as provided in the Change in Control section of this Article, the right to amend the Plan at any time in any respect is reserved to the Company acting through the HR Committee or the Administrator as provided herein, without prior notice to or approval by Participants, beneficiaries or any Participating Employer. The HR Committee may amend the Plan at any time and from time to time to the extent it may deem advisable or appropriate. In addition, the Administrator may amend the Plan at any time and from time to time to the extent the Administrator deems it advisable or appropriate, provided that such amendment would not significantly increase the cost of the Plan to the Participating Employers. The right to amend includes: (a) the right to change, limit or eliminate coverage or benefits, and (b) the right to limit Participating Employer contributions made to the Plan on behalf of Participants and to require Participants to pay the balance of any Plan costs.

8.3 Amendment Procedure. Each amendment to the Plan by the HR Committee or the Administrator will be made only pursuant to unanimous written consent or by majority vote at a meeting, and a copy of any amendment adopted by the HR Committee will be delivered to the Administrator. Upon such action by the HR Committee or the Administrator, the Plan will be deemed amended as of the date specified as the effective date b y such action or in the instrument of amendment. The effective date of any amendment may be before, on, or after the date of such action of the HR Committee or the Administrator.

8.4 Termination of the Plan. The Participating Employers expect to continue the Plan indefinitely, but they do not assume an individual or collective contractual obligation to do so, and the right is reserved to the Company, acting through the HR Committee, to terminate the Plan or to completely discontinue premium payments with respect to any Policy at any time, without prior notice to or approval by Participants or beneficiaries. Notwithstanding the foregoing, in no event will termination of the Plan adversely affect individuals who are Participants on the effective date of the amendment unless otherwise required to comply with applicable law. The authority of the HR Committee will be exercised by unanimous written consent or by majority vote at a meeting.

8.5 Change in Control. The Plan may be amended at any time; provided, however, that any amendment or termination within one year before or two years after a Change in Control may not be made if it would have an adverse effect on the

Participant's eligibility, Plan benefits and/or rights under the Plan, except as may be otherwise required to comply with changes in applicable laws or regulations.

For the purposes of this section the following definitions apply.

Board means the Board of Directors of J.C. Penney Company, Inc.

Change in Control means the occurrence of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the then-outstanding Voting Stock of the Company or Corporation; provided, however, that:

(1) for purposes of this Section (i)(1), the following acquisitions shall not constitute a Change in Control: (A) any acquisition of Voting Stock of the Company or Corporation directly from the Company or Corporation that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock of the Company or Corporation by the Company or any Subsidiary, (C) any acquisition of Voting Stock of the Company or Corporation by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, and (D) any acquisition of Voting Stock of the Company or Corporation by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section (iii) below;

(2) if any Person becomes the beneficial owner of 20% or more of combined voting power of the then-outstanding Voting Stock of the Company or Corporation as a result of a transaction described in clause (A) of Section (i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock of the Company or Corporation representing 1% or more of the then-outstanding Voting Stock of the Company or Corporation, other than in an acquisition directly from the Company or Corporation that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by the Company or Corporation in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change in Control;

(3) a Change in Control will not be deemed to have occurred if a Person becomes the beneficial owner of 20% or more of the Voting Stock of the Company or Corporation as a result of a reduction in the number of shares of Voting Stock of the Company or Corporation outstanding pursuant to a transaction or series of

transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock of the Company or Corporation representing 1% or more of the then-outstanding Voting Stock of the Company or Corporation, other than as a result of a stock dividend, stock split or similar transaction effected by the Company or Corporation in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 20% or more of the Voting Stock of the Company or Corporation inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Directors a sufficient number of shares so that such Person beneficially owns less than 20% of the Voting Stock of the Company or Corporation, then no Change in Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the board of the Company or of the Corporation ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company or the Corporation, or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock of the Company outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into Voting Stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns the Company, Corporation or all or substantially all of the Company's or Corporation's assets either directly or through one or more subsidiaries), (B) no Person (other than the Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section (iii).

Company shall mean J. C. Penney Company, Inc., a Delaware corporation, or any successor company.

Corporation shall mean J. C. Penney Corporation, Inc., a Delaware corporation, or any successor company.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder. Reference to any section or subsection of the Exchange Act includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

Incumbent Directors means the individuals who, as of the Effective Date hereof, are Directors of the Company or the Corporation, as the context requires, and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company's or Corporation's stockholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

Subsidiary shall mean any entity in which the Company, directly or indirectly, beneficially owns 50% or more of the Voting Stock.

Voting Stock means securities entitled to vote generally in the election of directors.

ARTICLE 9

MISCELLANEOUS PROVISIONS

9.1 Alienation and Assignment. The interests of the Participants under the Plan will not be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit will be void unless approved in advance by Insurer or Administrator; provided that a Participant may authorize the Plan to make payment for benefits due under the Plan to the provider furnishing services for which the benefits are payable. The interests of the Participants under the Plan are not in any way subject to their debts or other obligations.

9.2 No Right of Employment. Participation in the Plan will not give any Associate or Participant the right to be retained in the employment of the Company.

9.3 Gender and Number. Whenever used in this Plan, unless the context indicates otherwise, words in the masculine gender will include the feminine gender, and words in the plural will include the singular, and the singular will include the plural.

9.4 Notices. Any notice or document required to be given to a Participant or dependent will be properly given if (i) mailed, postage prepaid, to the Participant or dependent at his last known address as set forth in the Participating Employer's records, or (ii) in the case of a Participant who is an Associate, distributed to the Associate at his place of employment, or (iii) sent electronically to any Covered Associate or beneficiary in compliance with 29 CFR § 2520.104b-1(c). All notices required to be given or any document required to be filed with the Administrator will be properly given or filed if mailed postage prepaid, certified mail, to the Administrator or Insurer at the addresses as set forth in the Summary Plan Descriptions of the Plan furnished to Participants from time to time.

9.5 Section Headings. The section headings or head notes are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or intent of the Plan.

9.6 Officers. Any reference to a particular officer of the Company will also refer to the functional equivalent of such officer in the event the title or responsibilities of that office change.

9.7 Consent To Terms Of Plan. By enrolling for coverage or accepting benefits under the Plan, a Participant agrees that the terms and conditions of the Plan will be binding on the Participant or anyone claiming through a Participant. In the event that the terms or provisions of any summary description of this Plan are interpreted as being in conflict with the provisions of this Plan as set forth in this document the provisions of the Plan shall be controlling.

9.8 Inability To Locate Payee. If the Administrator is unable to make payment to any Participant or other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such person, then such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited following six months after the Plan Year end after the date any such payment first became due.

9.9 Severable Plan Provisions. If any provision of the Plan, including instruments incorporated in the Plan by reference, shall be held illegal, invalid, or disqualifying for any reason, including, but not limited to, any inconsistency in the text of the Plan with applicable law or regulation, said illegality, invalidity, or inconsistency shall not affect the remaining provisions of the Plan, such illegal, invalid, disqualifying, or inconsistent provision shall be fully severed from the contents of the Plan, and the Plan shall be construed and enforced as if such illegal, invalid, disqualifying, or inconsistent provision had not been included in the Plan.

9.10 Oral Representations. The Plan governs, controls, and supersedes any and all representations, either oral or written, made by any employee or agent, or other representative of the Company or any Participating Employer, and no other agreements, statements, or assertion relating to the subject matter of this Plan shall be valid or enforceable.

9.11 Conversion of Insured Benefits. A Participant who is covered under an insured arrangement offered through the Plan will have the right to convert his or her coverage to an individual policy to the extent, and only to the extent, permitted under the insurance policy applicable to the Participant.

9.12 No Guarantee of Tax Consequences. Neither the Administrator nor the Company makes any commitment or guarantee that any amounts paid to or for the benefit of a Participant or beneficiary under this Plan will be excludable from the Participant's or beneficiary's gross income for federal or state income tax purposes, or that any other federal or state tax treatment will apply to or be available to any Participant or beneficiary. It shall be the obligation of each Participant or beneficiary to determine whether each payment under the Plan is excludable from the Participant's or beneficiary's gross income for federal and state income tax purposes, and to notify the Company if the Participant or beneficiary has reason to believe that any such payment is not so excludable.

9.13 Indemnification of Company by Participants. If any Participant receives one or more payments or reimbursements under this Plan that are not for before-tax benefits, such Participant shall indemnify and reimburse the Company for any liability it may incur for failure to withhold federal or state income tax or Social Security tax from such payments or reimbursements. However, such indemnification and reimbursement shall not exceed the amount of additional federal and state income tax that the Participating Employer would have been required to withhold under applicable federal and state tax law if the payments or reimbursements had been made to the Participant as regular cash compensation, plus the Participant's share of any Social Security tax that would have been paid on such compensation, less any such additional income and Social Security tax actually paid by the Participant.

9.14 Governing Law. **Except to the extent that the Plan may be subject to the provisions of ERISA, the Plan will be construed and enforced according to the laws of the State of Texas, without giving effect to the conflict of laws principles thereof. Except to the extent that state laws are preempted by ERISA, any insured arrangement under the Plan will be subject to applicable state insurance laws. Except as otherwise required by ERISA, every right of action by a Participant, former Participant, or beneficiary with respect to the Plan shall be barred after the expiration of three years from the date of termination of employment or the date of receipt of the notice of denial of a claim for benefits or eligibility, if earlier. In the event ERISA's limitation on legal action does not apply, the laws of the State of Texas with respect to the limitations of legal actions shall apply and the cause of action must be brought no later than four years after the date the action accrues.**

J. C. PENNEY CORPORATION, INC.

APPENDIX I

Participating Employers
As of July 1, 2007

J.C. Penney Corporation, Inc.

JCP Publications Corp.

JCP Overseas Services, Inc.

JCPenney Puerto Rico, Inc.

JCP Logistics L. P.

JCP Media L.P.

JCP Procurement L.P.

J.C. Penney Private Brands, Inc.

JCP Ecommerce L.P.

The Original Arizona Jean Company

Exhibit 31.1

CERTIFICATION

I, Myron E. Ullman, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 12, 2007

/s/ Myron E. Ullman, III
Myron E. Ullman, III
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Robert B. Cavanaugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. C. Penney Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 12, 2007

/s/ Robert B. Cavanaugh
Robert B. Cavanaugh
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of J. C. Penney Company, Inc. (the "Company") on Form 10-Q for the period ending August 4, 2007 (the "Report"), I, Myron E. Ullman, III, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATED this 12th day of September 2007.

/s/ Myron E. Ullman, III
Myron E. Ullman, III
Chairman and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of J. C. Penney Company, Inc. (the "Company") on Form 10-Q for the period ending August 4, 2007 (the "Report"), I, Robert B. Cavanaugh, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATED this 12th day of September 2007.

/s/ Robert B. Cavanaugh
Robert B. Cavanaugh
Executive Vice President and
Chief Financial Officer