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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended May 4, 2019
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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.316,816,776 shares of Common Stock of 50 cents par value, as of May 24, 2019.

J. C. PENNEY COMPANY, INC.

FORM 10-Q

For the Quarterly Period Ended May 4, 2019

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Part I. Financial Information

Item 1. Unaudited Interim Consolidated Financial Statements

J. C. PENNEY COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
(In millions, except per share data)	May 4, 2019	May 5, 2018
Total net sales	$ 2,439	$ 2,584
Credit income and other	116	87
Total revenues	2,555	2,671
Costs and expenses/(income):		
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,630	1,712
Selling, general and administrative (SG&A)	856	826
Depreciation and amortization	147	141
Real estate and other, net	(5)	(18)
Restructuring and management transition	20	7
Total costs and expenses	2,648	2,668
Operating income/(loss)	(93)	3
Other components of net periodic pension cost/(income)	(13)	(19)
(Gain)/loss on extinguishment of debt	—	23
Net interest expense	73	78
Income/(loss) before income taxes	(153)	(79)
Income tax expense/(benefit)	1	(1)
Net income/(loss)	$ (154)	$ (78)
Earnings/(loss) per share:		
Basic	$ (0.48)	$ (0.25)
Diluted	$ (0.48)	$ (0.25)
Weighted average shares – basic	317.7	313.9
Weighted average shares – diluted	317.7	313.9

See the accompanying notes to the unaudited Interim Consolidated Financial Statements.

J. C. PENNEY COMPANY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Unaudited)

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Net income/(loss)	$ (154)	$ (78)
Other comprehensive income/(loss), net of tax:		
Retirement benefit plans		
Reclassification for amortization of prior service (credit)/cost (1)	2	1
Cash flow hedges		
Gain/(loss) on interest rate swaps (2)	(11)	5
Reclassification for periodic settlements (3)	(2)	—
Total other comprehensive income/(loss), net of tax	(11)	6
Total comprehensive income/(loss), net of tax	$ (165)	$ (72)

(1) Net of $0 million and $(1) million in tax in the three months ended May 4, 2019 and May 5, 2018, respectively. Pre-tax amounts of $2 million in each of the three months ended May 4, 2019 and May 5, 2018, respectively, were recognized in Other components of net periodic pension cost/(income) in the unaudited Interim Consolidated Statements of Operations.
(2) Net of $0 million and $(1) million of tax in the three months ended May 4, 2019 and May 5, 2018, respectively.
(3) Net of $0 million of tax in the three months ended May 4, 2019. Pre-tax amount of $(2) million for the three months ended May 4, 2019, was recognized in Net interest expense in the unaudited Interim Consolidated Statements of Operations.

See the accompanying notes to the unaudited Interim Consolidated Financial Statements.

J. C. PENNEY COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	May 4, 2019 (Unaudited)	May 5, 2018 (Unaudited)	February 2, 2019
Assets			
Current assets:			
Cash in banks and in transit	$ 160	$ 170	$ 109
Cash short-term investments	11	11	224
Cash and cash equivalents	171	181	333
Merchandise inventory	2,477	2,948	2,437
Prepaid expenses and other	287	223	189
Total current assets	2,935	3,352	2,959
Property and equipment (net of accumulated depreciation of $3,339, $3,556 and $3,425)	3,669	4,200	3,938
Operating lease assets	917	—	—
Prepaid pension	156	74	147
Other assets	665	679	677
Total Assets	$ 8,342	$ 8,305	$ 7,721
Liabilities and Stockholders' Equity			
Current liabilities:			
Merchandise accounts payable	$ 842	$ 933	$ 847
Other accounts payable and accrued expenses	925	957	995
Current operating lease liabilities	84	—	—
Current portion of finance leases and note payable	2	7	8
Current maturities of long-term debt	92	42	92
Total current liabilities	1,945	1,939	1,942
Noncurrent operating lease liabilities	1,082	—	—
Long-term finance leases and note payable	1	210	204
Long-term debt	3,826	4,142	3,716
Deferred taxes	119	142	131
Other liabilities	335	557	558
Total Liabilities	7,308	6,990	6,551
Stockholders' Equity			
Common stock(1)	158	157	158
Additional paid-in capital	4,715	4,708	4,713
Reinvested earnings/(accumulated deficit)	(3,553)	(3,196)	(3,373)
Accumulated other comprehensive income/(loss)	(286)	(354)	(328)
Total Stockholders' Equity	1,034	1,315	1,170
Total Liabilities and Stockholders' Equity	$ 8,342	$ 8,305	$ 7,721

(1) 1.25 billion shares of common stock are authorized with a par value of $0.50 per share. The total shares issued and outstanding were 316.8 million, 314.3 million and 316.1 million as of May 4, 2019, May 5, 2018 and February 2, 2019, respectively.

See the accompanying notes to the unaudited Interim Consolidated Financial Statements.

J. C. PENNEY COMPANY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(In millions)	Number of Common Shares	Common Stock	Additional Paid-in Capital	Reinvested Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
February 2, 2019	**316.1**	**$ 158**	**$ 4,713**	**$ (3,373)**	**$ (328)**	**$ 1,170**
ASC 842 (Leases) and ASU 2018-02 (Stranded Taxes) adoption (See Note 2)	—	—	—	(26)	53	27
Net income/(loss)	—	—	—	(154)	—	(154)
Other comprehensive income/(loss)	—	—	—	—	(11)	(11)
Stock-based compensation and other	0.7	—	2	—	—	2
May 4, 2019	**316.8**	**$ 158**	**$ 4,715**	**$ (3,553)**	**$ (286)**	**$ 1,034**

(In millions)	Number of Common Shares	Common Stock	Additional Paid-in Capital	Reinvested Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
February 3, 2018	**312.0**	**$ 156**	**$ 4,705**	**$ (3,118)**	**$ (360)**	**$ 1,383**
Net income/(loss)	—	—	—	(78)	—	(78)
Other comprehensive income/(loss)	—	—	—	—	6	6
Stock-based compensation and other	2.3	1	3	—	—	4
May 5, 2018	**314.3**	**$ 157**	**$ 4,708**	**$ (3,196)**	**$ (354)**	**$ 1,315**

See the accompanying notes to the unaudited Interim Consolidated Financial Statements.

J. C. PENNEY COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Cash flows from operating activities		
Net income/(loss)	$ (154)	$ (78)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Restructuring and management transition	15	(3)
Asset impairments and other charges	—	1
Net gain on sale of operating assets	(4)	(17)
(Gain)/loss on extinguishment of debt	—	23
Depreciation and amortization	147	141
Benefit plans	(14)	(19)
Stock-based compensation	2	7
Deferred taxes	(3)	(2)
Change in cash from:		
Inventory	(40)	(145)
Prepaid expenses and other	(98)	(33)
Merchandise accounts payable	(5)	(40)
Income taxes	3	(3)
Accrued expenses and other	(54)	(186)
Net cash provided by/(used in) operating activities	(205)	(354)
Cash flows from investing activities		
Capital expenditures	(71)	(106)
Net proceeds from sale of operating assets	8	39
Net cash provided by/(used in) investing activities	(63)	(67)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	—	400
Proceeds from borrowings under the credit facility	408	977
Payments of borrowings under the credit facility	(290)	(626)
Premium on early retirement of debt	—	(20)
Payments of finance leases and note payable	(1)	(2)
Payments of long-term debt	(11)	(576)
Financing costs	—	(7)
Proceeds from stock issued under stock plans	—	1
Tax withholding payments for vested restricted stock	—	(3)
Net cash provided by/(used in) financing activities	106	144
Net increase/(decrease) in cash and cash equivalents	(162)	(277)
Cash and cash equivalents at beginning of period	333	458
Cash and cash equivalents at end of period	$ 171	$ 181
Supplemental cash flow information		
Income taxes received/(paid), net	$ (2)	$ (4)
Interest received/(paid), net	(91)	(113)
Supplemental non-cash investing and financing activity		
Increase/(decrease) in other accounts payable related to purchases of property and equipment and software	(18)	(16)
Remeasurement of leased assets and lease obligations	28	—

See the accompanying notes to the unaudited Interim Consolidated Financial Statements.

J. C. PENNEY COMPANY, INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Consolidation

Basis of Presentation

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 “we,” “us,” “our,” “ourselves” or the “Company,” unless otherwise indicated.

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

These unaudited Interim Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The accompanying unaudited Interim Consolidated Financial Statements, in our opinion, include all material adjustments necessary for a fair presentation and should be read in conjunction with the audited Consolidated Financial Statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019 (2018 Form 10-K). We follow 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 2018 Form 10-K. The February 2, 2019 financial information was derived from the audited Consolidated Financial Statements, with related footnotes, included in the 2018 Form 10-K. 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.

Fiscal Year

Our fiscal year ends on the Saturday closest to January 31. As used herein, “three months ended May 4, 2019” and “first quarter of 2019” refer to the 13-week period ended May 4, 2019, and “three months ended May 5, 2018” and “first quarter of 2018” refer to the 13-week period ended May 5, 2018. Fiscal years 2019 and 2018 contain 52 weeks.

Basis of Consolidation

All significant inter-company transactions and balances have been eliminated in consolidation. Certain reclassifications were made to prior period amounts to conform to the current period presentation.

2. Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases (Topic 842), a replacement of Leases (Topic 840) and updated by various targeted improvements*, which requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. The Company adopted the provisions of the new lease standard effective February 3, 2019, using the modified retrospective adoption method and the simplified transition option available in the new lease standard. This allows us to continue to apply the legacy guidance in the old standard (ASC Topic 840, *Leases* (ASC 840)), including its disclosure requirements, in the comparative periods presented in the year of adoption. The Company also elected the package of practical expedients available under the transition provisions of the new lease standard, which include a) not reassessing ASC 840 evaluations on whether expired or existing contracts contain leases, b) not reassessing lease classification, under ASC 840, and c) not revaluing initial direct costs for existing leases under ASC 840. We also elected the practical expedient to carry forward our historical accounting for any land easements on existing contracts.

In addition, the Company changed the accounting for the failed sale-leaseback of its home office to comply with the new lease standard's guidance for sale-leaseback accounting, and recorded a "day one impairment" of the new right-of-use assets that were included in previously impaired asset groups associated with long-lived assets. Per the transition guidance of the new lease standard, the failed sale-leaseback is considered a valid sale and leaseback that resulted in the removal of the related real estate assets of $153 million and the financing obligation of $208 million, and the recognition of the $55 million gain on sale in Reinvested earnings/(accumulated deficit). Adoption of the new lease accounting standard also required us to reevaluate the accounting for a $50 million promissory note issued in connection with the sale of the home office. In accordance with previous guidance, the promissory note was not recorded in the unaudited Interim Consolidated Balance Sheets and not included in the implied gain on sale, however, under the new guidance, the promissory note is considered variable consideration under ASC 606, *Revenue for Contracts with Customers*. Accordingly, in transition, the Company did not recognize any amount for the $50 million promissory note, as management assessed the most likely amount of variable consideration to be zero given the associated local real estate market dynamics. In regards to the "day one impairment" charge, the Company evaluated the new right-of-use assets added to certain store asset groups that were previously determined to be impaired. Given the facts and circumstances that were still in existence upon adopting the new lease standard, the Company recorded an approximate $40 million impairment charge to Reinvested earnings/(accumulated deficit) to adjust the net book value of the new right-of-use assets to their fair value.

The following table provides the overall unaudited Interim Consolidated Balance Sheet impact of applying the new lease standard effective as of February 3, 2019. Due to the change in accounting for the Home Office sale-leaseback, there was a change in classification of $5 million in lease costs from Depreciation and amortization and Net interest expense in the prior year period to Selling, general and administrative expenses in the current year period. There was no significant impact to the Company's unaudited Interim Consolidated Statement of Cash Flows.

	Balance as of February 3, 2019		
($ in millions)	**Balances removed under prior accounting**	**Balances added/reclassified under new lease standard**	**Net impact of new lease standard**
Prepaid expenses and other	$ —	$ (5)	$ (5)
Property and equipment	153	—	(153)
Operating lease assets	—	910	910
Other assets	—	(7)	(7)
Total assets	$ 153	$ 898	$ 745
Other accounts payable and accrued expenses	$ 4	$ —	$ (4)
Current operating lease liabilities	—	85	85
Current portion of finance leases and note payable	5	—	(5)
Noncurrent operating lease liabilities	—	1,074	1,074
Long-term finance leases and note payable	203	—	(203)
Deferred taxes	10	—	(10)
Other liabilities	11	(208)	(219)
Reinvested earnings/(accumulated deficit)	80	(53)	27
Total liabilities and stockholders’ equity	$ 153	$ 898	$ 745

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This standard allows companies to reclassify stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”) enacted on December 22, 2017 from Accumulated other comprehensive income/(loss) to Reinvested earnings/(accumulated deficit). We adopted ASU 2018-02 on February 3, 2019 and reclassified $53 million (net of federal income tax benefit) of income tax effects of the Tax Act from Accumulated other comprehensive income/(loss) to Reinvested earnings/(accumulated deficit).

3. Effect of New Accounting Standards

On August 28, 2018, the FASB issued ASU 2018-13, *Fair Value Measurement.* This standard is effective for public business entities in fiscal years beginning after December 15, 2019, and for interim periods within those years. Early adoption is permitted, including during an interim period. This new standard requires changes to the disclosure requirements for fair value measurements for certain Level 3 items, and specifies that some of the changes must be applied prospectively, while others should be applied retrospectively. The Company is evaluating this new standard, but does not expect it to have a significant impact on its financial statement disclosures.

4. Leases

We conduct a major part of our operations from leased premises (building or land) that include retail stores, store distribution centers, warehouses, offices and other facilities. Almost all leases include renewal options where we can extend the lease term from one to 50 years or more. We also lease equipment under finance leases of primarilythree to five year periods, and we rent or sublease certain real estate to third parties. Our lease contracts do not contain any purchase options or residual value guarantees.

Accounting Policy Applied in Fiscal 2019

At the lease commencement date, based on certain criteria, we determine if a lease is classified as an operating lease or finance lease and then recognize a right-of-use asset and a lease liability on the Consolidated Balance Sheets for all leases (with the exception of leases that have a term of twelve months or less). The lease liability is measured as the present value of unpaid lease payments measured based on the reasonably certain lease term and corresponding discount rate. The initial right-of-use asset is measured as the lease liability plus certain other costs and is reduced by any tenant allowances collected from the lessor.

Lease payments include fixed and in-substance fixed payments, variable payments based on an index or rate and termination penalties. Lease payments do not include variable lease payments other than those that depend on an index or rate or any payments not considered part of the lease (i.e. payment of the lessor's real estate taxes and insurance). Payments not considered lease payments are expensed as incurred. Some leases require additional payments based on sales and the related contingent rent is recorded as rent expense when the payment is probable. As a policy election, we consider lease payments and all related other payments as one component of a lease.

The reasonably certain lease term includes the non-cancelable lease term and any renewal option periods where we have economically compelling reasons for future exercise.

The discount rate used in our present value calculations is the rate implicit in the lease, when known, or our estimated incremental borrowing rate. Our incremental borrowing rate is estimated based on our secured borrowings and our credit risk relative to the time horizons of other publicly available data points that are consistent with the respective lease term.

Whether an operating lease or a finance lease, the lease liability is amortized over the lease term at a constant periodic interest rate. The right-of-use assets related to operating leases are amortized over the lease term on a basis that renders a straight-line amount of rent expense which encompasses the amortization and interest component of the lease. With the occurrence of certain events, the amortization pattern for an operating asset is adjusted to a straight-line basis over the remaining lease term. The right-of-use asset related to a finance lease is amortized on a straight-line basis over the lease term. Rent on short-term leases are expensed on a straight-line basis over the lease term. When a lease is modified or there is a change in lease term, we assess for any change in lease classification and remeasure the lease liability with a corresponding increase or decrease to the right-of-use asset.

Sale-leasebacks are transactions through which we sell assets and subsequently lease them back. The resulting leases that qualify for sale-leaseback accounting are evaluated and accounted for as an operating lease. A transaction that does not qualify for sale-leaseback accounting as a result of finance lease classification or the failure to meet certain revenue recognition criteria is accounted for as a financing transaction. For a financing transaction, we retain the "sold" assets within property and equipment and record a financing obligation equal to the amount of cash proceeds received. Rental payments under such transactions are recognized as a reduction of the financing obligation and as interest expense using an effective interest method.

Accounting Policy Applied in Fiscal 2018

Our lease accounting policies for lease contracts in fiscal 2018 and prior are disclosed in the 2018 Form 10-K.

Leases

($ in millions)	Classification		May 4, 2019
Assets			
Operating lease assets	Operating lease assets	$	917
Finance lease assets	Property and equipment		1
Total leased assets		$	918
Liabilities			
Current			
Operating	Current operating lease liabilities	$	84
Finance	Current portion of finance leases and note payable		1
Noncurrent			
Operating	Noncurrent operating lease liabilities		1,082
Finance	Long-term finance leases and note payable		1
Total leased liabilities		$	1,168

Lease Cost

		Three Months Ended	
($ in millions)	Classification	May 4, 2019	
Operating lease cost	Selling, general and administrative expense (SG&A)	$	48
Variable lease cost	Selling, general and administrative expense (SG&A)		32
Finance lease cost			
Amortization of leased assets	Depreciation and amortization		—
Interest on lease liabilities	Net interest expense		—
Rental income	Real estate and other, net		2
Net lease cost		$	78

As of May 4, 2019, future lease payments were as follows:

($ in millions)		Operating Leases		Finance Leases		Total
2019	$	156	$	1	$	157
2020		195		1		196
2021		187		—		187
2022		173		—		173
2023		166		—		166
Thereafter		1,816		2		1,818
Total lease payments		2,693		4		2,697
Less: amounts representing interest		(1,527)		(2)		(1,529)
Present value of lease liabilities	$	1,166	$	2	$	1,168

Lease term and discount rate are as follows:

	May 4, 2019
Weighted-average remaining lease term (years)	
Operating leases	16
Financing leases	1
Weighted-average discount rate	
Operating leases	11 %
Financing leases	6 %

Other information:

	Three Months Ended
($ in millions)	May 4, 2019
Cash paid for amounts included in the measurement of these liabilities	
Operating cash flows from operating leases	51
Operating cash flows from finance leases	1
Financing cash flows from finance leases	1

As determined prior to the adoption of the new lease standard, the future minimum lease payments under operating leases in effect as of February 2, 2019 were as follows:

($ in millions)	
2019	$ 190
2020	178
2021	163
2022	148
2023	135
Thereafter	1,626
Less: sublease income	(43)
Total minimum lease payments	$ 2,397

5. Revenue

Our contracts with customers primarily consist of sales of merchandise and services at the point of sale, sales of gift cards to a customer for a future purchase, customer loyalty rewards that provide discount rewards to customers based on purchase activity, and certain licensing and profit sharing arrangements involving the use of our intellectual property by others.

Revenue includes Total net sales and Credit income and other. Net sales are categorized by merchandise and service sale groupings as we believe it best depicts the nature, amount, timing and uncertainty of revenue and cash flow.

The following table provides the components of Net sales for the three months ended May 4, 2019 and May 5, 2018:

	Three Months Ended			
($ in millions)	May 4, 2019		May 5, 2018	
Women's apparel	$ 590	24%	$ 614	24%
Men's apparel and accessories	478	20%	500	19%
Women's accessories, including Sephora	349	14%	378	15%
Home	305	13%	354	14%
Children's, including toys	200	8%	207	8%
Footwear	181	7%	189	7%
Jewelry	167	7%	162	6%
Services and other	169	7%	180	7%
Total net sales	$ 2,439	100%	$ 2,584	100%

Credit income and other encompasses the revenue earned from the agreement with Synchrony Financial (Synchrony) associated with our private label credit card and co-branded MasterCard® programs.

The Company has contract liabilities associated with the sales of gift cards and our customer loyalty program.
The liabilities are included in Other accounts payable and accrued expenses in the unaudited Interim Consolidated Balance Sheets and were as follows:

(in millions)	May 4, 2019	May 5, 2018	February 2, 2019
Gift cards	$ 121	$ 124	$ 140
Loyalty rewards	61	71	60
Total contract liability	$ 182	$ 195	$ 200

Contract liability includes consideration received for gift card and loyalty related performance obligations which have not been satisfied as of a given date.

A rollforward of the amounts included in contract liability for the first three months of 2019 and 2018 are as follows:

(in millions)	2019	2018
Beginning balance	$ 200	$ 217
Current period gift cards sold and loyalty reward points earned	78	74
Net sales from amounts included in contract liability opening balances	(36)	(38)
Net sales from current period usage	(60)	(58)
Ending balance	$ 182	$ 195

6. Earnings/(Loss) per Share

Net income/(loss) and shares used to compute basic and diluted earnings/(loss) per share (EPS) are reconciled below:

	Three Months Ended	
(in millions, except per share data)	**May 4, 2019**	**May 5, 2018**
Earnings/(loss)		
Net income/(loss)	$ (154)	$ (78)
Shares		
Weighted average common shares outstanding (basic shares)	317.7	313.9
Adjustment for assumed dilution:		
Stock options, restricted stock awards and warrant	—	—
Weighted average shares assuming dilution (diluted shares)	317.7	313.9
EPS		
Basic	$ (0.48)	$ (0.25)
Diluted	$ (0.48)	$ (0.25)

The following average potential shares of common stock were excluded from the diluted EPS calculation because their effect would have been anti-dilutive:

	Three Months Ended	
(Shares in millions)	**May 4, 2019**	**May 5, 2018**
Stock options, restricted stock awards and warrant	22.5	29.3

7. Long-Term Debt

($ in millions)	**May 4, 2019**	**May 5, 2018**	**February 2, 2019**
Issue:			
8.125% Senior Notes Due 2019	$ 50	$ 50	$ 50
5.65% Senior Notes Due 2020 (1)	110	110	110
2017 Credit Facility (Matures in 2022)	118	351	—
2016 Term Loan Facility (Matures in 2023)	1,572	1,614	1,583
5.875% Senior Secured Notes Due 2023 (1)	500	500	500
7.125% Debentures Due 2023	10	10	10
8.625% Senior Secured Second Priority Notes Due 2025 (1)	400	400	400
6.9% Notes Due 2026	2	2	2
6.375% Senior Notes Due 2036 (1)	388	388	388
7.4% Debentures Due 2037	313	313	313
7.625% Notes Due 2097	500	500	500
Total debt	3,963	4,238	3,856
Unamortized debt issuance costs	(45)	(54)	(48)
Less: current maturities	(92)	(42)	(92)
Total long-term debt	$ 3,826	$ 4,142	$ 3,716

(1) These debt issuances contain a change of control provision that would obligate us, at the holders' option, to repurchase the debt at a price of 101%.

As of May 4, 2019, outstanding borrowings under our $2.35 billion senior secured asset-based revolving credit facility (2017 Credit Facility) were$118 million. All borrowings under the 2017 Credit Facility accrue interest at a rate equal to, at the Company's option, a base rate or an adjusted LIBOR rate plus a spread.

8. Derivative Financial Instruments

We use derivative financial instruments for hedging and non-trading purposes to manage our exposure to changes in interest rates. Use of derivative financial instruments in hedging programs subjects us to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative instrument will change. In a hedging relationship, the change in the value of the derivative is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to derivatives represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of our derivative financial instruments is used to measure interest to be paid or received and does not represent our exposure due to credit risk. Credit risk is monitored through established approval procedures, including setting concentration limits by counterparty, reviewing credit ratings and requiring collateral (generally cash) from the counterparty when appropriate.

When we use derivative financial instruments for the purpose of hedging our exposure to interest rates, the contract terms of a hedged instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria are recorded using hedge accounting. If a derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the instrument will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or be recognized in Accumulated other comprehensive income/(loss) until the hedged item is recognized in earnings. The ineffective portion of an instrument's change in fair value will be immediately recognized in earnings during the period. Instruments that do not meet the criteria for hedge accounting, or contracts for which we have not elected to apply hedge accounting, are valued at fair value with unrealized gains or losses reported in earnings during the period of change.

We are party to interest rate swap agreements with notional amounts totaling$1,250 million to fix a portion of our variable LIBOR-based interest payments. The interest rate swap agreements have a weighted-average fixed rate of 2.04%, mature on May 7, 2020 and have been designated as cash flow hedges. On September 4, 2018 we entered into additional forward interest rate swap agreements with notional amounts totaling $750 million to fix a portion of our variable LIBOR-based interest payments. The forward interest rate swap agreements have a weighted-average fixed rate of 3.135%, have an effective date from May 7, 2020 to May 7, 2025 and have been designated as cash flow hedges.

The fair value of our interest rate swaps are recorded in the unaudited Interim Consolidated Balance Sheets as an asset or a liability (see Note 10) based upon its change in fair values from its effective date. The effective portion of the interest rate swaps' changes in fair values is reported in Accumulated other comprehensive income/(loss) (see Note 11), and the ineffective portion is reported in Net income/(loss). Amounts in Accumulated other comprehensive income/(loss) are reclassified into Net income/(loss) when the related interest payments affect earnings. For the periods presented, all of the interest rate swaps were 100% effective.

Information regarding the gross amounts of our derivative instruments in the unaudited Interim Consolidated Balance Sheets is as follows:

	Asset Derivatives at Fair Value				Liability Derivatives at Fair Value			
($ in millions)	Balance Sheet Location	May 4, 2019	May 5, 2018	February 2, 2019	Balance Sheet Location	May 4, 2019	May 5, 2018	February 2, 2019
Derivatives designated as hedging instruments:								
Interest rate swaps	Prepaid expenses and other	$ 1	$ —	$ —	Other accounts payable and accrued expenses	$ —	$ —	$ —
Interest rate swaps	Other assets	6	16	10	Other liabilities	25	—	15
Total derivatives designated as hedging instruments		$ 7	$ 16	$ 10		$ 25	$ —	$ 15

9. Restructuring and Management Transition

In the first quarter of 2019, the Company finalized plans to close 18 full-line stores and9 ancillary home and furniture stores, further aligning the Company's brick-and-mortar presence with its omnichannel network, and enabling capital resources to be reallocated to locations and initiatives that offer the greatest long-term value potential. The planned store closures resulted in a $14 million asset impairment charge for store assets with limited future use and a$1 million severance charge for the expected displacement of store associates.

The components of Restructuring and management transition include:

- **Home office and stores**— charges for actions to reduce our store and home office expenses including employee termination benefits, store lease termination and impairment charges;
- **Management transition** — charges related to implementing changes within our management leadership team for both incoming and outgoing members of management; and
- **Other** — charges related primarily to contract termination costs and costs related to the closure of certain supply chain locations.

The composition of Restructuring and management transition charges was as follows:

	Three Months Ended		Cumulative Amount From Program Inception Through May 4, 2019
($ in millions)	May 4, 2019	May 5, 2018	
Home office and stores	$ 19	$ 7	$ 505
Management transition	1	—	265
Other	—	—	186
Total	$ 20	$ 7	$ 956

Activity for the Restructuring and management transition liability for the three months ended May 4, 2019 was as follows:

($ in millions)	Home Office and Stores	Other	Total
February 2, 2019	$ 16	$ 2	$ 18
ASC 842 (Leases) adoption (See Note 2)	(15)	—	(15)
Charges	6	1	7
Cash payments	(2)	(3)	(5)
May 4, 2019	$ 5	$ —	$ 5

10. Fair Value Disclosures

In determining fair value, the accounting standards establish a three level hierarchy for inputs used in measuring fair value, as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices in active markets for similar assets and liabilities, such as quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants.

Cash Flow Hedges Measured on a Recurring Basis
The fair value of our cash flow hedges are valued in the market using discounted cash flow techniques, which use quoted market interest rates in discounted cash flow calculations that consider the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative valuation for interest rate swaps are observable in the active markets and are classified as Level 2 in the fair value measurement hierarchy.

Other Non-Financial Assets Measured on a Non-Recurring Basis
In connection with the Company announcing its plan to close underperforming stores in 2019, long-lived assets held and used with a carrying value of $22 million were written down to their fair value of $8 million, resulting in asset impairment charges of $14 million in the first quarter of 2019. Additionally, in connection with the adoption of the new lease accounting standard, right-of-use assets of $58 million were written down to their fair value of $19 million. The fair value was determined based on comparable market values of similar properties or on a rental income approach and the significant inputs related to valuing the store related assets are classified as Level 2 in the fair value measurement hierarchy.

Other Financial Instruments
Carrying values and fair values of financial instruments that are not carried at fair value in the unaudited Interim Consolidated Balance Sheets are as follows:

	May 4, 2019		May 5, 2018		February 2, 2019	
($ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt, excluding unamortized debt issuance costs, finance leases and note payable	$ 3,963	$ 2,833	$ 4,238	$ 3,712	$ 3,856	$ 2,579

The fair value of long-term debt was estimated by obtaining quotes from brokers or was based on current rates offered for similar debt. As of May 4, 2019, May 5, 2018 and February 2, 2019, the fair values of cash and cash equivalents and accounts payable approximated their carrying values due to the short-term nature of these instruments.

Concentrations of Credit Risk
We have no significant concentrations of credit risk.

11. Accumulated Other Comprehensive Income/(Loss)

The following tables show the changes in accumulated other comprehensive income/(loss) balances for the three months ended May 4, 2019 and the three months ended May 5, 2018:

($ in millions)	Net Actuarial Gain/(Loss)	Prior Service Credit/(Cost)	Foreign Currency Translation	Gain/(Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Income/(Loss)
February 2, 2019	$ (290)	$ (22)	$ (1)	$ (15)	$ (328)
ASU 2018-02 (Stranded Taxes) adoption (See Note 2)	46	3	—	4	53
Other comprehensive income/(loss) before reclassifications	—	—	—	(11)	(11)
Amounts reclassified from accumulated other comprehensive income	—	2	—	(2)	—
May 4, 2019	$ (244)	$ (17)	$ (1)	$ (24)	$ (286)

($ in millions)	Net Actuarial Gain/(Loss)	Prior Service Credit/(Cost)	Foreign Currency Translation	Gain/(Loss) on Cash Flow Hedges	Accumulated Other Comprehensive Income/(Loss)
February 3, 2018	$ (330)	$ (26)	$ —	$ (4)	$ (360)
Other comprehensive income/(loss) before reclassifications	—	—	—	5	5
Amounts reclassified from accumulated other comprehensive income	—	1	—	—	1
May 5, 2018	$ (330)	$ (25)	$ —	$ 1	$ (354)

12. Retirement Benefit Plans

The components of net periodic pension expense/(income) for our non-contributory qualified defined benefit pension plan and supplemental pension plans were as follows:

	Three Months Ended	
($ in millions)	May 4, 2019	May 5, 2018
Service cost	$ 7	$ 9
Other components of net periodic pension cost/(income):		
Interest cost	33	35
Expected return on plan assets	(48)	(56)
Amortization of prior service cost/(credit)	2	2
	(13)	(19)
Net periodic pension expense/(income)	$ (6)	$ (10)

Service cost is included in SG&A in the unaudited Interim Consolidated Statements of Operations.

13. Real Estate and Other, Net

Real estate and other consists of ongoing operating income from our real estate subsidiaries. Real estate and other also includes net gains from the sale of facilities and equipment that are no longer used in operations, asset impairments, accruals for certain litigation and other non-operating charges and credits.

The composition of Real estate and other, net was as follows:

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Net gain from sale of operating assets	$ (4)	$ (17)
Other	(1)	(1)
Total expense/(income)	$ (5)	$ (18)

Net Gain from Sale of Operating Assets
During the first quarter of 2018, we completed the sale of our Milwaukee, Wisconsin distribution facility for a net sale price of $30 million and recognized a net gain of $12 million.

14. Income Taxes

The net tax expense of $1 million for the three months ended May 4, 2019 consisted of federal, state and foreign tax expenses of $2 million, $1 million of expense related to the deferred tax asset change arising from the tax amortization of indefinite-lived intangible assets and a $2 million benefit due to the release of valuation allowance.

As of May 4, 2019, we have approximately $2.2 billion of net operating losses (NOLs) available for U.S. federal income tax purposes, which largely expire in 2032 through 2034; $274 million of federal unused interest deductions that do not expire; and $69 million of tax credit carryforwards that expire at various dates through 2037. Additionally, we have state NOLs that are subject to various limitations and expiration dates beginning in 2019 through 2040 and are offset fully by valuation allowances. A valuation allowance of $576 million fully offsets the federal deferred tax assets resulting from the NOL, unused interest deductions and tax credit carryforwards that expire at various dates through 2037. A valuation allowance of $249 million fully offsets the deferred tax assets resulting from the state NOL carryforwards that expire at various dates through 2037. In assessing the need for the valuation allowance, we considered both positive and negative evidence related to the likelihood of realization of the deferred tax assets. As a result of our periodic assessment, our estimate of the realization of deferred tax assets is solely based on the future reversals of existing taxable temporary differences and tax planning strategies that we would make use of to accelerate taxable income to utilize expiring NOL and tax credit carryforwards. Accordingly, in the three months ended May 4, 2019, the valuation allowance net increase of $23 million consisted of $35 million to offset the net deferred tax assets created in the quarter primarily due to the increase in NOL carryforwards, $3 million which offsets the tax benefit attributable to the loss recorded in Other comprehensive income/(loss), offset by a $15 million benefit related to lease accounting.

15. Litigation and Other Contingencies

Litigation

Shareholder Derivative Litigation

On October 19, 2018, a shareholder of the Company, Juan Rojas, filed a shareholder derivative action against certain present and former members of the Company's Board of Directors in the Delaware Court of Chancery. The Company is named as a nominal defendant. The lawsuit asserts claims for breaches of fiduciary duties based on alleged failures to prevent the Company from engaging in allegedly unlawful promotional pricing practices. While no assurance can be given as to the ultimate outcome of this matter, we believe that the final resolution of this action will not have a material adverse effect on our results of operations, financial position, liquidity or capital resources.

Other Legal Proceedings

We are subject to various other legal and governmental proceedings involving routine litigation incidental to our business. Accruals have been established based on our best estimates of our potential liability in certain of these matters, which we believe aggregate to an amount that is not material to the Consolidated Financial Statements. These estimates were developed in consultation with in-house and outside counsel. While no assurance can be given as to the ultimate outcome of these matters, we currently believe that the final resolution of these actions, individually or in the aggregate, will not have a material adverse effect on our results of operations, financial position, liquidity or capital resources.

Contingencies

As of May 4, 2019, we have an estimated accrual of $19 million related to potential environmental liabilities that is recorded in Other accounts payable and accrued expenses and Other liabilities in the unaudited Interim Consolidated Balance Sheet. This estimate covered potential liabilities primarily related to underground storage tanks and remediation of environmental conditions involving our former drugstore locations. We continue to assess required remediation and the adequacy of environmental reserves as new information becomes available and known conditions are further delineated. If we were to incur losses at the estimated amount, we do not believe that such losses would have a material effect on our financial condition, results of operations, liquidity or capital resources.

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 "we," "us," "our," "ourselves" or the "Company," unless otherwise indicated.

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

This discussion is intended to provide information that will assist the reader in understanding our 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 our Company as a whole, as well as how certain accounting principles affect the financial statements. It should be read in conjunction with our consolidated financial statements as of February 2, 2019, 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 fiscal year ended February 2, 2019 (2018 Form 10-K). Unless otherwise indicated, all references to earnings/(loss) per share (EPS) are on a diluted basis and all references to years relate to fiscal years rather than to calendar years.

Current Initiatives

With the development of a new senior leadership team, management is in the process of reassessing strategies and evaluating the transformational needs of the business. Our immediate actions to reestablish the fundamentals of retail include the following initiatives:

- Reducing and enhancing our inventory position;
- Strengthening our integrated omnichannel strategy;
- Redesigning and improving core store processes;
- Improving our shrink results; and
- Revamping our merchandise assortments and strategies.

First, we are continuing our efforts to reduce and enhance our inventory position. For the first quarter of 2019, inventory was reduced by 16% and we have increased our sell through rates within all of our merchandise divisions.

Second, we are continuing to strengthen our integrated omnichannel strategy to return to growth in our digital channels, in a sustainable and profitable way. In the first quarter of 2019, we removed over 300,000 units of unproductive and unprofitable vendor fulfilled merchandise from our website, with almost no impact to our online sales profitability.

Third, we are redesigning and improving core store processes while implementing enhanced technology tools to better equip our store associates to deliver on our customers' expectations. In the first quarter of 2019, we launched a new checkout process to streamline tasks and enhance the customer experience, which is translating into a quicker checkout time for our customers. We are also in the process of testing in select stores a new centralized pick-up and returns process with plans to expand the concept to approximately 500 stores during the second quarter of 2019.

Fourth, we are taking immediate action to improve our shrink results. We have made technology investments and staffing adjustments which have shown improvements in our inventory shrink results during the first quarter of 2019.

Lastly, we will continue to revamp and rethink our merchandise assortments and strategies. In the first quarter of 2019, we discontinued selling major appliances in an effort to improve financial performance and refocus on our legacy strengths in apparel and soft home as well as other profitable growth opportunities. We are also leveraging our best-in-class global sourcing and design organization across our product spectrum to enhance the style and quality we deliver, but also to improve profitability within our assortment.

First Quarter Overview

- Total net sales were $2,439 million with a total net sales decrease of 5.6% compared to the first quarter of 2018 and a comparable store sales decrease of 5.5%.

- Credit income and other was $116 million compared to $87 million in last year's first quarter. The increase was due to increased gain share resulting from improved performance of the credit portfolio.

- Cost of goods sold, which excludes depreciation and amortization, as a percentage of Total net sales increased to 66.8% compared to 66.3% in the same period last year. The increase as a rate of sales was primarily driven by the negative impact from the liquidation of major appliance and furniture floor model inventory, offset partially by an improvement in both store and online non-clearance selling margins.

- Selling, general and administrative (SG&A) expenses as a percentage of Total net sales increased to 35.1% for the first quarter of 2019 as compared to 32.0% for the same period last year. Last year, SG&A included approximately $40 million in expense offsets related to the sale of a leasehold interest as well as the reversal of previously accrued risk insurance reserves. Additionally, due to the implementation of the new lease accounting standard, approximately $5 million in expenses for the first quarter related to the Company's home office lease, which were previously classified as interest and depreciation, are now included in SG&A.

- Our net loss was $154 million, or ($0.48) per share, compared to a net loss of $78 million, or ($0.25) per share, for the corresponding prior year quarter. Results for this quarter included the following amounts that are not directly related to our ongoing core business operations:

    - $20 million, or ($0.06) per share, of restructuring and management transition charges; and
    - $13 million, or $0.04 per share, for other components of net periodic pension income.

- Adjusted net loss (non-GAAP) was $147 million, or ($0.46) per share, compared to an adjusted net loss (non-GAAP) of $69 million, or ($0.22) per share, in last year's first quarter. See the reconciliation of net income/(loss) and diluted EPS, the most directly comparable generally accepted accounting principles (GAAP) financial measures, to adjusted net income/(loss) (non-GAAP) and adjusted diluted EPS (non-GAAP) on page 26.

- Adjusted earnings before interest expense, income tax (benefit)/expense and depreciation and amortization (Adjusted EBITDA) (non-GAAP) was $74 million, a $77 million decline from the same period last year. See the reconciliation of net income/(loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA (non-GAAP) on page 25.

- Effective April 8, 2019, the Board of Directors elected Bill Wafford as Chief Financial Officer of the Company.

Results of Operations

($ in millions, except EPS)	Three Months Ended May 4, 2019	Three Months Ended May 5, 2018
Total net sales	$ 2,439	$ 2,584
Credit income and other	116	87
Total revenues	2,555	2,671
Total net sales increase/(decrease) from prior year	(5.6)%	(4.3)%
Comparable store sales increase/(decrease) (1)	(5.5)%	0.2 %
Costs and expenses/(income):		
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,630	1,712
Selling, general and administrative	856	826
Depreciation and amortization	147	141
Real estate and other, net	(5)	(18)
Restructuring and management transition	20	7
Total costs and expenses	2,648	2,668
Operating income/(loss)	(93)	3
Other components of net periodic pension cost/(income)	(13)	(19)
(Gain)/loss on extinguishment of debt	—	23
Net interest expense	73	78
Income/(loss) before income taxes	(153)	(79)
Income tax expense/(benefit)	1	(1)
Net income/(loss)	$ (154)	$ (78)
Adjusted EBITDA (non-GAAP) (2)	$ 74	$ 151
Adjusted net income/(loss) (non-GAAP) (2)	$ (147)	$ (69)
Diluted EPS	$ (0.48)	$ (0.25)
Adjusted diluted EPS (non-GAAP) (2)	$ (0.46)	$ (0.22)
Ratios as a percent of total net sales:		
Cost of goods sold	66.8 %	66.3 %
SG&A	35.1 %	32.0 %
Operating income/(loss)	(3.8)%	0.1 %

(1) Comparable store sales are presented on a 52-week basis and include sales from all stores, including sales from services, that have been open for 12 consecutive full fiscal months and Internet sales. Stores closed for an extended period are not included in comparable store sales calculations, while stores remodeled and minor expansions not requiring store closure remain in the calculations. Certain items, such as sales return estimates and store liquidation sales, are excluded from the Company's calculation. Our definition and calculation of comparable store sales may differ from other companies in the retail industry.

(2) See "Non-GAAP Financial Measures" for a discussion of this non-GAAP measure and reconciliation to its most directly comparable GAAP financial measure and further information on its uses and limitations.

Total Net Sales

($ in millions)	Three Months Ended May 4, 2019	Three Months Ended May 5, 2018
Total net sales	$ 2,439	$ 2,584
Sales percent increase/(decrease):		
Total net sales	(5.6)%	(4.3)%
Comparable store sales	(5.5)%	0.2 %

Total net sales decreased $145 million in the first quarter of 2019 compared to the first quarter of 2018.

The following table provides the components of the net sales increase/(decrease):

($ in millions)	Three Months Ended May 4, 2019
Comparable store sales increase/(decrease)	$ (138)
Closed stores and other	(7)
Total net sales increase/(decrease)	$ (145)

As our omnichannel strategy continues to evolve, it is increasingly difficult to distinguish between a store sale and an Internet sale. Because we no longer have a clear distinction between store sales and Internet sales, we do not separately report Internet sales. Below is a list of some of our omnichannel activities:

- Stores increase Internet sales by providing customers opportunities to view, touch and/or try on physical merchandise before ordering online.
- Our website increases store sales as in-store customers have often pre-shopped online before shopping in the store, including verification of which stores have online merchandise in stock.
- Most Internet purchases are easily returned in our stores.
- JCPenney Rewards can be earned and redeemed online or in stores.
- In-store customers can order from our website with the assistance of associates in our stores or they can shop our website from the JCPenney app while inside the store.
- Customers who utilize the JCPenney app can receive mobile coupons to use when they check out both online or in our stores.
- Internet orders can be shipped from a dedicated jcpenney.com fulfillment center, a store, a store merchandise distribution center, a regional warehouse, directly from vendors or any combination of the above.
- Certain categories of store inventory can be accessed and purchased by jcpenney.com customers and shipped directly to the customer's home from the store.
- Internet orders can be shipped to stores for customer pick up.
- "Buy online and pick up in store same day" is available in all of our stores.

For the first quarter of 2019, units per transaction and average unit retail increased, while transaction counts decreased as compared to last year.

For the first quarter of 2019, our merchandise divisions that outperformed the total Company sales performance were Jewelry, Children's, Women's Apparel and Men's on a comparable store basis. Geographically, the Midwest and Northeast were the best performing regions of the country during the first quarter.

During the first quarters of 2019 and 2018, private brand merchandise comprised 45% and 48% of total merchandise sales, respectively. Exclusive brand merchandise comprised 7% of total merchandise sales in each of the first quarters of 2019 and 2018.

Store Count

The following table compares the number of stores for the three months ended May 4, 2019 and May 5, 2018:

	Three Months Ended	
	May 4, 2019	May 5, 2018
JCPenney department stores		
Beginning of period	864	872
Closed stores	(3)	(1)
End of period [1]	861	871

(1) Gross selling space, including selling space allocated to services and licensed departments, was 95 million square feet as of May 4, 2019 and May 5, 2018.

Credit Income and Other

Our private label credit card and co-branded MasterCard® programs are owned and serviced by Synchrony Financial (Synchrony). Under our agreement, we receive cash payments from Synchrony based upon the performance of the credit card portfolios. We participate in the programs by providing marketing promotions designed to increase the use of each card, including enhanced marketing offers for cardholders. Additionally, we accept payments in our stores from cardholders who prefer to pay in person when they are shopping in our locations. For the first quarters of 2019 and 2018, we recognized income of $116 million and $87 million, respectively, pursuant to our agreement with Synchrony. The increase for the three month period is due to increased income share resulting from the improved performance of the credit card portfolio.

Cost of Goods Sold

Cost of goods sold, exclusive of depreciation and amortization, for the three months ended May 4, 2019 was $1,630 million, a decrease of $82 million compared to $1,712 million for the three months ended May 5, 2018. Cost of goods sold as a percentage of Total net sales was 66.8% for the three months ended May 4, 2019 compared to 66.3% for the three months ended May 5, 2018, an increase of 50 basis points. The increase as a rate of sales for the three month period was primarily driven by the negative impact from the liquidation of major appliance and furniture floor model inventory, offset partially by an improvement in both store and online non-clearance selling margins.

SG&A Expenses

For the three months ended May 4, 2019, SG&A expenses were $856 million compared to $826 million in the corresponding period of 2018. SG&A expenses as a percent of Total net sales for the first quarter of 2019 increased to 35.1% compared to 32.0% in the first quarter of 2018. Last year, SG&A included approximately $40 million in expense offsets related to the sale of a leasehold interest as well as the reversal of previously accrued risk insurance reserves. Additionally, due to the implementation of the new lease accounting standard, approximately $5 million in expenses in the first quarter related to the Company's home office lease, which were previously classified as interest and depreciation, are now included in SG&A.

Depreciation and Amortization Expense

Depreciation and amortization expense was $147 million and $141 million for the three months ended May 4, 2019 and May 5, 2018, respectively.

Restructuring and Management Transition

The composition of Restructuring and management transition charges was as follows:

	Three Months Ended	
($ in millions)	May 4, 2019	May 5, 2018
Home office and stores	$ 19	$ 7
Management transition	1	—
Other	—	—
Total	$ 20	$ 7

During the three months ended May 4, 2019 and May 5, 2018, we recorded $19 million and $7 million, respectively, of costs to reduce our store and home office expenses. Costs during the first three months of 2019 include store impairments related to announced store closures of $14 million, employee termination benefits of $4 million and store related closing costs of $1 million.

Real Estate and Other, Net

Real estate and other consists of ongoing operating income from our real estate subsidiaries. Real estate and other also includes net gains from the sale of facilities and equipment that are no longer used in operations, asset impairments, accruals for certain litigation and other non-operating charges and credits.

The composition of Real estate and other, net was as follows:

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Net gain from sale of operating assets	$ (4)	$ (17)
Other	(1)	(1)
Total expense/(income)	$ (5)	$ (18)

During the first quarter of 2018, we completed the sale of our Milwaukee, Wisconsin distribution facility for a net sale price of $30 million and recognized a net gain of $12 million.

Operating Income/(Loss)

For the first quarter of 2019, we reported an operating loss of $93 million compared to operating income of $3 million in the first quarter of 2018.

Other Components of Net Periodic Pension Cost/(Income)

Other components of net periodic pension cost/(income) was $(13) million and $(19) million for the three months ended May 4, 2019 and May 5, 2018, respectively.

(Gain)/Loss on Extinguishment of Debt

During the first quarter of 2018, we settled cash tender offers with respect to portions of our outstanding 8.125% Senior Notes Due 2019 (2019 Notes) and 5.65% Senior Notes Due 2020 (2020 Notes), resulting in a loss on extinguishment of debt of $23 million.

Net Interest Expense

Net interest expense for the first quarter of 2019 was $73 million compared to $78 million in the first quarter of 2018. The reduction in net interest expense is primarily due to the change in presentation of lease costs related to the home office.

Income Taxes

The net tax expense of $1 million for the three months ended May 4, 2019 consisted of federal, state and foreign tax expenses of $2 million, $1 million of expense related to the deferred tax asset change arising from the tax amortization of indefinite-lived intangible assets and a $2 million benefit due to the release of valuation allowance.

As of May 4, 2019, we have approximately $2.2 billion of net operating losses (NOLs) available for U.S. federal income tax purposes, which largely expire in 2032 through 2034; $274 million of federal unused interest deductions that do not expire; and $69 million of tax credit carryforwards that expire at various dates through 2037. A valuation allowance of $576 million fully offsets the federal deferred tax assets resulting from the NOL, unused interest deductions and tax credit carryforwards that expire at various dates through 2037. Additionally, we have state NOLs that are subject to various limitations and expiration dates beginning in 2019 through 2040 and are offset fully by valuation allowances. A valuation allowance of $249 million fully offsets the deferred tax assets resulting from the state NOL carryforwards that expire at various dates through 2037. In assessing the need for the valuation allowance, we considered both positive and negative evidence related to the likelihood of realization of the deferred tax assets. As a result of our periodic assessment, our estimate of the realization of deferred tax assets is solely based on the future reversals of existing taxable temporary differences and tax planning strategies that we would make use of to accelerate taxable income to utilize expiring NOL and tax credit carryforwards. Accordingly, in the three months ended May 4, 2019, the valuation allowance net increase of $23 million consisted of $35 million to offset the net deferred tax assets created in the quarter primarily due to the increase in NOL carryforwards, $3 million which offsets the tax benefit attributable to the loss recorded in Other comprehensive income/(loss), offset by a$15 million benefit related to lease accounting.

Non-GAAP Financial Measures

We report our financial information in accordance with GAAP. However, we present certain financial measures identified as non-GAAP under the rules of the Securities and Exchange Commission (SEC) to assess our results. We believe the presentation of these non-GAAP financial measures is useful in order to better understand our financial performance as well as to facilitate the comparison of our results to the results of our peer companies. In addition, management uses these non-GAAP financial measures to assess the results of our operations. It is important to view non-GAAP financial measures in addition to, rather than as a substitute for, those measures prepared in accordance with GAAP. We have provided reconciliations of the most directly comparable GAAP measures to our non-GAAP financial measures presented.

The following non-GAAP financial measures are adjusted to exclude restructuring and management transition charges, other components of net periodic pension cost/(income), the (gain)/loss on extinguishment of debt and the tax impact for the allocation of income taxes to other comprehensive income items related to our pension plans and interest rate swaps. Unlike other operating expenses, restructuring and management transition charges, other components of net periodic pension cost/(income), the (gain)/loss on extinguishment of debt and the tax impact for the allocation of income taxes to other comprehensive income items related to our pension plans and interest rate swaps are not directly related to our ongoing core business operations, which consist of selling merchandise and services to consumers through our department stores and our website at jcpenney.com. Further, our non-GAAP adjustments are for non-operating associated activities such as closed store impairments included in restructuring and management transition charges. Additionally, other components of net periodic pension cost/(income) is determined using numerous complex assumptions about changes in pension assets and liabilities that are subject to factors beyond our control, such as market volatility. We believe it is useful for investors to understand the impact of restructuring and management transition charges, other components of net periodic pension cost/(income), the (gain)/loss on extinguishment of debt and the tax impact for the allocation of income taxes to other comprehensive income items related to our pension plans and interest rate swaps on our financial results and therefore are presenting the following non-GAAP financial measures: (1) adjusted EBITDA; (2) adjusted net income/(loss); and (3) adjusted earnings/(loss) per share-diluted.

Adjusted EBITDA. The following table reconciles net income/(loss), the most directly comparable GAAP measure, to adjusted EBITDA, which is a non-GAAP financial measure:

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Net income/(loss)	$ (154)	$ (78)
Add: Net interest expense	73	78
Add: (Gain)/loss on extinguishment of debt	—	23
Add: Income tax expense/(benefit)	1	(1)
Add: Depreciation and amortization	147	141
Add: Restructuring and management transition charges	20	7
Add: Other components of net periodic pension cost/(income)	(13)	(19)
Adjusted EBITDA (non-GAAP)	$ 74	$ 151

Adjusted Net Income/(Loss) and Adjusted Diluted EPS. The following table reconciles net income/(loss) and diluted EPS, the most directly comparable GAAP financial measures, to adjusted net income/(loss) and adjusted diluted EPS, which are non-GAAP financial measures:

($ in millions, except per share data)	Three Months Ended May 4, 2019	Three Months Ended May 5, 2018
Net income/(loss)	$ (154)	$ (78)
Diluted EPS	$ (0.48)	$ (0.25)
Add: Restructuring and management transition charges [1]	20	7
Add: Other components of net periodic pension cost/(income) [1]	(13)	(19)
Add: (Gain)/loss on extinguishment of debt [1]	—	23
Less: Tax impact resulting from other comprehensive income allocation[2]	—	(2)
Adjusted net income/(loss) (non-GAAP)	$ (147)	$ (69)
Adjusted diluted EPS (non-GAAP)	$ (0.46)	$ (0.22)

(1) Adjustments reflect no tax effect due to the impact of the Company's tax valuation allowance.
(2) Represents the net tax benefit that resulted from our other comprehensive income allocation between our Operating loss and Accumulated other comprehensive income.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash generated from operations, available cash and cash equivalents and access to our revolving credit facility. Our cash flows may be impacted by many factors including the economic environment, consumer confidence, competitive conditions in the retail industry and the success of our strategies. We ended the first quarter of 2019 with $171 million of cash and cash equivalents. As of the end of the first quarter of 2019, based on our borrowing base, our current borrowings and amounts reserved for outstanding letters of credit, we had $1,556 million available for future borrowings under our revolving credit facility, providing total available liquidity of $1,727 million.

The following table provides a summary of our key components and ratios of financial condition and liquidity:

($ in millions)	Three Months Ended May 4, 2019	Three Months Ended May 5, 2018
Cash and cash equivalents	$ 171	$ 181
Merchandise inventory	2,477	2,948
Property and equipment, net	3,669	4,200
Total debt [1]	3,918	4,184
Stockholders' equity	1,034	1,315
Total capital	4,952	5,499
Maximum capacity under our Revolving Credit Facility	2,350	2,350
Cash flow from operating activities	(205)	(354)
Free cash flow (non-GAAP) [2]	(268)	(421)
Capital expenditures [3]	71	106
Ratios:		
Total debt-to-total capital [4]	79%	76%
Cash-to-total debt [5]	4%	4%

(1) Includes long-term debt, net of unamortized debt issuance costs, including current maturities and any borrowings under our revolving credit facility.

(2) *See "Free Cash Flow" below for a reconciliation of this non-GAAP financial measure to its most directly comparable GAAP financial measure and further information on its uses and limitations.*
(3) *As of the end of the first quarters of 2019 and 2018, we had accrued capital expenditures of $25 million and $42 million, respectively.*
(4) *Total debt and other financing obligations divided by total capital.*
(5) *Cash and cash equivalents divided by total debt and other financing obligations.*

Free Cash Flow (Non-GAAP)
Free cash flow is a key financial measure of our ability to generate additional cash from operating our business and in evaluating our financial performance. We define free cash flow as cash flow from operating activities, less capital expenditures plus the proceeds from the sale of operating assets. Free cash flow is a relevant indicator of our ability to repay maturing debt, revise our dividend policy or fund other uses of capital that we believe will enhance stockholder value. Free cash flow is considered a non-GAAP financial measure under the rules of the SEC. Free cash flow is limited and does not represent remaining cash flow available for discretionary expenditures due to the fact that the measure does not deduct payments required for debt maturities, payments made for business acquisitions or required pension contributions, if any. Therefore, it is important to view free cash flow in addition to, rather than as a substitute for, our entire statement of cash flows and those measures prepared in accordance with GAAP.

The following table sets forth a reconciliation of net cash provided by/(used in) operating activities, the most directly comparable GAAP financial measure, to free cash flow, a non-GAAP financial measure, as well as information regarding net cash provided by/(used in) investing activities and net cash provided by/(used in) financing activities:

	Three Months Ended	
($ in millions)	**May 4, 2019**	**May 5, 2018**
Net cash provided by/(used in) operating activities (GAAP)	$ (205)	$ (354)
Add:		
Proceeds from sale of operating assets	8	39
Less:		
Capital expenditures (1)	(71)	(106)
Free cash flow (non-GAAP)	$ (268)	$ (421)
Net cash provided by/(used in) investing activities (2)	$ (63)	$ (67)
Net cash provided by/(used in) financing activities	$ 106	$ 144

(1) *As of the end of the first quarters of 2019 and 2018, we had accrued capital expenditures of $25 million and $42 million, respectively.*
(2) *Net cash provided by investing activities includes capital expenditures and proceeds from sale of operating assets, which are also included in our computation of free cash flow.*

Operating Activities
While a significant portion of our sales, profit and operating cash flows have historically been realized in the fourth quarter, our quarterly results of operations may fluctuate significantly as a result of many factors, including seasonal fluctuations in customer demand, product offerings, inventory levels and promotional activity.

Cash flows from operating activities for the three months ended May 4, 2019 improved $149 million to an outflow of $205 million compared to an outflow of $354 million for the same period in 2018. Cash flows used in operating activities were lower than the prior year period primarily due to lower levels of inventory purchases.

Cash flows from operating activities for the first three months of 2019 and 2018 also included construction allowances from landlords of $4 million and $3 million, respectively, which funded a portion of our capital expenditures in investing activities.

Merchandise inventory decreased $471 million, or 16.0%, to $2,477 million as of the end of the first quarter of 2019 compared to $2,948 million as of the end of the first quarter of 2018 and increased $40 million from year-end 2018. Merchandise accounts payable decreased $91 million as of the end of the first quarter of 2019 compared to the corresponding prior year period and decreased $5 million from year end 2018.

Investing Activities
Investing activities for the three months ended May 4, 2019 resulted in cash outflows of $63 million compared to outflows of $67 million for the same three month period of 2018.

Cash capital expenditures were $71 million for the three months ended May 4, 2019 and were $106 million for the three months ended May 5, 2018. In addition, as of the end of the first quarters of 2019 and 2018, we had $25 million and $42 million, respectively, of accrued capital expenditures. Through the first three months of 2019, capital expenditures related primarily to investments in our store environment and store facility improvements and investments in information technology in both our home office and stores. We received construction allowances from landlords of $4 million in the first three months of 2019 to fund a portion of the capital expenditures related to store leasehold improvements. These funds are classified as operating activities and have been recorded as a reduction of operating lease assets in the unaudited Interim Consolidated Balance Sheets.

For the three months ended May 5, 2018, capital expenditures related primarily to investments in our store environment and store facility improvements, including investments in 13 new Sephora inside JCPenney stores and investments in information technology in both our home office and stores. We received construction allowances from landlords of $3 million in the first three months of 2018.

Full year 2019 capital expenditures are expected to be approximately $300 million to $325 million net of construction allowances from landlords. Capital expenditures for the remainder of 2019 include accrued expenditures of $25 million at the end of the first quarter.

Financing Activities
Financing activities for the three months ended May 4, 2019 resulted in an inflow of $106 million compared to an inflow of $144 million for the same period last year. During the first three months of 2019, we had net credit facility borrowings of $118 million and we paid $11 million in required principal payments on outstanding debt and $1 million in required payments on our finance leases and note payable.

During the first quarter of 2018, we issued $400 million aggregate principal amount of senior secured second priority notes due 2025 and incurred $7 million in related issuance costs, paid $395 million to settle cash tender offers with respect to portions of our outstanding 2019 Notes and 2020 Notes and had net credit facility borrowings of $351 million. Additionally, we paid $190 million to retire outstanding debt at maturity, paid $11 million in required principal payments on outstanding debt and $2 million in required payments on our finance leases and note payable.

Free Cash Flow
Free cash flow for the three months ended May 4, 2019 improved $153 million to an outflow of $268 million compared to an outflow of $421 million in the same period last year. The year-over-year improvement was primarily due to lower capital expenditures and a decrease in the volume of inventory purchases.

Cash Flow Outlook
For the remainder of 2019, we believe that our existing liquidity will be adequate to fund our capital expenditures and working capital needs; however, in accordance with our long-term financing strategy, we may access the capital markets opportunistically. We believe that our current financial position will provide us the financial flexibility to support our current initiatives.

Credit Ratings

Our credit ratings and outlook as of May 24, 2019 from various credit rating agencies were as follows:

	Corporate	Outlook
Fitch Ratings	B-	Stable
Moody’s Investors Service, Inc.	B3	Stable
Standard & Poor’s Ratings Services	CCC+	Negative

Credit rating agencies periodically review our capital structure and the quality and stability of our earnings. Rating agencies consider, among other things, changes in operating performance, comparable store sales, the economic environment, conditions in the retail industry, financial leverage and changes in our business strategy in their rating decisions. Downgrades to our long-term credit ratings could result in reduced access to the credit and capital markets and higher interest costs on future financings.

Contractual Obligations and Commitments
Aggregate information about our obligations and commitments to make future payments under contractual or contingent arrangements was disclosed in the 2018 Form 10-K.

Impact of Inflation, Deflation and Changing Prices
We have experienced inflation and deflation related to our purchase of certain commodity products. We do not believe that changing prices for commodities have had a material effect on our Net Sales or results of operations. Although we cannot precisely determine the overall effect of inflation and deflation on operations, we do not believe inflation and deflation have had a material effect on our financial condition or results of operations.

With a sizable portion of our private and national branded apparel sourced from China, we are exposed to potential increases in product costs which may result from increased tariffs imposed by the U.S. government in connection with its trade disputes with China. We expect a minimal impact on our product costs based on the current tariffs that are in effect and have taken actions to diversify our sourcing operations. However, we can expect a more meaningful increase to our product costs if potential additional tariffs go into effect on all Chinese imports and specifically apparel and footwear.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Notes 2 and 3 to the unaudited Interim Consolidated Financial Statements.

Seasonality

While a significant portion of our sales, profit and operating cash flows have historically been realized in the fiscal fourth quarter, our quarterly results of operations may fluctuate significantly as a result of many factors, including seasonal fluctuations in customer demand, product offerings, inventory levels and our promotional activity. The results of operations and cash flows for the three months ended May 4, 2019 are not necessarily indicative of the results for future quarters or the entire year.

Cautionary Statement Regarding Forward-Looking Statements

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect our current view of future events and financial performance. Words such as "expect" and similar expressions identify forward-looking statements, which include, but are not limited to, statements regarding sales, cost of goods sold, selling, general and administrative expenses, earnings, cash flows and liquidity. Forward-looking statements are based only on the Company's current assumptions and views of future events and financial performance. They are subject to known and unknown risks and uncertainties, many of which are outside of the Company's control, that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, general economic conditions, including inflation, recession, unemployment levels, consumer confidence and spending patterns, credit availability and debt levels, changes in store traffic trends, the cost of goods, more stringent or costly payment terms and/or the decision by a significant number of vendors not to sell us merchandise on a timely basis or at all, trade restrictions, the ability to monetize non-core assets on acceptable terms, the ability to implement our strategic plan including our omnichannel initiatives, customer acceptance of our strategies, our ability to attract, motivate and retain key executives and other associates, the impact of cost reduction initiatives, our ability to generate or maintain liquidity, implementation of new systems and platforms, changes in tariff, freight and shipping rates, changes in the cost of fuel and other energy and transportation costs, disruptions and congestion at ports through which we import goods, increases in wage and benefit costs, competition and retail industry consolidations, interest rate fluctuations, dollar and other currency valuations, the impact of weather conditions, risks associated with war, an act of terrorism or pandemic, the ability of the federal government to fund and conduct its operations, a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, legal and regulatory proceedings and the Company’s ability to access the debt or equity markets on favorable terms or at all. There can be no assurances that the Company will achieve expected results, and actual results may be materially less than expectations. While we believe that our assumptions are reasonable, we caution that it is impossible to predict the degree to which any such factors could cause actual results to differ materially from predicted results. We intend the forward-looking statements in this Quarterly Report on Form 10-Q to speak only as of the date of this report and do not undertake to update or revise projections as more information becomes available.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the normal course of business due to changes in interest rates. Our market risks related to interest rates at May 4, 2019 are similar to those disclosed in the 2018 Form 10-K.

Item 4. Controls and Procedures

Based on their evaluation of our 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, our principal executive officer and principal financial officer concluded our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

In conjunction with the adoption of ASC Topic 842, *Leases (Topic 842), a replacement of Leases (Topic 840) and updated by various targeted improvements*, the Company enhanced its use of its lease accounting system and modified certain lease accounting processes. This resulted in a material change in a component of the Company's internal control over financial reporting. The operating effectiveness of these process changes will be evaluated as part of the Company's annual assessment of the effectiveness of internal controls over financial reporting.

Except as noted above, there were no changes in our internal control over financial reporting during the first quarter ended May 4, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The matters under the caption "Litigation" in Note 15 of the Notes to the unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q are incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth under Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

Item 6. Exhibits

Exhibit Index

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed (†) Herewith (as indicated)
		Form	SEC File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation of J. C. Penney Company, Inc., as amended to May 20, 2011	10-Q	001-15274	3.1	6/8/2011	
3.2	J. C. Penney Company, Inc. Bylaws, as amended to July 20, 2016	8-K	001-15274	3.1	7/21/2016	
3.3	Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock	8-K	001-15274	3.1	8/22/2013	
10.1	Letter Agreement dated March 25, 2019 between J. C. Penney Company, Inc. and Bill Wafford	8-K	001-15274	10.1	3/26/2019	
10.2	Letter Agreement dated April 15, 2019 between J. C. Penney Company, Inc. and Steve Whaley	8-K	001-15274	10.1	4/18/2019	
10.3	Form of Termination Pay Agreement	8-K	001-15274	10.2	4/18/2019	
10.4	Form of Notice of Cash-Settled Restricted Unit Grant under the J. C. Penney Corporation, Inc. Management Incentive Compensation Program					†
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					†
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					†
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					†
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					†
101.INS	XBRL Instance Document					†
101.SCH	XBRL Taxonomy Extension Schema Document					†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					†
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					†

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/ Steve Whaley

Steve Whaley
Senior Vice President, Principal Accounting Officer and Controller
(Principal Accounting Officer)

Date: May 29, 2019

Exhibit 10.4

JCPenney **Notice of Cash-Settle Restricted Unit Grant**

Name [Participant Name]	Employee ID [Employee ID]
Date of Grant [Grant Date]	Number of Cash-Settled Units Granted [Shares Granted]

You have been granted the number of Cash Settled Restricted Stock Units ("CRUs") listed above in recognition of your expected future contributions to the success of J. C. Penney Company, Inc. ("Company"). This grant is subject to all of the terms, rules and conditions of the J. C. Penney Corporation, Inc. Management Incentive Compensation Program, effective January 29, 2017 (the "MIP"). Your CRUs give you the opportunity to receive units whose value is determined by reference to the price of J. C. Penney Company, Inc. Common Stock of USD 0.50 par value ("Common Stock") over a 3-year period. Your CRUs will fully vest on the third anniversary of the Date of Grant above, at which time the value of your CRUs will be distributed in cash to your Fidelity Account. While the value of your CRUs will be determined by reference to the value of a share of Common Stock, you will not have any rights as a stockholder of J. C. Penney Company, Inc. (the "Company").

This overview will provide you with basic information on how your CRU Award works and how to calculate your individual award. If anything in this document conflicts with the terms of the MIP, the MIP will control. For purposes of this overview, "Employer" means the entity (J. C. Penney Corporation, Inc. (the "Corporation") or any Subsidiary) that employs you on the applicable date. Capitalized terms not defined in this overview will have the meaning prescribed to them in the MIP, unless the context clearly indicates to the contrary.

How does a CRU work?

Your CRUs can be explained as a 3-step process:

Step 1: The number of CRUs that you will receive is calculated by dividing your equity award dollar value by the closing price of a share of Common Stock on the Date of Grant.

Step 2: On March 5, 2022 (the "Vest Date"), the value of the CRUs you received is determined by multiplying the number of CRUs determined under **Step 1** by (i) the average of the closing price of a share of Common Stock for the last 5 trading days prior to and including the Vest Date, or (ii) three (3) times the closing price of a share of Common Stock on the Date of Grant, whichever is less. For purposes of this CRU Award, "trading day" will mean any day on which the Common Stock trades on the New York Stock Exchange.

Step 3: Cash equal to the value calculated in **Step 2** less applicable taxes and deferrals, if any, under the Savings Plan, Safe Harbor Plan, or the Mirror Savings Plan will be distributed to your Fidelity Account no later than June 1, 2022.

How do I vest in the CRU Award?

Your CRU Award will vest on the Vest Date, provided you remain continuously employed by the Corporation or a Subsidiary through the Vest Date.

What happens if my Employment with the Corporation or a Subsidiary terminates before the Vest Date?

If your employment with the Corporation or any Subsidiary terminates due to Retirement, Disability, death, job restructuring, reduction in force, mutual consent or unit closing prior to the Vest Date, your CRUs will vest on a pro-rata basis. The pro-rata number of CRUs that will vest will be determined by multiplying the number of CRUs that you received, as determined in **Step 1** above, by a fraction, the numerator of which is the number of months from the date of the award to the effective date of your Employment termination described above, inclusive, and the denominator of which is 36. The value of the prorated number of CRUs to which you are entitled will be distributed to you based on the value of your CRUs as of the Vest Date, determined under **Step 2** above and distributed to you as described in **Step 3** above. Any CRUs for which vesting is not accelerated shall be cancelled on such employment termination.

For purposes of your CRU Award, you will be considered to have terminated your employment with the Corporation or any Subsidiary as a result of your "Retirement" if you terminate employment with the Corporation or any Subsidiary on or after the date you reach age 55 provided you have at least 15 years of service, or on or after you reach age 60, provided you have at least 10 years of service.

You will be considered to have terminated your employment with the Corporation or any Subsidiary as a result of a "Disability" if you terminate employment with the Corporation or a Subsidiary because you are determined to be disabled under any then effective long-term disability plan maintained by the Corporation or a Subsidiary that covers you, or if such a plan does not exist at any relevant time, you are determined by the Committee to be disabled as defined under section 22(e)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code").

If your employment is involuntarily terminated other than for Cause prior to the Vest Date, but in connection with or following a Change in Control (i.e., within two years of the Change in Control), you shall be entitled to your entire CRU Award. The value of your CRU Award determined under **Step 2** above but using the effective date of the Change in Control as the Vest Date. The value of your CRUs so determined will be distributed to you as soon as practicable following such involuntary termination other than for Cause in connection with the Change in Control.

For the purposes of your CRU Award "Change in Control" will generally have the meaning specified in section 409A of the Code, and any regulations and guidance promulgated thereunder and will, subject to any additional requirements of Unites States Treasury Regulation section 1.409A-(3)(i)(5)(v), mean:

(i) **Change of Ownership**. A Change of ownership occurs on the date that a person or persons acting as a group acquires ownership of stock of the Company that together with stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company.

(ii) **Change in Effective Control**. Notwithstanding whether the Company has undergone a change of ownership, a change of effective control occurs:

(A) when a person or persons acting as a group acquires within a 12-month period 30 percent or more of the total voting power of the stock of the Company, or

(B) a majority of the Board is replaced within a 12-month period by directors whose appointment or election is not approved by a majority of the members of the Board before such appointment or election.

A change in effective control also may occur in any transaction in which either of the two corporations involved in the transaction has a Change in Control Event (i.e. multiple change in control events). For such purposes, any acquisition by the Company of its own stock within a 12-month period, either through a transaction or series of transactions, that, immediately following such acquisition, results in the total voting power of a person or persons acting as a group to equal or exceed 30 percent of the total voting power of the stock of the Company will not constitute a change in effective control of the Company.

(iii) **Change in Ownership of a Substantial Portion of the Company's Assets**. Change in ownership of a substantial portion of the Company's assets occurs when a person or persons acting as a group acquires assets that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all assets of the Company immediately prior to the acquisition. A transfer of assets by the Company is not treated as a change in the ownership of such assets if the assets are transferred to -

(A) A shareholder of the Company (immediately before the asset transfer) in exchange for or with respect to its stock;

(B) An entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company;

(C) A person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding stock of the Company; or

(D) An entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (iii).

Persons will not be considered to be acting as a group solely because they purchase assets of the Company at the same time, or as a result of the same public offering. Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase, or acquisition of assets, or similar business transaction with the Company.

For the purposes of your CRU Award "Cause" means termination of your employment with the Corporation or a Subsidiary on the occurrence of one or more of the following events:

(i) Your failure to substantially perform such duties with the Corporation or any Subsidiary as determined by the Board or the Company;

(ii) Your willful failure or refusal to perform specific directives of the Board, the Company, the Corporation, or any Subsidiary, which directives are consistent with the scope and nature of your duties and responsibilities;

(iii) Your conviction of a felony; or

(iv) A breach of your fiduciary duty to the Company, the Corporation, or any Subsidiary or any act or omission that (A) constitutes a violation of the Company's Statement of Business ethics, (B) results in the assessment of a criminal penalty against the Company, the Corporation, or a Subsidiary, (C) is otherwise in violation of any federal, state, local or foreign law or regulation (other than traffic violations and other similar misdemeanors), (D) adversely affects or could reasonably be expected to adversely affect the business reputation of the Company, the Corporation, or a Subsidiary, or (E) otherwise constitutes willful misconduct, gross negligence, or any act of dishonesty or disloyalty.

If your employment with the Corporation or any Subsidiary terminates for any reason other than your Retirement, Disability, death, or as a result of a job restructuring, reduction in force, mutual consent or unit closing, or other than for Cause in connection with a Change in Control prior to the Vest Date all your CRUs will be cancelled on the effective date of your employment termination.

How does the payout of Cash-Settled Restricted Units work?

Unless your employment with the Corporation or a Subsidiary terminates prior to the Vest Date, your CRUs will vest 100% on the Vest Date and will be distributed to you in cash as soon as is administratively practicable following the Vest Date, as provided in **Step 3** above. The cash value of your CRUs to be distributed to you will be considered incentive compensation under the MIP and will be subject to Employee Stock Purchase Plan (ESPP) Deductions, if enrolled, and your existing deferral elections, if any, under the Savings Plan, Safe Harbor Plan, and the Mirror Savings Plan. In addition, the vesting of your CRU award is a taxable event, and the Corporation will withhold cash sufficient to cover any required withholding taxes. (Note that the ultimate liability for all tax-related items is and remains your responsibility and may exceed the amount actually withheld by the Corporation.) The remaining cash will be distributed to your Fidelity Account. The following are examples of payout calculations upon vesting for your reference:

How Were My Units Calculated (for illustrative purposes only)

Grant Value	÷	JCP Closing Price on Date of Award	=	Number of CRUs
$20,000.00		$1.50		13,333

Payout Example *(for illustrative purposes only)*
If Average of JCP Closing Price Last 5 Trading Days of Vesting HIGHER than Price Cap

JCP Closing Price on Date of Grant	Plan Maximum Payout Price Per Unit ($1.50 x 3)	Average of JCP Closing Stock Price Last 5 Trading Days
$1.50	$4.50	$5.00

CRUs Vested	x	JCP Closing Price on Date of Grant x3 (Cap)	=	Vested CRU Value	-	Taxes Due [1]	=	Net Cash Distributed to Fidelity
13,333		$4.50		$59,998.50		$14,999.63		$44,998.88
		($3.50 x 3)		(13,333 x $4.50)		($59,998.50 x 25%)		($59,998.50-$14,999.63)

Payout Example *(for illustrative purposes only)*
If Average of JCP Closing Price Last 5 Trading Days of Vesting LOWER than Price Cap

JCP Closing Price on Date of Grant	Plan Maximum Payout Price Per Unit ($1.50 x 3)	Average of JCP Closing Stock Price Last 5 Trading Days
$1.50	$4.50	$4.00

CRUs Vested	x	Average of JCP Closing Stock Price Last 5 Trading Days	=	Vested CRU Value	-	Taxes Due [1]	=	Net Cash Distributed to Fidelity
13,333		$4.00		$53,332.00		$13,333.00		$39,999.00
				(13,333 x $4.00)		($53,332.00 x 25%)		($53,332.00-$13,333.00)

[1] For simplicity, only the Federal Income Tax is shown in the above illustration. All other applicable taxes will also be withheld, including but not limited to FICA, state and local taxes as well as any Employee Stock Purchase Plan (ESPP) Deduction and deferrals, if any, under the Savings Plan or the Mirror Savings Plan.

Covenants and Representations

By accepting this award you hereby acknowledge that your duties to the Company require access to and creation of the Company's confidential or proprietary information and trade secrets (collectively, the "Proprietary Information"). The Proprietary Information has been and will continue to be developed by the Company and its subsidiaries and affiliates at substantial cost and constitutes valuable and unique property of the Company. You further acknowledge that due to the nature of your position, you will have access to Proprietary Information affecting plans and operations in every location in which the Company (and its subsidiaries and affiliates) does business or plans to do business throughout the world, and your decisions and recommendations on behalf of the Company may affect its operations throughout the world. **Accordingly, by accepting this award you acknowledge that the foregoing makes it reasonably necessary for the protection of the Company's business interests that you agree to the following covenants in connection with (i) your involuntary separation from service, as defined under Treasury regulation §1.409A-1(n), other than for Cause, or (ii) your voluntary separation from service:**

Confidentiality. You hereby covenant and agree that you shall not, without the prior written consent of the Company, during your employment with the Company or at any time thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any Proprietary Information of the Company.

(a) It is expressly understood and agreed that the Company's Proprietary Information is all nonpublic information relating to the Company's business, including but not limited to information, plans and strategies regarding suppliers, pricing, marketing, customers, hiring and terminations, employee performance and evaluations, internal reviews and investigations, short term and long range plans, acquisitions and divestitures, advertising, information systems, sales objectives and performance, as well as any other nonpublic information, the nondisclosure of which may provide a competitive or economic advantage to the Company. Proprietary Information shall not be deemed to have become public for purposes of this Agreement where it has been disclosed or made public by or through anyone acting in violation of a contractual, ethical, or legal responsibility to maintain its confidentiality.

(b) In the event you receive a subpoena, court order, or other summons that may require you to disclose Proprietary Information, on pain of civil or criminal penalty, you will promptly give notice to the Company of the subpoena or summons and provide the Company an opportunity to appear at the Company's expense and challenge the disclosure of its Proprietary Information, and you shall provide reasonable cooperation to the Company for purposes of affording the Company the opportunity to prevent the disclosure of the Company's Proprietary Information.

(c) Nothing in this Agreement shall restrict you from, directly or indirectly, initiating communications with or responding to any inquiry from, or providing testimony before, the Securities and Exchange Commission ("SEC"), Financial Industries Regulatory Authority ("FINRA"), or any other self-regulatory organization or state or federal regulatory authority.

Nonsolicitation of Employees. You hereby covenant and agree that during your employment with the Company and, in the event you, as noted above, (i) have a voluntary separation from service, or (ii) have an involuntary separation from service other than for Cause, that for a period equal to (x) 18 months, if you are an Executive Vice President on the date of your separation from service, (y) 12 months, if you are a Senior Vice President, or (z) the period of time for which you are eligible to receive benefits under the terms of the Company's Separation Pay Plan, if you are a Vice President, thereafter, you shall not, without the prior written consent of the Company, on your own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any of the employees of the Company (or any of its subsidiaries or affiliates) to give up his or her employment with the Company (or any of its subsidiaries or affiliates), and you shall not directly or indirectly solicit or hire employees of the Company (or any of its subsidiaries or affiliates) for employment with any other employer, without regard to whether that employer is a Competing Business, as defined below.

Noninterference with Business Relations. You hereby covenant and agree that during your employment with the Company and, in the event you, as noted above, (i) have a voluntary separation from service, or (ii) have an involuntary separation from service other than for Cause, that for a period equal to (x) 18 months, if you are an Executive Vice President on the date of your separation from service, (y) 12 months, if you are a Senior Vice President, or (z) the period of time for which you are eligible to receive benefits under the terms of the Separation Pay Plan, if you are a Vice President, thereafter, you shall not, without the prior written consent of the Company, on your own behalf or on the behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any person, firm or company to cease doing business with, reduce its business with, or decline to commence a business relationship with, the Company (or any of its subsidiaries or affiliates).

Noncompetition.

(a) You hereby covenant and agree that during your employment with the Company and, in the event you, as noted above, (i) have a voluntary separation from service, or (ii) have an involuntary separation from service other than for Cause, that for a period equal to (x) 18 months, if you are an Executive Vice President on the date of your separation from service, (y) 12 months, if you are a Senior Vice President, or (z) the period of time for which you are eligible to receive benefits under the terms of the Separation Pay Plan, if you are a Vice President, thereafter, you will not, except as otherwise provided for below, undertake any work for a Competing Business, as defined in (b).

(b) As used in this Agreement, the term "Competing Business" shall specifically include, but not be limited to:

   (i) Amazon.com, Inc., Burlington Stores, Inc., Kohl's Corporation, Lowe's Companies, Inc., Macy's, Inc., Target Corporation, The TJX Companies, Inc., Ross Stores, Inc., Walmart Inc., and any of their respective subsidiaries or affiliates, or

   (ii) any business (A) that, at any time during the Severance Period, competes directly with the Company through sales of merchandise or services in the United States or another country or commonwealth in which the Company, including its divisions, affiliates and licensees, operates, and (B) where the Executive performs services, whether paid or unpaid, in any capacity, including as an officer, director, owner, consultant, employee, agent, or representative, where such services involve the performance of (x) substantially similar duties or oversight responsibilities as those performed by the Executive at any time during the 12-month period preceding the Executive's termination from the Company for any reason, or (y) greater duties or responsibilities that include such substantially similar duties or oversight responsibilities as those referred to in (x); or

   (iii) any business that provides buying office or sourcing services to any business of the types referred to in this section (b).

(c) For purposes of this section, the restrictions on working for a Competing Business shall include working at any location within the United States or Puerto Rico. You acknowledge that the Company is a national retailer with operations throughout the United States and Puerto Rico and that the duties and responsibilities that you perform, or will perform, for the Company directly impact the Company's ability to compete with a Competing Business in a nationwide marketplace. You further acknowledge that you have, or will have, access to sensitive and confidential information of the Company that relates to the Company's ability to compete in a nationwide marketplace.

Non-Disparagement. You covenant that you will not make any statement or representation, oral or written, that could adversely affect the reputation, image, goodwill or commercial interests of the Company. This provision will be construed as broadly as state or federal law permits, but no more broadly than permitted by state or federal law. This provision is not intended to and does not prohibit you from participating in a governmental investigation concerning the Company, or providing truthful testimony in any lawsuit, arbitration, mediation, negotiation or other matter. You agree not to incur any expenses, obligations or liabilities on behalf of the Company.

Enforcement and Injunctive Relief. In addition to any other remedies to which the Company is entitled, on the Company's becoming aware that you have breached, or potentially have breached, any of the Covenants and Representations set forth in this Agreement, above, the Company shall have a right to seek recoupment of the portion of any award under the Plan, or any plan or program that is a successor to the Plan, that (i) vested within the 12 months prior to the date of your voluntary separation from service or your involuntary separation from service other than for cause, each under and as defined in your termination agreement, and (ii) includes and is subject to these Covenants and Representations, including any proceeds or value received from the exercise or sale of that portion of any such awards. Further, if you shall breach any of the covenants contained herein, the Company may recover from you all such damages as it may be entitled to under the terms of this Agreement, any other agreement between the Company and you, at law, or in equity. In addition, you acknowledge that any such breach of the Covenants and Representations in the Agreement is likely to result in immediate and irreparable harm to the Company for which money damages are likely to be inadequate. Accordingly, you consent to injunctive and other appropriate equitable relief without the necessity of bond in excess of $500.00 upon the institution of proceedings therefor by the Company in order to protect the Company's rights hereunder.

What else should I know about the CRU Award?

Recoupment Policy

This CRU Award is subject to any compensation recoupment policy adopted by the Board of Directors of the Company or the Committee prior to or after the effective date of the award, and as that policy may be amended from time to time after the policy's adoption.

Nature of Grant

In accepting the CRU Award, you acknowledge that:

- the MIP is established voluntarily by the Corporation, is discretionary in nature and may be modified, amended, suspended or terminated by the Corporation, at any time, to the extent permitted by the MIP;

- the grant of the CRU Award is exceptional, discretionary, voluntary and occasional and does not create any contractual or other right to receive future grants of CRU Awards, or benefits in lieu of CRU Awards, even if CRU Awards have been granted in the past;

- all decisions with respect to future CRU Awards, if any, will be at the sole discretion of the Corporation;

- you are voluntarily participating in the MIP;

- the CRU Award and any payment that may be received in settlement of the CRU Award (i) is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered, and which is outside the scope of your employment contract, if any, (ii) is not intended to replace any pension rights or compensation, and (iii) is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

- the CRU Award will not be interpreted to form an employment contract or relationship with the Corporation or any Subsidiary, nor does it amend any legal relationship or legal entitlement between you and the Employer;

- this Notice, the transactions contemplated hereunder and the vesting schedule set forth herein do not constitute an express or implied promise of your further employment for the vesting period, for any period, or at all, and will not interfere with your right or the right of the Employer to terminate your employment relationship at any time;

- unless otherwise determined by the Corporation in its sole discretion, for purposes of this Agreement, a termination of Employment shall be effective from the date on which active employment ends and shall not be extended by any statutory or common law notice of termination period;

- unless otherwise agreed with Corporation, the CRU Award and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a Subsidiary;

- the future value of the CRU Award is unknown, indeterminable and cannot be predicted with certainty;

- neither the Corporation, the Employer nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the CRU Award or of any amounts due to you pursuant to the settlement of the CRU Award;

- no claim or entitlement to compensation or damages shall arise from forfeiture of the CRU Award or the recoupment of amounts paid pursuant to the CRU Award resulting from (i) termination of Employment (regardless of the reason for termination and whether or not the termination is later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and/or (ii) the application of any recoupment/forfeiture policy, as described herein; and in consideration of the grant of the CRU Award, you agree not to institute any claim against the Corporation, or the Employer; and

- the CRU Award does not create any entitlement, not otherwise specifically provided for in the MIP or provided by the Corporation in its discretion, to have the CRU Award or any such benefits transferred to, or assumed by, another company or to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Company Common Stock.

Data Privacy

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Notice and any other CRU Award materials by and among, as applicable, the Employer, the Corporation and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing your participation in the MIP.

You understand that the Corporation and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of Common Stock or directorships held in the Corporation, details of all CRU Awards or any entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for the exclusive purpose of implementing, administering and managing the MIP.

You understand that Data will be transferred to Fidelity Investments Stock Plan Services or such other service provider as may be selected by the Corporation in the future, which is assisting the Corporation with the implementation, administration and management of the MIP. You understand that the recipients of the

Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Corporation, the Employer and any other possible recipients which may assist the Corporation (presently or in the future) with implementing, administering and managing the MIP to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the MIP, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom any funds in settlement of the CRU Award may be deposited.

You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the MIP. You understand that you may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative.

Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or later seek to revoke your consent, your employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Corporation would not be able to grant CRU Awards or other awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the MIP. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Imposition of Other Requirements

The Corporation reserves the right to impose other requirements on your participation in the MIP, on the CRU Award and on any cash acquired under the MIP, to the extent the Corporation determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Addendum

The CRU Award shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) as set forth in the addendum to this overview (the "Addendum"). Further, if you transfer your residence and/or employment to a country reflected in the Addendum, the special terms and conditions for such country will apply to you to the extent the Corporation determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the CRU Award and the MIP (or the Corporation may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). The Addendum shall constitute part of the terms of your CRU Award.

Foreign Asset/Account Reporting; Exchange Controls; Compliance with Law

Your country may have certain foreign asset and/or account reporting requirements and/or exchange controls which may affect your ability to hold cash received under the MIP in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You also may be required to repatriate funds received as a result of your participation in the MIP to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that it is your responsibility to be compliant with such regulations, and you should consult your personal legal advisor for any details. In addition, you agree to take any and all actions, and consent to any and all actions taken by the Corporation and its Subsidiaries, as may be required to allow the Corporation and its Subsidiaries to comply with local laws, rules and/or regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal obligations under local laws, rules and/or regulations in your country of residence and country of employment, if different).

Electronic Delivery

The Corporation may, in its sole discretion, deliver by electronic means any documents related to the CRU Award or your future participation in the MIP. You hereby consent to receive such documents by electronic delivery and agree to participate in the MIP through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

Governing Law

To the extent that Unites States federal laws do not otherwise control, the internal laws of the State of Texas, without giving consideration to conflicts of laws principles that would require application of the law of another jurisdiction, will govern all questions concerning the construction, validity, and interpretation of the MIP and the performance and the obligations imposed by the MIP. The exclusive forum and venue for any legal action arising out of or related to the MIP shall be the United States District Court for the Northern District of Texas, and as a condition of participating in the MIP, you submit to the personal jurisdiction of that court. If neither subject matter nor diversity jurisdiction exists in the United States District Court for the Northern District of Texas, then the exclusive forum and venue for any such action shall be the courts of the State of Texas located in Collin County, and you, as a condition of participating in the MIP, submit to the personal jurisdiction of that court.

Contacts
Information about your CRU Award, can be found online atwww.netbenefits.com.

If you are a new participant to the program, you will receive a Fidelity eWelcome Kit via email within a week after the award becomes available online that will provide additional instructions.

For more information, please contact Fidelity Investments Stock Plan Services (the Company’s provider of recordkeeping and administrative services) at 1-800-544-9354 (within the United States) or email equity-sm@jcp.com.

ADDENDUM

In addition to the terms of the MIP, the CRU Award is subject to the following additional terms and conditions to the extent you reside and/or are employed in one of the countries addressed herein. Further, if you transfer your residence and/or employment to a country reflected in this Addendum, the additional terms and conditions for such country (if any) will apply to you to the extent the Corporation determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations or to facilitate the operation and administration of the CRU Award and the MIP (or the Corporation may establish alternative terms as may be necessary or advisable to accommodate your transfer). All defined terms contained in this Addendum shall have the same meaning as set forth in the overview and/or in the MIP.

India

Exchange Control Notice. You must repatriate any cash received in settlement of the CRU Award to India within the time period prescribed under applicable local law. You should obtain evidence of the repatriation of funds in the form of a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation. You also are responsible for complying with any other exchange control laws in India that may apply to the CRU Award or the cash acquired under the MIP.

Exhibit 31.1

CERTIFICATION

I, Jill Soltau, 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: May 29, 2019

/s/ Jill Soltau
Jill Soltau
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Bill Wafford, 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: May 29, 2019

/s/ Bill Wafford
Bill Wafford
Executive Vice President, 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 ended May 4, 2019 (the “Report”), I, Jill Soltau, 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) (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 29, 2019

/s/ Jill Soltau
Jill Soltau
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 ended May 4, 2019 (the “Report”), I, Bill Wafford, Executive Vice President, 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.

Date: May 29, 2019

/s/ Bill Wafford
Bill Wafford
Executive Vice President, Chief Financial Officer