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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2006

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

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

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

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

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

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

Yes [X] No [ ]

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

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ]

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

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
224,207,781 shares of Common Stock of 50 cents par value, as of September 5, 2006.

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements.

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

($ in millions, except per share data)	13 weeks ended		26 weeks ended	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Retail sales, net	$ 4,238	$ 3,981	$ 8,458	$ 8,099
Cost of goods sold	2,610	2,465	5,061	4,889
Gross margin	1,628	1,516	3,397	3,210
Selling, general and administrative expenses	1,357	1,303	2,757	2,689
Net interest expense	32	40	66	89
Bond premiums and unamortized costs	-	5	-	18
Real estate and other (income)	(9)	(14)	(22)	(36)
Income from continuing operations before income taxes	248	182	596	450
Income tax expense	70	60	205	157
Income from continuing operations	$ 178	$ 122	$ 391	$ 293
Income/(loss) from discontinued operations, net of income tax expense/(benefit) of $1, $28, ($1) and $28	1	9	(2)	10
Net income	$ 179	$ 131	$ 389	$ 303
<u>Basic earnings/(loss) per share:</u>				
Continuing operations	$ 0.76	$ 0.46	$ 1.68	$ 1.10
Discontinued operations	0.01	0.04	(0.01)	0.04
Net income	$ 0.77	$ 0.50	$ 1.67	$ 1.14
<u>Diluted earnings/(loss) per share:</u>				
Continuing operations	$ 0.75	$ 0.46	$ 1.66	$ 1.09
Discontinued operations	0.01	0.04	(0.01)	0.04
Net income	$ 0.76	$ 0.50	$ 1.65	$ 1.13

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

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

($ in millions)	**July 29, 2006**	**July 30, 2005**	**Jan. 28, 2006**
Assets			
Current assets			
Cash and short-term investments (including restricted balances of $56, $64 and $65)	$ 2,374	$ 3,385	$ 3,016
Receivables	330	212	270
Merchandise inventory (net of LIFO reserves of $24, $25 and $24)	3,461	3,445	3,210
Prepaid expenses	191	194	206
Total current assets	6,356	7,236	6,702
Property and equipment (net of accumulated depreciation of $2,217, $2,169 and $2,097)	3,897	3,625	3,748
Prepaid pension	1,464	1,515	1,469
Other assets	546	536	542
Total Assets	$ 12,263	$ 12,912	$ 12,461

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

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

($ in millions, except per share data)	**July 29, 2006**	**July 30, 2005**	**Jan. 28, 2006**
Liabilities and Stockholders' Equity			
Current liabilities			
Trade payables	$ 1,410	$ 1,362	$ 1,171
Accrued expenses and other	1,262	1,297	1,562
Current maturities of long-term debt	343	15	21
Income taxes payable	-	36	8
Total current liabilities	3,015	2,710	2,762
Long-term debt	3,114	3,457	3,444
Deferred taxes	1,260	1,320	1,287
Other liabilities	969	1,031	961
Total Liabilities	8,358	8,518	8,454
Stockholders' Equity			
Common stock and additional paid-in capital(1)	3,481	4,090	3,479
Reinvested earnings at beginning of year	512	812	812
Net income	389	303	1,088
Retirement of common stock	(408)	(759)	(1,263)
Dividends declared	(84)	(66)	(125)
Reinvested earnings at end of period	409	290	512
Accumulated other comprehensive income	15	14	16
Total Stockholders' Equity	3,905	4,394	4,007
Total Liabilities and Stockholders' Equity	$ 12,263	$ 12,912	$ 12,461

(1) Common stock has a par value of $0.50 per share; 1,250 million shares are authorized. As of July 29, 2006, July 30, 2005 and January 28, 2006, 227 million shares, 256 million shares and 233 million shares were issued and outstanding, respectively.

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

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

($ in millions)	26 weeks ended July 29, 2006	26 weeks ended July 30, 2005 (Revised)
Cash flows from operating activities:		
Net income	$ 389	$ 303
Loss/(income) from discontinued operations	2	(10)
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset impairments, PVOL and other unit closing costs	2	3
Depreciation and amortization	176	175
Net gains on sale of assets	(5)	(22)
Benefit plans expense	15	31
Stock-based compensation	22	27
Deferred taxes	15	78
Change in cash from:		
Receivables	17	(15)
Inventory	(252)	(303)
Prepaid expenses and other assets	(17)	12
Trade payables	239	219
Current income taxes payable	(110)	(32)
Accrued expenses and other liabilities	(314)	(253)
Net cash provided by operating activities	179	213
Cash flows from investing activities:		
Capital expenditures	(323)	(233)
Proceeds from the sale of discontinued operations	-	283
Proceeds from sale of assets	11	27
Net cash (used in)/provided by investing activities	(312)	77
Cash flows from financing activities:		
Payments of long-term debt, including capital leases and bond premiums	(7)	(466)
Common stock repurchased	(516)	(1,018)
Common stock dividends paid	(71)	(69)
Proceeds from stock options exercised	78	118
Excess tax benefits on stock options exercised	33	40
Net cash (used in) financing activities	(483)	(1,395)
Cash flows from discontinued operations:		
Operating cash flows	8	14
Investing cash flows	(34)	(181)
Financing cash flows	-	8
Total cash (paid for) discontinued operations	(26)	(159)
Net (decrease) in cash and short-term investments	(642)	(1,264)
Cash and short-term investments at beginning of year	3,016	4,649
Cash and short-term investments at end of period	$ 2,374	$ 3,385

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

Notes to the Unaudited Interim Consolidated Financial Statements

1) Summary of Significant Accounting Policies

A description of significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006 (the 2005 10-K). The accompanying unaudited Interim Consolidated Financial Statements present the results of J. C. Penney Company, Inc. and its subsidiaries (the Company or JCPenney) and should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2005 10-K. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying Interim Consolidated Financial Statements are unaudited but, in the opinion of management, include all material adjustments necessary for a fair presentation. 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. The January 28, 2006 financial information was derived from the audited Consolidated Financial Statements, with related footnotes, included in the 2005 10-K.

Certain reclassifications were made to prior year amounts to conform to the current period presentation, including the reclassification of the results of operations of Lojas Renner S.A. (Renner) to discontinued operations for all periods presented (see Note 2).

Certain debt securities were issued by J. C. Penney Corporation, Inc. (JCP), the wholly owned operating subsidiary of the Company. The Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP's outstanding debt securities. The guarantee by the Company of certain of JCP's outstanding debt securities is full and unconditional.

Stock-Based Compensation

The Company has a stock-based compensation plan that provides for grants of restricted and non-restricted stock awards (shares and units), stock appreciation rights or options to purchase the Company's common stock to its associates and non-employee directors . Effective January 30, 2005, the Company adopted Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" (SFAS No. 123R), which requires the use of the fair value method of accounting for all stock-based compensation, including stock options. The statement was adopted using the modified prospective method of application. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. The Company did not adjust prior year financial statements under the optional modified retrospective method of application.

Prior to 2005, the Company used the Black-Scholes option pricing model to estimate the grant date fair value of stock option awards. For grants subsequent to the adoption of SFAS No. 123R, the Company estimates the fair value of stock option awards on the date of grant using a binomial lattice model developed by outside consultants who worked with the Company in the implementation of SFAS No. 123R. The Company believes that the binomial lattice model is a more accurate model for valuing employee stock options since it better reflects the impact of stock price changes on option exercise behavior.

See Note 10 for additional discussion of the Company's stock-based compensation.

Cash Flow Presentation

Beginning with the 2005 10-K, the Company has separately disclosed the operating, investing and financing portions of the cash flows attributable to its discontinued operations. In prior periods, these were reported on a combined basis as a single amount.

Effect of New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued two related standards that address accounting for income taxes: FASB Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes," and FASB Staff Position (FSP) FAS 13-2, "Accounting for a Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction." Among other things, FIN 48 requires applying a "more likely than not" threshold to the recognition and derecognition of tax positions, while FSP FAS 13-2 requires a recalculation of returns on leveraged leases if there is a change or projected change in the timing of cash flows relating to income taxes generated by the leveraged lease. The new guidance will be effective for the Company as of the beginning of 2007. The Company is currently evaluating the impact, if any, of adopting FIN 48 on its financial position, results of operations and cash flows. FSP FAS 13-2 is not expected to have a material impact on the Company's consolidated financial statements.

In October 2005, the FASB issued Staff Position (FSP) FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period." FSP FAS 13-1 requires rental costs associated with ground or building operating leases that are incurred during a construction period to be treated as rental expense, as opposed to capitalizing them as a part of the building or leasehold improvement. The provisions of this FSP must be applied to the first reporting period beginning after December 15, 2005, and therefore, beginning in the first quarter of 2006, the Company no longer capitalizes rental costs incurred during the construction period. Retrospective application is permitted but not required. The Company adopted FSP No. FAS 13-1 on a prospective basis in the first quarter of fiscal 2006. The adoption of FSP No. FAS 13-1 did not have a significant effect on the Company's consolidated financial statements.

2) <u>Discontinued Operations</u>

Lojas Renner S.A.

On July 5, 2005, the Company's indirect wholly owned subsidiary, J. C. Penney Brazil, Inc., closed on the sale of its shares of Renner, a Brazilian department store chain, through a public stock offering registered in Brazil. The Company generated cash proceeds of $283 million from the sale of its interest in Renner. After taxes and transaction costs, net proceeds approximated $260 million. Proceeds from the sale were used for common stock repurchases, which are more fully discussed in Note 4.

The sale resulted in a cumulative pre-tax gain of $26 million and a loss of $7 million on an after-tax basis. The relatively high tax cost is largely due to the tax basis of the Company's investment in Renner being lower than its book basis as a result of accounting for the investment under the cost method for tax purposes. Included in the pre-tax gain on the sale was $83 million of foreign currency translation losses that had accumulated since the Company acquired its controlling interest in Renner.

Eckerd Drugstores

On July 31, 2004, the Company and certain of its subsidiaries closed on the sale of its Eckerd drugstore operations to the Jean Coutu Group (PJC) Inc. and CVS Corporation and CVS Pharmacy, Inc. (together, CVS). During the first half of 2006, the Company recorded a $2 million after-tax charge relating to the Eckerd sale, primarily related to taxes payable resulting from a state sales tax audit. Through the second quarter of 2006, the cumulative loss on the Eckerd sale was $717 million pre-tax, or $1,332 million on an after-tax basis. The relatively high tax cost is a result of the tax basis of Eckerd being lower than its book basis because the Company's previous drugstore acquisitions were largely tax-free transactions.

The net cash proceeds of approximately $3.5 billion from the Eckerd sale, which closed in the second quarter of 2004, were used for common stock repurchases and debt reduction, which are more fully discussed in Note 4.

Upon closing on the sale of Eckerd, the Company established reserves for estimated transaction costs and post-closing adjustments. Certain of these reserves involved significant judgment, and actual costs incurred over time could vary from these estimates. The more significant remaining estimates relate to the costs to exit the Colorado and New Mexico markets and environmental indemnifications. Management continues to review and update the remaining reserves on a quarterly basis and believes that the overall reserves, as adjusted, are adequate at the end of the second quarter of 2006 and consistent with original estimates. Cash payments for the Eckerd-related reserves are included in the Company's Consolidated Statements of Cash Flows as Cash Paid for Discontinued Operations, with tax payments included in operating cash flows and all other payments, if applicable, included in investing cash flows.

The Company engaged a third-party real estate firm to assist it in disposing of the Colorado and New Mexico properties. As of July 29, 2006, most of the properties had been disposed of, and the Company is working through disposition plans for the remaining properties.

JCP assumed sponsorship of the Pension Plan for Former Drugstore Associates and various other nonqualified retirement plans and programs. JCP further assumed all severance obligations and post-employment health and welfare benefit obligations under various Eckerd plans and employment and other specific agreements. JCP has either settled the obligations in accordance with the provisions of the applicable plan or program or determined in most other cases to terminate the agreements, plans or programs and settle the underlying benefit obligations. On June 20, 2005, the Board of Directors of JCP approved the termination of JCP's Pension Plan for Former Drugstore Associates. Plan assets were distributed by the purchase of an annuity contract with a third party insurance company effective as of June 13, 2006.

As part of the Eckerd sale agreements, the Company retained responsibility to remediate environmental conditions that existed at the time of the sale. Certain properties, principally distribution centers, were identified as having such conditions at the time of sale. Reserves were established by management, after consultation with an environmental engineering firm, for specifically identified properties, as well as a certain percentage of the remaining properties, considering such factors as age, location and prior use of the properties.

The Company's financial statements reflect Renner and Eckerd as discontinued operations for all periods presented. Results of the discontinued operations are summarized below:

Discontinued Operations

($ in millions)	**13 weeks ended**		**26 weeks ended**	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Gain/(loss) on sale of Eckerd, net of income tax expense/(benefit) of $1, $(13), $(1) and $(13)	$ 1	$ 5	$ (2)	$ 5
Renner income from operations, net of income tax expense of $-, $4, $- and $4	-	6	-	7
(Loss) on sale of Renner, net of income tax expense of $-, $34, $- and $34	-	(8)	-	(8)
Other discontinued operations, net of income tax expense of $-, $3, $- and $3	-	6	-	6
Total income/(loss) from discontinued operations	$ 1	$ 9	$ (2)	$ 10

Included in the Renner income from operations amounts provided above were net sales of $113 million and $187 million for the second quarter and first half of 2005, respectively.

3) <u>2006 Common Stock Repurchase Program</u>

In February 2006, the Company's Board of Directors (Board) authorized a $750 million common stock repurchase program, which is being funded with 2005 free cash flow and cash proceeds from employee stock option exercises. During the second quarter of 2006, the Company repurchased 8.0 million shares of common stock for $530 million. The current repurchase program was completed on September 5, 2006.

Common stock is retired on the same day it is repurchased, with the excess of the purchase price over the par value being allocated between Reinvested Earnings and Additional Paid-In Capital.

Common Stock Outstanding

During the first half of 2006, the number of outstanding shares of common stock changed as follows:

(in millions)	**Outstanding Common Shares**
Balance as of January 28, 2006	233
Exercise of stock options	2
Common stock repurchased and retired	(8)
Balance as of July 29, 2006	227

4) <u>2005 and 2004 Equity and Debt Reduction Programs</u>

By the end of 2005, the Company had completed its 2005 and 2004 equity and debt reduction programs. The Company used the approximate $3.5 billion in net cash proceeds from the sale of the Eckerd drugstore operations, $260 million in net cash proceeds from the sale of its shares of Renner, cash proceeds from the exercise of employee stock options and existing cash and short-term investment balances, including free cash flow generated in 2004, to fund the programs, which consisted of common stock repurchases, debt reduction and redemption, through conversion to common stock, of all outstanding shares of the Company's Series B ESOP Convertible Preferred Stock.

Common Stock Repurchases

The Company repurchased 12.5 million shares of common stock at a cost of $666 million during the second quarter of 2005 and 20.2 million shares of common at a cost of $1,026 million during the first half of 2005.

The Company's 2005 and 2004 common stock repurchase programs totaled $4.15 billion and were completed in the fourth quarter of 2005. In total, 94.3 million shares were repurchased under these programs.

Debt Reduction

The Company's 2005 and 2004 debt reduction programs, which were completed by the end of the second quarter of 2005, consisted of approximately $2.14 billion of debt retirements. The 2005 debt retirements included $194 million and $56 million of open-market debt repurchases in the first and second quarters of 2005, respectively, and the payment of $193 million of long-term debt at the scheduled maturity date in May 2005.

The Company incurred pre-tax charges of $18 million in 2005 related to these early debt retirements ($13 million and $5 million, respectively, in the first and second quarters).

5) <u>Earnings per Share</u>

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

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

(in millions, except EPS)	**13 weeks ended**		**26 weeks ended**	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Earnings:				
Income from continuing operations, basic and diluted	$ 178	$ 122	$ 391	$ 293
Shares:				
Average common shares outstanding (basic shares)	233	262	233	267
Adjustment for assumed dilution:				
Stock options and restricted stock units	2	3	3	2
Average shares assuming dilution (diluted shares)	235	265	236	269
EPS from continuing operations:				
Basic	$ 0.76	$ 0.46	$ 1.68	$ 1.10
Diluted	$ 0.75	$ 0.46	$ 1.66	$ 1.09

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

(shares in millions)	13 weeks ended		26 weeks ended	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Stock options	1	4	1	4

6) Cash and Short-Term Investments

($ in millions)	**July 29, 2006**	**July 30, 2005**	**Jan. 28, 2006**
Cash	$ 133	$ 136	$ 109
Short-term investments	2,241	3,249	2,907
Total cash and short-term investments	$ 2,374	$ 3,385	$ 3,016

Restricted Short-Term Investment Balances

Short-term investments include restricted balances of $56 million, $64 million and $65 million as of July 29, 2006, July 30, 2005 and January 28, 2006, respectively. Restricted balances are pledged as collateral for a portion of casualty insurance program liabilities.

7) Supplemental Cash Flow Information

($ in millions)	26 weeks ended	
	July 29, 2006	**July 30, 2005**
Total interest paid	$ 136	$ 177
Less: interest paid attributable to discontinued operations	-	6
Interest paid by continuing operations	$ 136	$ 171 (1)
Interest received by continuing operations	$ 73	$ 58
Total income taxes paid	$ 291	$ 126
Less: income taxes (received) attributable to discontinued operations	(9)	(26)
Income taxes paid by continuing operations	$ 300	$ 152

(1) Includes cash paid for bond premiums and commissions of $15 million.

8) Credit Agreement

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

The 2005 Credit Facility includes a requirement that the Company maintain, as of the last day of each fiscal quarter, a maximum ratio of Funded Indebtedness to Consolidated EBITDA (Leverage Ratio, as defined in the 2005 Credit Facility), as measured on a trailing four-quarters basis, of no more than 3.0 to 1.0. Additionally, the 2005 Credit Facility requires that the Company maintain, for each period of four consecutive fiscal quarters, a minimum ratio of Consolidated EBITDA plus Consolidated Rent Expense to Consolidated Interest Expense plus Consolidated Rent Expense (Fixed Charge Coverage Ratio, as defined in the 2005 Credit Facility) of at least 3.2 to 1.0. As of July 29, 2006, the Company was in compliance with the requirements of both the Leverage Ratio at 1.7 to 1.0 and the Fixed Charge Coverage Ratio at 6.1 to 1.0.

No borrowings, other than the issuance of standby and import letters of credit, which totaled $138 million as of the end of the second quarter of 2006, have been made under the 2005 Credit Facility.

9) Comprehensive Income and Accumulated Other Comprehensive Income

Comprehensive Income

($ in millions)	13 weeks ended July 29, 2006	13 weeks ended July 30, 2005	26 weeks ended July 29, 2006	26 weeks ended July 30, 2005
Net income	$ 179	$ 131	$ 389	$ 303
Other comprehensive income/(loss):				
Net unrealized gains/(losses) in real estate investment trusts	5	30	(1)	42
Reclassification adjustment for currency translation loss included in discontinued operations	-	83	-	83
Other comprehensive income from discontinued operations	-	22	-	21
	5	135	(1)	146
Total comprehensive income	$ 184	$ 266	$ 388	$ 449

Accumulated Other Comprehensive Income

($ in millions)	July 29, 2006	July 30, 2005	Jan. 28, 2006
Net unrealized gains in real estate investment trusts(1)	$ 117	$ 116	$ 118
Nonqualified retirement plan minimum liability adjustment(2)	(102)	(102)	(102)
Accumulated other comprehensive income	$ 15	$ 14	$ 16

(1) Shown net of a deferred tax liability of $63 million, $63 million and $64 million as of July 29, 2006, July 30, 2005 and January 28, 2006, respectively.
(2) Shown net of a deferred tax asset of $65 million, $66 million and $65 million as of July 29, 2006, July 30, 2005 and January 28, 2006, respectively.

10) Stock-Based Compensation

In May 2005, the Company's stockholders approved the J. C. Penney Company, Inc. 2005 Equity Compensation Plan (2005 Plan), which reserved an aggregate of 17.2 million shares of common stock for issuance to associates and non-employee directors. The 2005 Plan replaced the Company's 2001 Equity Compensation Plan (2001 Plan), and since June 1, 2005, all grants have been made under the 2005 Plan. The 2005 Plan provides for grants to associates of options to purchase the Company's common stock, restricted and non-restricted stock awards (shares and units) and stock appreciation rights. The 2005 Plan also provides for grants of restricted and non-restricted stock awards (shares and units) and stock options to non-employee members of the Board. As of July 29, 2006, 15.1 million shares of stock were available for future grants.

Annual awards of stock options and restricted stock awards are granted according to a pre-established calendar and typically vest over periods ranging from one to three years. The number of option shares and awards is fixed at the grant date, and the exercise price of stock options is set at the opening market price of the Company's common stock on the date of grant. The 2005 Plan does not permit awarding stock options below grant-date market value nor does it allow any re-pricing subsequent to the date of grant. Options have a maximum term of 10 years. Over the past three years, the Company's annual stock option and restricted stock award grants have averaged about 1.3% of total outstanding stock. The Company issues new shares upon the exercise of stock options, granting of restricted shares and vesting of restricted stock units.

Stock-Based Compensation Cost

($ in millions)	**13 weeks ended**		**26 weeks ended**	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Stock awards (units and stock) [1]	$ 10	$ -	$ 12	$ 3
Stock options [2]	5	5	10	24
Total stock-based compensation cost	$ 15	$ 5	$ 22	$ 27
Total income tax benefit recognized in the Consolidated Statement of Operations for stock-based compensation arrangements	$ 6	$ 3	$ 8	$ 11

(1) Stock award cost for 2006 reflects recognition of the March 2006 performance-based restricted stock awards over the service periods during which each tranche of shares is earned.

(2) Stock option cost for the first half of 2005 reflected the early adoption of SFAS No. 123R.

Stock Options

During the first half of 2006, the Company granted approximately 1.5 million stock options to associates at an average option price of $60.51. As of July 29, 2006, options to purchase 9.5 million shares of common stock were outstanding. If all options were exercised, common stock outstanding would increase by 4.2%. Additional information regarding options outstanding as of July 29, 2006 follows:

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

	Exercisable			Unexercisable			Total Outstanding		
	Shares	**%**	**Price**	**Shares**	**%**	**Price**	**Shares**	**%**	**Price**
In-the-money	4,522	84%	$ 32	4,174	100%	$ 48	8,696	91%	$ 39
Out-of-the-money[1]	843	16%	71	6	0%	63	849	9%	71
Total options outstanding	5,365	100%	$ 38	4,180	100%	$ 48	9,545	100%	$ 42

(1) Out- of- the-money options are those with an exercise price equal to or above the closing price of $62.75 as of July 29, 2006.

As of July 29, 2006, unrecognized or unearned compensation expense for stock options, net of estimated forfeitures, was $36 million, which will be recognized as expense over the remaining vesting period, which has a weighted-average period of approximately 1.2 years.

Stock Awards

The 2005 Plan also provides for grants of restricted and non-restricted stock awards (shares and units) to associates and non-employee directors.

Associate Stock Awards

The following is a summary of the status of the Company's associate restricted stock awards as of July 29, 2006 and activity during the six months then ended:

(shares in thousands)	**Stock Awards**	**Weighted-Average Grant Date Fair Value**
Nonvested at January 29, 2006	452	$ 39
Granted	415	61
Vested	(51)	25
Forfeited	(3)	34
Nonvested at July 29, 2006	813	$ 51

On March 22, 2006, the Company granted approximately 400,000 performance-based restricted stock unit awards to associates. The performance unit grant is a target award with a payout matrix ranging from 0% to 200% based on 2006 earnings per share (defined as per common share income from continuing operations, excluding any unusual and/or extraordinary items as determined by the Human Resources and Compensation Committee of the Board). A payment of 100% of the target award is achieved at planned earnings per share of $4.26. In addition to the performance requirement, the award includes a time-based vesting requirement, under which one-third of the earned performance unit award vests on each of the first three anniversaries of the grant date provided that the associate remains continuously employed with the Company during that time. Upon vesting, the performance units are paid out in shares of JCPenney common stock.

As of July 29, 2006, there was $42 million of compensation cost not yet recognized or earned. That cost is expected to be recognized over the remaining vesting period, which has a weighted-average term of approximately 1.2 years.

Non-Employee Director Stock Awards

Restricted stock units granted to non-employee directors are expensed when granted since the recipients have the right to receive the shares upon a qualifying termination of service in accordance with the grant. During the second quarters of 2006 and 2005, the Company granted 17,710 and 13,000 of such restricted stock units, respectively. No such awards were granted in the first quarters of 2006 or 2005.

11) Retirement Benefit Plans

Net Periodic Benefit Cost/(Credit)

The components of net periodic benefit cost/(credit) for the qualified and nonqualified pension plans and the postretirement plans for the 13 weeks ended July 29, 2006 and July 30, 2005 are as follows:

($ in millions)	Pension Plans: Qualified 13 weeks ended July 29, 2006	Pension Plans: Qualified 13 weeks ended July 30, 2005	Pension Plans: Supplemental (Nonqualified) 13 weeks ended July 29, 2006	Pension Plans: Supplemental (Nonqualified) 13 weeks ended July 30, 2005	Postretirement Plans 13 weeks ended July 29, 2006	Postretirement Plans 13 weeks ended July 30, 2005
Service cost	$ 23	$ 13	$ 1	$ -	$ 1	$ -
Interest cost	53	28	5	2	-	-
Expected return on plan assets	(94)	(46)	-	-	-	-
Net amortization	19	14	4	2	(8)	(4)
Net periodic benefit cost/(credit)	$ 1	$ 9	$ 10	$ 4	$ (7)	$ (4)

The components of net periodic benefit cost/(credit) for the qualified and nonqualified pension plans and the postretirement plans for the 26 weeks ended July 29, 2006 and July 30, 2005 are as follows:

($ in millions)	Pension Plans: Qualified 26 weeks ended July 29, 2006	Pension Plans: Qualified 26 weeks ended July 30, 2005	Pension Plans: Supplemental (Nonqualified) 26 weeks ended July 29, 2006	Pension Plans: Supplemental (Nonqualified) 26 weeks ended July 30, 2005	Postretirement Plans 26 weeks ended July 29, 2006	Postretirement Plans 26 weeks ended July 30, 2005
Service cost	$ 47	$ 33	$ 1	$ 1	$ 1	$ 1
Interest cost	106	73	11	7	1	2
Expected return on plan assets	(186)	(119)	-	-	-	-
Net amortization	38	37	9	5	(15)	(9)
Net periodic benefit cost/(credit)	$ 5	$ 24	$ 21	$ 13	$ (13)	$ (6)

Employer Pension Contributions

The Company did not make a discretionary contribution to its qualified pension plan in 2005 due to the plan's well-funded status and Internal Revenue Service rules limiting tax deductible contributions. In 2006, the Company does not expect to be required to make a contribution to its qualified pension plan. New pension legislation was enacted in August 2006 that would allow the Company to make additional discretionary contributions to the plan if so desired. Although no discretionary contributions have been made to the qualified pension plan during the first six months of 2006, the Company has factored into its plan a discretionary contribution later in 2006. The actual decision to make a contribution and the amount of any contribution in 2006 will consider factors such as market conditions, the funded status of the plan, the level of free cash flow and general economic trends.

Postretirement Medical Benefits

Effective June 7, 2005, the Company amended its medical plan to reduce the Company-provided subsidy to post-age 65 retirees by 45% beginning January 1, 2006, and then fully eliminate the subsidy after December 31, 2006. This change resulted in an incremental credit of approximately $6.5 million in fiscal 2005 and is expected to result in an additional $8 million incremental credit in fiscal 2006 to postretirement medical plan expense, which is a component of selling, general and administrative expenses.

Retirement Benefit Plan Changes

The Company provides retirement and other postretirement benefits to substantially all employees (associates). Retirement benefits are an important part of the Company's total compensation and benefits program designed to attract and retain qualified and talented associates. The Company's retirement benefit plans consist of a non-contributory qualified defined benefit pension plan (pension plan), non-contributory supplemental retirement and deferred compensation plans for certain management associates, a 1997 voluntary early retirement program, a contributory medical and dental plan and a 401(k) and employee stock ownership plan. These plans are discussed in more detail in the Company's 2005 10-K. Associates hired or rehired on or after January 1, 2002 are not eligible for retiree medical or dental coverage.

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

New associates hired on or after January 1, 2007 will not participate in the Company's pension plan but will be eligible for a new retirement account. This account will be a component of the defined contribution 401(k) plan that will receive a Company contribution equal to 2% of participants' annual pay after one year of service and will be fully vested after three years. Associates hired on or prior to December 31, 2006 will remain in the Company's pension plan.

12) Real Estate and Other (Income)/Expense

($ in millions)	13 weeks ended		26 weeks ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
Real estate operations	$ (9)	$ (8)	$ (17)	$ (17)
Net gains from sale of real estate	(2)	(8)	(5)	(22)
Asset impairments, PVOL and other unit closing costs	2	2	2	3
Other	-	-	(2)	-
Total	$ (9)	$ (14)	$ (22)	$ (36)

Real estate operations consist primarily of ongoing income from the Company's real estate subsidiaries. In addition, net gains were recorded from the sale of facilities and real estate that are no longer used in Company operations. Net gains from the sale of real estate for 2006 were $2 million and $5 million for the second quarter and first half, respectively and were primarily from the sale of closed store locations. For the second quarter of 2005, net gains consisted of $8 million related primarily to closed store locations, while gains for the first half of 2005 also included the sale of a vacant merchandise processing facility that became obsolete when the centralized network of store distribution centers was put into place by mid-2003.

13) Guarantees

As of July 29, 2006, JCP had guarantees totaling $43 million, which are described in detail in the 2005 10-K. These guarantees consist of: $11 million related to investments in a real estate investment trust; $20 million maximum exposure on insurance reserves established by a former subsidiary included in the sale of the Company's Direct Marketing Services business and $12 million for certain personal property leases assumed by the purchasers of Eckerd, which were previously reported as operating leases.

14) Subsequent Event

Common Stock Repurchases

From July 30, 2006 through September 5, 2006, the Company repurchased an additional 3.3 million shares of common stock at a cost of $220 million to complete the $750 million common stock repurchase program. A total of 11.3 million shares were repurchased under the program.

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

The following discussion, which presents the results of J. C. Penney Company, Inc. and its subsidiaries (the Company or JCPenney), should be read in conjunction with the Company's consolidated financial statements as of January 28, 2006, and for the year then ended, and related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, all contained in the Company's Annual Report on Form 10-K for the year ended January 28, 2006 (the 2005 10-K).

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

Certain debt securities were issued by J. C. Penney Corporation, Inc. (JCP), the wholly owned operating subsidiary of the Company. The Company is a co-obligor (or guarantor, as appropriate) regarding the payment of principal and interest on JCP's outstanding debt securities. The guarantee by the Company of certain of JCP's outstanding debt securities is full and unconditional.

<u>Key Items</u>

- EPS from continuing operations increased 63% to $0.75 in the second quarter of 2006 from $0.46 in last year's second quarter. Income from continuing operations on a dollar basis increased 46% to $178 million in the second quarter of 2006, compared to $122 million last year. For the first half of 2006, income from continuing operations increased to $391 million, or $1.66 per share, compared to $293 million, or $1.09 per share, for the first half of 2005. The results for the second quarter and first half included credits related to income taxes of $26 million, or $0.11 per share, in 2006 and $5 million, or $0.02 per share, in 2005. In addition, EPS benefited from the reduction in average shares outstanding as a result of the Company's current common stock repurchase program.

- Net income per share increased to $0.76 in the second quarter of 2006, compared to $0.50 in the comparable 2005 period. For the first half of 2006, net income per share increased to $1.65, compared to $1.13 in the first half of 2005. Net income in the second quarter of 2006 reflected an after-tax credit of $1 million, and the first half of 2006 reflected an after-tax charge of $2 million, or $0.01 on a per share basis, related to discontinued operations. Discontinued operations added $9 million and $10 million to net income for the second quarter and first half of 2005, respectively, or $0.04 on a per share basis for each period.

- Operating profit increased 27.2% to $271 million, or 6.4% of sales, for the second quarter of 2006, compared with $213 million, or 5.4% of sales, in the same quarter last year, an improvement of 100 basis points as a percent of sales. For the first half of 2006, operating profit was $640 million, or 7.6% of sales, compared with $521 million, or 6.4% of sales, in the first half of 2005.

	13 weeks ended		**26 weeks ended**	
($ in millions)	**July 29, 2006**	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Gross margin	$ 1,628	$ 1,516	$ 3,397	$ 3,210
Selling, general and administrative (SG&A) expenses	1,357	1,303	2,757	2,689
Operating profit(1)	$ 271	$ 213	$ 640	$ 521
As a percent of sales	6.4%	5.4%	7.6%	6.4%

(1) See definition of operating profit on page 20.

- Comparable department store sales increased 6.6% for the second quarter of 2006, on top of a 4.2% increase in last year's second quarter. This represented the thirteenth consecutive quarter of comparable department store sales gains. Direct (Internet/catalog) sales increased 2.7% for the second quarter of 2006, with the Internet channel increasing approximately 25%. In last year's second quarter, Direct sales increased 7.1%, with the Internet channel increasing approximately 35%. For the first half of 2006, comparable department store sales increased by 3.9% and Direct sales increased 3.4%, with the Internet channel sales increasing approximately 23%.

- During the second quarter of 2006, the Company repurchased 8.0 million shares of common stock for $530 million under the current $750 million repurchase program authorized by the Board of Directors in February 2006. The current program was completed September 5, 2006.

- During the second quarter of 2006, the Company completed the rollout of its new point-of-sale system. This new system reduces transaction time and provides connectivity to jcp.com for each of the approximately 35,000 point-of-sale registers located in its department stores.

- During the second quarter of 2006, the Company announced the appointment of Catherine G. West as Chief Operating Officer. On joining the Company on July 31, Ms. West became a member of the Executive Board, reporting to Myron E.Ullman, III, Chairman and Chief Executive Officer. Ms. West's responsibilities include Stores, Supply Chain and Property Development.

Discontinued Operations

Discontinued operations reflected a credit of $0.01 per share in the second quarter of 2006 and a charge of $0.01 per share in the first half of 2006 related to management's ongoing review and true-up of Eckerd reserves. During the second quarter and first half of 2005, discontinued operations added $0.04 per share to net income, principally related to adjustments associated with the 2004 sale of Eckerd and international operations, including operating income for Lojas Renner S.A., the Company's Brazilian department store chain, to the date of sale offset by the transaction loss. These are discussed in more detail on the following page.

Lojas Renner S.A.

In July 2005, the Company's indirect wholly owned subsidiary, J. C. Penney Brazil, Inc., closed on the sale of its shares of Renner, a Brazilian department store chain, through a public stock offering registered in Brazil. The Company received net cash proceeds of approximately $260 million from the sale of its interest in Renner. Proceeds from the sale were used for common stock repurchases, which are more fully discussed under 2005 and 2004 Equity and Debt Reduction Programs on page 28. The sale resulted in a cumulative pre-tax gain of $26 million and a loss of $7 million on an after-tax basis. For all periods presented, Renner's results of operations and financial position have been reclassified and reflected as a discontinued operation.

Eckerd Drugstores

Related to the sale of its Eckerd drugstore operations, the Company recorded a $1 million after-tax credit during the second quarter of 2006 and a $2 million after-tax charge during the first half of 2006. The activity was primarily related to taxes payable resulting from a state sales tax audit. Through the first half of 2006, the cumulative loss on the Eckerd sale was $717 million pre-tax, or $1,332 million on an after-tax basis. The relatively high tax cost is a result of the tax basis of Eckerd being lower than its book basis because the Company's previous drugstore acquisitions were largely tax-free transactions.

The net cash proceeds of approximately $3.5 billion from the Eckerd sale, which closed in the second quarter of 2004, were used for common stock repurchases and debt reduction, which are more fully discussed under 2005 and 2004 Equity and Debt Reduction Programs on page 28.

Upon closing of the Eckerd sale, the Company established reserves for estimated transaction costs and post-closing adjustments. Certain of these reserves involved significant judgment, and actual costs incurred over time could vary from these estimates. The more significant remaining estimates relate to the costs to exit the Colorado and New Mexico markets and environmental indemnifications. Management continues to review and update the remaining reserves on a quarterly basis and believes that the overall reserves, as adjusted, are adequate as of July 29, 2006 and consistent with original estimates. Cash payments for the Eckerd-related reserves are included in the Company's Consolidated Statements of Cash Flows as Cash Paid for Discontinued Operations, with tax payments included in operating cash flows and all other payments, if applicable, included in investing cash flows.

Results of Operations

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

($ in millions, except EPS)	13 weeks ended		26 weeks ended	
	July 29, 2006	July 30, 2005	July 29, 2006	July 30, 2005
Retail sales, net	$ 4,238	$ 3,981	$ 8,458	$ 8,099
Gross margin	1,628	1,516	3,397	3,210
SG&A expenses	1,357	1,303	2,757	2,689
Operating profit(1)	271	213	640	521
Net interest expense	32	40	66	89
Bond premiums and unamortized costs	-	5	-	18
Real estate and other (income)	(9)	(14)	(22)	(36)
Income from continuing operations before income taxes	248	182	596	450
Income tax expense	70	60	205	157
Income from continuing operations	$ 178	$ 122	$ 391	$ 293
Diluted EPS from continuing operations	$ 0.75	$ 0.46	$ 1.66	$ 1.09
Ratios as a percent of sales:				
Gross margin	38.4%	38.1%	40.2%	39.6%
SG&A expenses	32.0%	32.7%	32.6%	33.2%
Operating profit(1)	6.4%	5.4%	7.6%	6.4%
Depreciation and amortization included in operating profit	$ 88	$ 88	$ 176	$ 175

(1)) Operating profit (gross margin less SG&A expenses), is a non-GAAP (Generally Accepted Accounting Principles) measure, which is the key measurement used by management to evaluate the financial performance of retail operations. Operating profit excludes Net Interest Expense, Bond Premiums and Unamortized Costs and Real Estate and Other. Real estate operations, gains and losses on the sale of real estate properties, asset impairments and other unit closing costs and other corporate charges are evaluated separately from operations and are recorded in Real Estate and Other in the Consolidated Statements of Operations.

The Company delivered a record performance during the second quarter of 2006 with income from continuing operations of $178 million, or $0.75 per share, compared to $122 million, or $0.46 per share, for the comparable 2005 period. Income from continuing operations for the first half of 2006 increased to $391 million, or $1.66 per share, compared to $293 million, or $1.09 per share, for the first half of 2005. The increase over 2005 reflects improved operating profit, driven by strong sales performance, improved gross margin and leverage of selling, general and administrative expenses, combined with lower net interest expense. The results for the second quarter and first half included a credit related to income taxes of $26 million in 2006 and $5 million in 2005. Earnings per share for the second quarter and first half of 2006 also benefited from the reduction in average shares outstanding compared to the prior year as the result of the Company's current common stock repurchase program. The Company currently expects 2006 third quarter, fourth quarter and full year EPS from continuing operations to be approximately $1.07, $1.84 and $4.55, respectively.

Retail Sales, Net

($ in millions)

	13 weeks ended		26 weeks ended	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Retail sales, net	$ 4,238	$ 3,981	$ 8,458	$ 8,099
Sales percent increase:				
Comparable department stores[(1)]	6.6%	4.2%	3.9%	3.5%
Total department stores	7.1%	5.1%	4.6%	4.2%
Direct (Internet/catalog)	2.7%	7.1%	3.4%	6.2%

(1) Comparable department store sales include sales of stores after having been open for 12 full consecutive fiscal months. New and relocated stores, and the reopened stores impacted by the 2005 hurricanes, become comparable on the first day of the 13th full fiscal month of operation.

Comparable department store sales increased 6.6% for the second quarter of 2006, and total department store sales increased 7.1%. These increases were on top of second quarter 2005 increases of 4.2% for comparable department store sales and 5.1% for total department store sales. For the first half of 2006, comparable store sales increased 3.9%, while total department store sales increased 4.6%. For the second quarter and year-to-date 2006, both fashion and basic merchandise have experienced sales gains, and the Company's key private brands continue to perform well. Department store sales have continued to benefit from positive customer response to the style, quality, selection and value offered in the Company's merchandise assortments, compelling marketing programs and continued improvement in the store shopping experience. Second quarter and year-to-date sales reflect improvements in all merchandise divisions, led by fine jewelry, children's apparel, family footwear and women's accessories. In addition, all apparel lines, particularly women's, improved throughout the quarter with positive response to new product offerings, such as a.n.a™, a modern casual women's apparel line. From a regional perspective, for the second quarter of 2006, sales increased in all regions of the country, with the strongest performance in the west and southeast.

Direct sales, which offer customers multi-channel convenience and a broader merchandise selection complementing that carried in the Company's department stores, increased 2.7% in the second quarter of 2006, on top of a 7.1% increase in last year's second quarter. Direct sales continue to reflect a focus on targeted specialty media and the expanded assortments and convenience of the Internet. The Direct channel represented approximately 14% and 15% of total net retail sales in the second quarters of 2006 and 2005, respectively. Consistent with customer shopping patterns, the Company continually reviews its catalog page counts and circulation to ensure that print catalogs remain productive, while planning for a gradual shift toward a higher level of shopping via the Internet. The Internet channel continues to experience strong sales growth, increasing approximately 25% in the current quarter, on top of an approximately 35% increase in last year's second quarter. Internet sales represented approximately 41% of total Direct sales for the second quarter of 2006, up from approximately 34% in last year's second quarter. For the first half of 2006, Direct sales increased 3.4%, with the Internet component increasing approximately 23%.

The Company has implemented lifestyle merchandising that reflects its customers' style preferences – conservative, traditional, modern and trendy – making JCPenney more relevant to an expanded customer base. The Company will continue to enhance its strong private, exclusive and national brands that develop customer loyalty by focusing its merchandise more closely on each of the customer lifestyles. Additional resources are being focused on the Company's branding efforts to ensure consistency in product design, packaging, in-store presentation, lifestyle marketing and point-of-sale support. The brands launched in early 2006 and in 2005 support these merchandising initiatives.

The Company continues to emphasize the introduction of new brands that fit within the lifestyle matrix. During the 2006 Back-To-School season, the Company is launching X-Games boys' apparel as an exclusive line in over 600 JCPenney department stores and Stevies by Steve Madden™ in girls' apparel. This follows other recent launches such as Vans for the young surf and skate customer, Solitude® by Shaun Tomson, a California lifestyle-inspired men's apparel brand, Rule by Steve Madden™ in family footwear, and an expanded assortment of bedding and accessories for student dorm rooms. The Company has seen continued strength in the Miss Bisou® clothing collection for juniors, an extension of the Bisou Bisou® women's sportswear line, and Studio by the JCPenney Home Collection™, a modern furniture collection. Also in 2006, the Company added the Chris Madden® Hotel Collection, which features silk-blend comforters and 600 thread count sheets. Management is pleased with customer response and sales results for the Company's new and expanded merchandise launches.

Complementing the new product offerings, the Company launched an integrated marketing campaign during the 2006 Back-To-School season to strengthen the branding and messaging efforts with its target customers. In August 2006, JCPenney was the exclusive retail sponsor of both the Teen Choice Awards and the MTV Video Music Awards. Also in August, "JCPenney JAM - The Concert for America's Kids," which benefited the JCPenney Afterschool Fund, aired in primetime on CBS.

The Company continues to make progress on its joint initiative with Sephora U.S.A., Inc. (Sephora), under which JCPenney will sell Sephora products in its stores and through the Internet. Sephora products will be the exclusive beauty offering at JCPenney, beginning in a limited number of stores in fall 2006. The Sephora departments in JCPenney stores will feature top brands from makeup, skincare, fragrance and accessory products carried in Sephora's stores across the United States. Beginning August 3, 2006, Sephora began exclusively servicing JCPenney customers' online beauty needs through a link to www.sephora.com from www.jcp.com.

For the third and fourth quarters of 2006 (excluding the 53^{rd} week), comparable store sales are expected to increase low single digits. Direct sales are expected to increase low single digits in the third quarter and mid single digits in the fourth quarter due to the 53^{rd} week in 2006.

Gross Margin

Gross margin improved 30 basis points as a percent of sales in this year's second quarter to $1,628 million, compared to $1,516 million in the comparable 2005 period. Through the first half of 2006, gross margin was $3,397 million, compared to $3,210 million in the prior year first half, an increase of 60 basis points as a percent of sales. The continued improvement in gross margin reflects strength in the performance of the Company's private brands, the increased effectiveness of planning and allocation technology resulting in better product flow and a larger contribution to sales from higher margin merchandise divisions.

SG&A Expenses

SG&A expenses were $1,357 million in the second quarter of 2006 compared to $1,303 million in the second quarter of 2005, and continue to be well leveraged, improving by 70 basis points in the second quarter of 2006 to 32.0% of sales. Improvements in the expense ratios reflected leverage of salary and marketing costs against higher sales. On a year-to-date basis, SG&A expenses were $2,757 million in 2006 compared to $2,689 million in 2005, an improvement of 60 basis points as a percent of sales. These year-to-date improvements reflect leverage of salary and logistics costs, which were partially offset by higher marketing costs, including costs related to the launch of the Company's new branding campaign in March.

Operating Profit

Operating profit improved 27.2% or 100 basis points as a percent of sales, for the second quarter of 2006 to $271 million, or 6.4% of sales, compared to $213 million, or 5.4% of sales, for the comparable period last year. On a year-to-date basis, operating profit increased approximately 23% to $640 million, or 7.6% of sales, compared to $521 million, or 6.4% of sales, for the comparable period last year. Operating profit improvements were driven by sales gains, as well as continued improvements in gross margin and expense leverage. Operating profit (gross margin less SG&A expenses), a non-GAAP measure, is the key measurement on which management evaluates the financial performance of the retail operations. For the third and fourth quarter of 2006, the Company expects moderate improvements in operating profit over last year, primarily as a result of SG&A expense leverage.

Net Interest Expense

Net interest expense was $32 million and $40 million for the second quarters of 2006 and 2005, respectively. On a year-to-date basis, net interest expense was $66 million in 2006, compared to $89 million in 2005. Net interest expense consists primarily of interest expense on long-term debt, net of interest income earned on cash and short-term investments. Net interest expense in the second quarter and first half of 2006 benefited from higher short-term interest rates on cash and short-term investment balances, as well as the reduction in average long-term debt. The Company expects net interest expense to be approximately $40 million in both the third and fourth quarters of 2006 reflecting both seasonal needs and completion of the current share repurchase program.

Bond Premiums and Unamortized Costs

No bond premiums, commissions or unamortized costs were incurred during the first half of 2006. During the second quarter of 2005, the Company incurred $5 million of bond premiums, commissions and unamortized costs related to the purchase of debt in the open market under its debt reduction program, which is discussed on page 28. For the first half of 2005, such costs totaled $18 million.

Real Estate and Other (Income)

Real Estate and Other (Income) consists of ongoing real estate operations, gains and losses on the sale of real estate properties, asset impairments, charges associated with unit closings and catalog facilities and other non-operating items. Real Estate and Other for the second quarter of 2006 consisted primarily of $9 million of income from ongoing real estate operations with $2 million of gains on the sale of closed units, which were offset by $2 million of costs related to asset impairments, the present value of operating lease obligations (PVOL) and other unit closing costs. On a year-to-date basis, Real Estate and Other was a credit of $22 million, which consisted of $17 million of income for ongoing real estate operations, a $2 million credit related to other corporate items and $5 million of gains on the sale of closed units, which were partially offset by $2 million of costs related to asset impairments, PVOL and other unit closing costs.

Real Estate and Other for the second quarter of 2005 was a credit of $14 million, which consisted of $8 million of income from ongoing real estate operations and $8 million of gains on the sale of closed units, which were partially offset by $2 million of costs related to asset impairments, PVOL and other unit closing costs. For the first half of 2005, Real Estate and Other was a credit of $36 million, which consisted of $17 million of income from ongoing real estate operations, $22 million of gains on the sale of closed units, primarily a vacant merchandise processing facility and $3 million of costs related to asset impairments, PVOL and other unit closing costs.

Income Taxes

The Company's effective income tax rate for continuing operations was 28.2% for the second quarter of 2006, compared with 33% for the second quarter of 2005. For the first half of 2006, the Company's effective income tax rate for continuing operations was 34.4%, compared with 34.9% for the first half of 2005. The effective tax rate decreased due to the release of $26 million of federal income tax reserves due primarily to the expiration of the statute of limitations on prior years. Management expects a more normalized tax rate of approximately 38.5% in the third and fourth quarters, resulting in an effective tax rate for the full year 2006 of approximately 37%.

Merchandise Inventory

Merchandise inventory was relatively flat at $3,461 million as of July 29, 2006, compared to $3,445 million at July 30, 2005. Merchandise inventory was $3,210 million at January 28, 2006. Inventory at the end of the second quarter of 2006 was in line with plan, reflecting a good balance between fashion and basic merchandise, with less seasonal clearance than last year. A modest increase in inventory is planned in the third quarter 2006 to correlate with the planned openings of 25 new stores. With new systems and its network of store distribution centers, the Company has continued to enhance its ability to allocate and flow merchandise to stores in-season by recognizing sales trends earlier and adjusting receipts, replenishing individual stores based on rates of sale and consistently providing high in-stock levels in basics and advertised items. This continued improvement of inventory management has helped to drive more profitable sales. With the elimination of global trade quotas on apparel and textiles, the Company expects to concentrate production of private brand merchandise in fewer countries and with fewer manufacturers. On an ongoing basis, the Company develops contingency plans to provide for alternate sources for product in order to ensure uninterrupted access to merchandise. Cost reductions will allow the Company to invest in higher quality merchandise and thereby improve the value proposition to the Company's target customer.

Financial Goals

The Company's financial strategy will continue to focus on opportunities to deliver value to stockholders, strengthen the Company's financial position and improve its credit profile. In order for the Company to achieve its objective of becoming a leader in performance and execution, long-range planning targets have been established related to operating financial goals, key financial metrics, cash flow, credit ratings, dividends and earnings per share growth. As announced at the April 2006 Analyst Meeting, the Company's long range plan includes certain financial targets, strategic store growth and private brand initiatives and programs such as the $750 million common stock repurchase program for 2006 and a competitive dividend, including the recent increase in quarterly dividends from $0.125 per share to $0.18 per share, beginning with the May 1, 2006 quarterly dividend. Financial targets include comparable department store sales increases in the low single digits, Direct sales increases in the low to mid single digits, gross margin approximating 40% of sales, SG&A expenses under 30% of sales, an operating profit margin of 10% to 10.5% of sales by 2009 and annual EPS growth of approximately 16% over the 2006 to 2009 period. The Company's progress toward achieving its operating financial goals could be impacted by various risks, which are discussed in the Company's 2005 10-K.

Liquidity and Capital Resources

The Company ended the second quarter with approximately $2.4 billion in cash and short-term investments, which represented approximately 69% of the $3.5 billion of outstanding long-term debt, including current maturities. Cash and short-term investments included restricted short-term investment balances of $56 million as of July 29, 2006, which are pledged as collateral for a portion of the casualty insurance program liabilities. From July 30, 2006 to September 5, 2006, the Company used $220 million of cash and short-term investments to complete the current $750 million common stock repurchase program. The Company's next scheduled long-term debt maturity is in April 2007 and approximates $325 million.

The Company, JCP and J. C. Penney Purchasing Corporation are parties to a five-year $1.2 billion unsecured revolving credit facility (2005 Credit Facility) with a syndicate of lenders with JPMorgan Chase Bank, N.A., as administrative agent. The 2005 Credit Facility includes a requirement that the Company maintain, as of the last day of each fiscal quarter, a maximum ratio of Funded Indebtedness to Consolidated EBITDA (Leverage Ratio, as defined in the 2005 Credit Facility), as measured on a trailing four-quarters basis, of no more than 3.0 to 1.0. Additionally, the 2005 Credit Facility requires that the Company maintain, for each period of four consecutive fiscal quarters, a minimum ratio of Consolidated EBITDA plus Consolidated Rent Expense to Consolidated Interest Expense plus Consolidated Rent Expense (Fixed Charge Coverage Ratio, as defined in the 2005 Credit Facility) of at least 3.2 to 1.0. As of July 29, 2006, the Company's Leverage Ratio was 1.7 to 1.0, and its Fixed Charge Coverage Ratio was 6.1 to 1.0, both in compliance with the requirements.

Cash Flows

The following is a summary of the Company's cash flows from operating, investing and financing activities:

($ in millions)

	26 weeks ended	
	July 29, 2006	**July 30, 2005**
Net cash provided by/ (used in):		
Operating activities	$ 179	$ 213
Investing activities	(312)	77
Financing activities	(483)	(1,395)
Cash (paid) for discontinued operations[1]	(26)	(159)
Net (decrease) in cash and short-term investments	$ (642)	$(1,264)

(1) See the Company's Consolidated Statements of Cash Flows on page 4 for a breakdown of cash (paid) for discontinued operations among operating, investing and financing activities.

Cash Flow from Operating Activities

While cash flows from operating activities were positively impacted in the first half of 2006 by improved operating performance and timing differences related to inventory purchases, operating cash flows were reduced by higher income tax payments and higher cash contributions to the Company's 401(k) savings plan.

Cash Flow from Investing Activities

Capital expenditures were $323 million for the first half of 2006, compared with $233 million for the first half of 2005. Capital spending was principally for new stores, store renewals and modernizations and new point-of-sale technology. The Company completed the implementation of the new point-of-sale technology in all of its stores during the second quarter of 2006. Management continues to expect total capital expenditures for the full year to be in the area of $800 million.

In the first half of 2006, the Company opened three new stores, including one relocation. Twenty-five new store openings, including 9 relocations, are planned for the third quarter of 2006. As announced in April, the Company expects to accelerate its store growth with plans to open 50 stores annually during 2007 to 2009, representing annual square footage growth of approximately 3%. New stores will be primarily in the off-mall format. Combined with planned new store openings for 2006, this would result in over 175 new stores by 2009.

Proceeds from the sale of closed units were $11 million for the first half of 2006, compared with $27 million for the first half of 2005.

In the second quarter of 2005, cash proceeds of $283 million were received from the sale of the Company's interest in Renner, a Brazilian department store chain.

Cash Flow from Financing Activities

For the first half of 2006, cash payments for long-term debt, including capital leases, totaled $7 million. During the first half of 2005, such payments totaled $466 million and also included premiums and commissions paid by the Company related to its debt reduction program, which is discussed on page 28.

During the first half of 2006, the Company repurchased 8.0 million shares of common stock for $530 million, $14 million of which was settled subsequent to the end of the second quarter. During the first half of 2005, the Company repurchased 20.2 million shares of common stock for $1,026 million, $59 million of which was settled subsequent to the end of the second quarter. In addition, $51 million of cash was paid during the first quarter of 2005 for settlement of 2004 share repurchases. Common stock is retired on the same day it is repurchased, and the related cash settlements are completed on the third business day following the repurchase.

Proceeds from the exercise of stock options were $78 million and $118 million for the first half of 2006 and 2005, respectively.

Excess tax benefits from stock options exercised were $33 million and $40 million for the first half of 2006 and 2005, respectively.

As authorized by the Board of Directors (Board), the Company paid quarterly dividends of $0.18 per share of common stock, or $42 million in total, on May 1, 2006 and $0.125 per share of common stock, or $29 million in total, on February 1, 2006. For the first half of 2005, the Company paid quarterly dividends of $0.125 per share of common stock on May 2, 2005 and February 1, 2005, or $34 million and $35 million in total, respectively. Dividends are paid to stockholders of record as of the 10th day of the month preceding the dividend payment date, or the immediately preceding business day if the 10th falls on a Saturday or Sunday. Dividends are paid when, as and if declared by the Board.

For the remainder of 2006, management believes that cash flow generated from operations, combined with existing cash and short-term investments will be adequate to execute the remainder of the $750 million common stock repurchase program and fund capital expenditures, working capital and dividend payments, and, therefore, no external funding will be required. While at the present time, management does not expect to access the capital markets for any external financing for the remainder of 2006, it may on an opportunistic basis. Management believes that the Company's financial position will continue to provide the financial flexibility to support its strategic plan. The Company's cash flows may be impacted by many factors, including the competitive conditions in the retail industry and the effects of the current economic environment and consumer confidence. Based on the nature of the Company's business, management considers the above factors to be normal business risks.

Based on improvements in the capital structure, the Company's related liquidity and coverage metrics, the Company's improved operating performance and generation of free cash flow, both Standard & Poor's Ratings Services and Moody's Investors Service, Inc. raised the Company's credit ratings to investment grade during the first quarter of 2006. In April 2006, Standard & Poor's raised its credit rating on the Company's long-term corporate credit and senior unsecured debt from BB+ to an investment grade rating of BBB-, and in February 2006, Moody's raised its corporate family debt rating, as well as its senior unsecured credit rating for the Company, from Ba1 to an investment grade rating of Baa3. In October 2005, Fitch Ratings raised its credit rating on the Company's senior unsecured notes and debentures and its $1.2 billion 2005 Credit Facility from BB+ to BBB-, an investment grade credit rating. As of the end of the second quarter of 2006, all three credit rating agencies have an outlook of "Stable" on the Company's credit ratings.

Additional liquidity strengths include the 2005 Credit Facility discussed previously. No borrowings, other than the issuance of trade and standby letters of credit, which totaled $138 million as of the end of the second quarter of 2006, have been, or are expected to be, made under this facility.

Free Cash Flow from Continuing Operations

($ in millions)	26 weeks ended	
	July 29, 2006	**July 30, 2005**
Net cash provided by operating activities (GAAP)	$ 179	$ 213
Less:		
Capital expenditures	(323)	(233)
Dividends paid	(71)	(69)
Plus:		
Proceeds from sale of assets	11	27
Free cash flow from continuing operations (non-GAAP measure)	$ (204)	$ (62)

In addition to cash flow from operating activities, management evaluates free cash flow from continuing operations, an important financial measure that is widely used by investors, the rating agencies and banks. Free cash flow from continuing operations is defined as cash provided by operating activities less dividends and capital expenditures, net of proceeds from the sale of assets. The Company's calculation of free cash flow may differ from that used by other companies, and therefore, comparability may be limited. While free cash flow is a non-GAAP financial measure, it is derived from components of the Company's consolidated GAAP cash flow statement.

Management believes free cash flow from continuing operations is important in evaluating the Company's financial performance and measuring the ability to generate cash without incurring additional external financing. Positive free cash flow generated by a company indicates the amount of cash available for reinvestment in the business or cash that can be returned to investors through increased dividends, stock repurchase programs, debt retirements or a combination of these. Conversely, negative free cash flow indicates the amount of cash that must be raised from investors through new debt or equity issues, reduction in available cash balances or a combination of these. Based on the seasonality of the Company's business, cumulative free cash flow is generally negative the first three quarters of the year and becomes positive in the fourth quarter.

For the first half of 2006, free cash flow from continuing operations was in line with management's expectations, reflecting a deficit of $204 million, compared to a deficit of $62 million for the comparable 2005 period. The decrease in free cash flow was due to higher payments related to income taxes, higher cash contributions to the Company's 401(k) savings plan and the planned increase in capital expenditures. The Company continues to track toward its plan to generate approximately $200 million of positive free cash flow for the full year of 2006. Such plan takes into account a potential $300 million pre-tax voluntary qualified pension plan contribution. The actual decision to make a contribution and amount of any such contribution in 2006 is subject to market conditions, the funded status of the plan, the level of free cash flow and general economic trends. New pension legislation was enacted in August 2006 that provides the Company enhanced flexibility to consider additional discretionary pension contributions in 2006 and beyond.

2006 Common Stock Repurchase Program

In February 2006, the Board authorized a common stock repurchase program of $750 million, which is being funded with 2005 free cash flow and cash proceeds from the exercise of employee stock options. During the second quarter of 2006, the Company repurchased 8.0 million shares of common stock for $530 million. The current repurchase program was completed on September 5, 2006.

Common Stock Outstanding

During the first half of 2006, the number of outstanding shares of common stock changed as follows:

(in millions)	**Outstanding Common Shares**
Balance as of January 28, 2006	233
Exercise of stock options	2
Common stock repurchased and retired	(8)
Balance as of July 29, 2006	227

2005 and 2004 Equity and Debt Reduction Programs

Common Stock Repurchases

The Company repurchased 12.5 million shares of common stock at a cost of $666 million during the second quarter of 2005 and 20.2 million shares of common stock at a cost of $1,026 million during the first half of 2005.

Under the Company's 2005 and 2004 common stock repurchase programs, which were completed in the fourth quarter of 2005, a total of 94.3 million shares were repurchased at a cost of $4.15 billion. Common stock was retired on the same day it was repurchased, with the excess of the purchase price over the par value being allocated between Reinvested Earnings and Additional Paid-In Capital.

Debt Reduction

The Company's 2005 and 2004 debt reduction programs, which were completed by the end of the second quarter of 2005, consisted of approximately $2.14 billion of debt retirements. The 2005 debt retirements included $194 million and $56 million of open-market debt repurchases in the first and second quarters of 2005, respectively and the payment of $193 million of long-term debt at the scheduled maturity date in May 2005. The Company incurred pre-tax charges of $18 million in 2005 related to early debt retirements ($13 million and $5 million respectively, in the first and second quarters).

Accounting for Stock-Based Compensation

The Company has a stock-based compensation plan that provides for grants to associates and non-employee directors of the Company of stock awards (restricted or unrestricted stock or units), stock appreciation rights or options to purchase the Company's common stock. Annual stock options and restricted stock awards are granted according to a pre-established calendar. The number of options and awards is fixed at the grant date, and the exercise price of stock options is set at the opening market price of the Company's common stock on the date of grant. Effective January 30, 2005, the Company adopted Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" (SFAS No. 123R), which requires the use of the fair value method of accounting for all stock-based compensation, including stock options. The statement was adopted using the modified prospective method of application. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining vesting period of awards that had been included in pro-forma disclosures in prior periods. The Company did not adjust prior year financial statements under the optional modified retrospective method of application.

Prior to fiscal year 2005, the Company used the Black-Scholes option pricing model to estimate the grant date fair value of stock option awards. For grants subsequent to the adoption of SFAS No. 123R, the Company estimates the fair value of stock option awards on the date of grant using a binomial lattice model developed by outside consultants who worked with the Company in the implementation of SFAS No. 123R. The Company believes that the binomial lattice model is a more accurate model for valuing employee stock options since it better reflects the impact of stock price changes on option exercise behavior.

Stock-Based Compensation Cost

($ in millions)	**13 weeks ended**		**26 weeks ended**	
	July 29, 2006	**July 30, 2005**	**July 29, 2006**	**July 30, 2005**
Stock awards (units and stock) (1)	$ 10	$ -	$ 12	$ 3
Stock options (2)	5	5	10	24
Total stock-based compensation cost	$ 15	$ 5	$ 22	$ 27
Total income tax benefit recognized in the Consolidated Statement of Operations for stock-based compensation arrangements	$ 6	$ 3	$ 8	$ 11

(1) Stock award cost for 2006 reflects recognition of the March 2006 performance-based restricted stock awards over the service periods during which each tranche of shares is earned.
(2) Stock option cost for the first half of 2005 reflected the early adoption of SFAS No. 123R.

As of July 29, 2006, there was $36 million and $42 million of compensation cost not yet recognized or earned related to stock options and associate restricted stock (share and unit) awards, respectively. These expenses related to stock options and associate restricted stock (share and unit) awards are expected to be recognized as earned over a weighted-average period of 1.2 years.

Retirement and Medical Benefit Plans

As part of the Company's long range plan, a project was initiated to review the Company's employee benefit programs, including the pension, savings and medical plans. The overarching goal was to provide competitive benefits that are cost effective for both the Company and its associates, while achieving one of the key strategies of making JCPenney a great place to work. As a result of this review, in April 2006, the Company's Board of Directors approved several benefit plan changes. These changes include replacing the current Company matching contribution of 4.5% of available profits with a fixed Company matching contribution of 50 cents on each dollar contributed up to 6% of pay to the Company's 401(k) defined contribution plan. The Company will retain the flexibility to make an additional discretionary matching contribution each fiscal year end. In addition, the Company will establish a new retirement account, within the savings plan, for new associates in lieu of participation in the Company's existing defined benefit pension plan (pension plan), which will remain in place for associates hired on or prior to December 31, 2006. Finally, medical benefits for active associates will be modified to increase the percentage of costs borne by the Company. These benefit plan changes were communicated to associates in May 2006 and will be effective beginning in 2007. See further discussion in Note 11.

These benefit plan changes will not have an impact on fiscal year 2006 retirement benefit and medical plan expenses. Going forward, the aggregate impact is not expected to have a material impact on the Company's financial condition, liquidity, or results of operations.

As reported in the Company's 2005 10-K, the Company's existing pension plan remains well funded with the fair value of assets exceeding the projected benefit obligation by $518 million as of year-end 2005. While well funded, the Company's pension plan is subject to the impact of market and interest rate volatility.

Critical Accounting Policies

Management's discussion and analysis of its financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Management bases its estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates estimates used, including those related to inventory valuation under the retail method; valuation of long-lived assets; estimation of reserves and valuation allowances specifically related to closed stores, insurance, income taxes, litigation and environmental contingencies and pension accounting. Actual results may differ from these estimates under different assumptions or conditions. For a further discussion of the judgments management makes in applying its accounting policies, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the 2005 10-K.

Recently Issued Accounting Pronouncements

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

Pre-Approval of Auditor Services

During the first quarter of 2006, the Audit Committee of the Board approved estimated fees for the remainder of 2006 related to the performance of both audit, including Sarbanes-Oxley Section 404 attestation work, as well as allowable non-audit services by the Company's external auditors, KPMG LLP.

Seasonality

The results of operations and cash flows for the 13 and 26 weeks ended July 29, 2006 are not necessarily indicative of the results for the entire year. The Company's annual earnings depend to a great extent on the results of operations for the last quarter of its fiscal year when a significant portion of the Company's sales and profits are recorded.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risks in the normal course of business due to changes in interest rates. The Company's market risks related to interest rates at July 29, 2006 are similar to those disclosed in the 2005 10-K.

Item 4. Controls and Procedures.

Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be in this Quarterly Report is made known to them by others on a timely basis. There were no changes in the Company's internal control over financial reporting during the Company's second quarter ended July 29, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This report may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect the Company's current view of future events and financial performance. The words expect, plan, anticipate, believe, intent, should, will and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, competition, consumer demand, seasonality, economic conditions, including the price and availability of oil and natural gas, changes in interest rates, changes in management, retail industry consolidations, government activity and acts of terrorism or war. Please refer to the Company's 2005 Annual Report on Form 10-K and subsequent filings for a further discussion of risks and uncertainties. The Company intends the forward-looking statements in this Quarterly Report on Form 10-Q to speak only at the time of its filing and does not undertake to update or revise these forward-looking statements as more information becomes available.

PART II – OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to the risk factors set forth under Part I, Item 1A of the 2005 Form 10-K and Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the period ended April 29, 2006.

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

(c) Issuer Purchases of Securities

The table below sets forth the information with respect to purchases made by or on behalf of the Company of the Company's common stock during the quarter ended July 29, 2006:

Period	Total Number of Shares Purchased During Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
April 30, 2006 through June 3, 2006	-	$ -	-	$ 750
June 4, 2006 through July 1, 2006	3,134,400	$ 66.85	3,134,400	$ 540
July 2, 2006 through July 29, 2006	4,884,600	$ 65.54	4,884,600	$ 220
Total	8,019,000		8,019,000	

In February 2006, the Board of Directors approved a new common stock repurchase program of up to $750 million. This program, which the Company announced on February 16, 2006, was completed on September 5, 2006.

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

The Annual Meeting of Stockholders of the Company was held on May 19, 2006, at which the four matters described below were submitted to a vote of stockholders, with the voting results as indicated.

1. Election of directors for a three-year term expiring at the Company's 2009 Annual Meeting of Stockholders:

Nominee	For	Authority Withheld
V. E. Jordan, Jr.	167,878,968	34,261,347
Burl Osborne	190,584,740	11,555,575
R. G. Turner	187,521,945	14,618,370
M. B. West	190,370,322	11,769,993

The following persons continue to serve as directors until the terms indicated.

Term expiring at the 2007 Annual Meeting of Stockholders:
Colleen C. Barrett
M. Anthony Burns
Maxine K. Clark
Ann Marie Tallman

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

2. The Board of Directors' proposal regarding employment of KPMG LLP as auditors for the fiscal year ending February 3, 2007:

For	Against	Abstain	Broker Non-Votes
194,575,833	5,590,628	1,973,854	1

3. The Board of Directors' proposal to amend the Company's Restated Certificate of Incorporation and Bylaws to declassify the Board of Directors:

For	Against	Abstain	Broker Non-Votes
195,255,283	4,604,307	2,280,724	2

4. A stockholder proposal regarding executive compensation:

For	Against	Abstain	Broker Non-Votes
26,779,005	155,542,573	3,469,235	16,349,503

Item 6. Exhibits.

<u>**Exhibit Nos.**</u>

3.1	Bylaws of the Company, as amended to July 21, 2006
10.1	Form of Election to Receive Stock in Lieu of Cash Retainer(s) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 19, 2006)
10.2	Form of Notice of Election to Defer under the J. C. Penney Company, Inc. Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated May 19, 2006)
10.3	Form of Notice of Change in the Amount of Fees deferred under the J. C. Penney Company, Inc. Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated May 19, 2006)
10.4	Form of Notice of Termination of Election to Defer under the J. C. Penney Company, Inc. Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated May 19, 2006)
10.5	Letter Agreement between J. C. Penney Company, Inc. and Catherine West (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated June 7, 2006)
10.6	Summary of Non-Employee Director Compensation for 2006-2007 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated July 25, 2006)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 _W. J. Alcorn____________________
W. J. Alcorn
Senior Vice President and Controller
(Principal Accounting Officer)

Date: September 6, 2006

Exhibit 3.1

J. C. PENNEY COMPANY, INC.

(A Delaware Corporation)

BYLAWS

As amended to July 21, 2006

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J. C. PENNEY COMPANY, INC.

(A Delaware Corporation)

BYLAWS

ARTICLE I

OFFICES

SECTION 1. Registered Office. The registered office of J. C. Penney Company, Inc. (hereinafter called the Company) in the State of Delaware shall be at 1209 Orange Street, City of Wilmington, County of New Castle. The name of the registered agent in charge thereof is The Corporation Trust Company.

SECTION 2. Other Offices. The Company may also have an office or offices at such other place or places either within or without the State of Delaware as from time to time the Board of Directors may determine or the business of the Company may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. Annual Meetings. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held at such place and time as shall be fixed by the Board of Directors and specified in the notice of the meeting, on the third Tuesday in May in each year, or on such other day as shall be fixed by the Board of Directors and specified in the notice of the meeting. If the election of directors shall not be held on the day designated herein or the day fixed by the Board, as the case may be, for any annual meeting, or on the day of any adjourned session thereof, the Board of Directors shall cause the election to be held at a special meeting as soon thereafter as convenient. At such special meeting, the stockholders may elect the directors and transact other business with the same force and effect as at an annual meeting duly called and held.

SECTION 2. Special Meetings. Any action required or permitted to be taken by the holders of the Common Stock of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. A special meeting of stockholders for any purpose or purposes, unless otherwise prescribed by the laws of the State of Delaware or by the certificate of incorporation, may be called at any time only by the Board of Directors pursuant to a resolution approved by a majority of the Board of Directors. Special meetings of stockholders may be held at such place, on such date, and at such time as shall be designated by resolution of the Board of Directors.

SECTION 3. Notice of Meetings. Except as otherwise required by the laws of the State of Delaware or the certificate of incorporation, notice of each annual or special meeting of stockholders shall be given not less than 10 nor more than 60 days before the day on which the meeting is to be held to each stockholder of record entitled to vote at the meeting by delivering a written notice thereof to him or her personally, or by depositing a copy of the notice in the United States mail, postage prepaid, directed to him or her at his or her address as it appears on the records of the Company, or by transmitting the notice thereof to him or her at such address by telegram, cable, radiogram, telephone facsimile, or other appropriate written communication. Except when expressly required by the laws of the State of Delaware, no publication of any notice of a meeting of stockholders shall be required. Every such notice shall state the place, date, and time of the meeting, and in the case of a special meeting, the purpose or purposes thereof. Notice of any adjourned session of a meeting of stockholders shall not be required to be given if the place, date, and time thereof are announced at the meeting at which the adjournment is taken. If, however, the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 4. List of Stockholders. It shall be the duty of the officer who shall have charge of the stock ledger of the Company to prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected, for any purpose germane to the meeting, by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine such list or to vote in person or by proxy at the meeting.

SECTION 5. Quorum. At each meeting of stockholders, the holders of a majority of the issued and outstanding shares of stock of the Company entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum at any meeting, or any adjourned session thereof, the stockholders of the Company present in person or represented by proxy and entitled to vote, by majority vote, or in the absence of all the stockholders, any officer entitled to preside or act as secretary at the meeting, may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 6. Organization and Conduct of Meeting. At each meeting of stockholders, the Chairman of the Board or in his or her absence a Vice Chairman of the Board or in his or her absence a chairman chosen by the vote of a majority in interest of the stockholders present in person or represented by proxy and entitled to vote thereat, shall act as chairman. The Secretary or in his or her absence an Assistant Secretary or in the absence of the Secretary and all Assistant Secretaries a person whom the chairman of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem necessary, appropriate, or convenient. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate, or convenient for the proper conduct of the meeting. Such rules, regulations, or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting, (ii) rules and procedures for maintaining order at the meeting and the safety of those present, (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Company, their duly authorized and constituted proxies, or such other persons as the chairman of the meeting shall determine, (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allotted to questions or comments by participants. Unless, and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 7. Notification of Stockholder Business. At a meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) in the case of an annual meeting of stockholders, otherwise properly requested to be brought before the meeting by a stockholder of record entitled to vote at the meeting and otherwise a proper subject to be brought before such meeting. For business to be properly requested to be brought before an annual meeting of stockholders, any stockholder who desires to bring any matter (other than the election of directors, which is provided for in Section 15 of Article III of these Bylaws) before such meeting and who is entitled to vote on such matter must give timely written notice of such stockholder's desire to bring such matter before the meeting, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than 90 days in advance of such meeting. A stockholder's notice to the Secretary in this regard shall set forth: (1) the name and address of the stockholder proposing such business, (2) a representation that such stockholder is a record owner of stock of the Company entitled to vote at the meeting and intends to appear in person at the meeting to present the described business, (3) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, and (4) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business may be conducted at a meeting except in accordance with the procedures set forth in this Article II of these Bylaws. The chairman of a meeting may, if the facts warrant, or if not in accordance with applicable law, determine and declare to the meeting that business proposed to be brought before a meeting was not a proper subject therefor or was not properly brought before the meeting in accordance with the provisions of this Section 7, and if he should so determine, he may so declare to the meeting, and any such business not a proper subject matter or not properly brought before the meeting shall not be transacted.

SECTION 8. Voting; Proxies; Ballots. Except as otherwise provided in the laws of the State of Delaware or the certificate of incorporation, at every meeting of stockholders, each stockholder of the Company shall be entitled to one vote at the meeting in person or by proxy for each share of stock having voting rights registered in his or her name on the books of the Company on the date fixed pursuant to Section 3 of Article VII of these Bylaws as the record date for the determination of stockholders entitled to vote at the meeting. Shares of its own stock belonging to the Company shall not be voted directly or indirectly (except for shares of stock held by the Company in a fiduciary capacity). The vote of any stockholder entitled thereto may be cast in person or by his or her proxy appointed by an instrument in writing, or by a telegram, cablegram, or other means of electronic transmission, to the full extent permitted by the laws of the State of Delaware; provided, however, that no proxy shall be voted after three years from its date, unless the proxy provides for a longer period. At all meetings of stockholders, each question (except where other provision is made in the laws of the State of Delaware, in the certificate of incorporation, or in these Bylaws) shall be decided by the vote of the holders of shares of stock having a majority of the votes which could be cast by the holders of all shares of stock outstanding and entitled to vote thereon. All elections of directors and all votes on matters set forth in the notice of meeting shall be by written ballot stating the number of shares voted, but except as otherwise provided in the laws of the State of Delaware, the vote on any other matter need not be by ballot unless directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his or her proxy, if there be such proxy, and shall state the number of shares voted.

SECTION 9. Inspectors of Election. The Company shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Company, to act at the meeting or any adjournment thereof and to make a written report thereof. The Company may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability.

The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of stock of the Company outstanding and the voting power of each such share, (ii) determine the shares of stock of the Company represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of stock of the Company represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Company, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. General Powers. The business, property, and affairs of the Company shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities expressly conferred upon the Board of Directors by the certificate of incorporation and these Bylaws, the Board of Directors may exercise all such powers of the Company and do all such lawful acts and things as are not by the laws of the State of Delaware, the certificate of incorporation, or these Bylaws directed or required to be exercised or done by the stockholders.

SECTION 2. Eligibility and Retirement. No person may serve as a director unless he or she is a stockholder of the Company. Notwithstanding the expiration of a director's term as set forth in Section 3 of this Article III, no person shall be qualified or may continue to serve as a director after attaining age 72.

SECTION 3. Number and Classification of Directors. Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth of the certificate of incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors of the Company which shall constitute the whole Board of Directors shall be such number, not less than three, as from time to time shall be fixed by the Board of Directors. Subject to the provisions of this Section 3 below, until the 2009 annual meeting of stockholders, when the following classification shall cease, the directors, other than those who may be elected pursuant to the aforesaid provisions of said Article Fourth, shall be classified by the Board of Directors, with respect to the duration of the term for which they severally hold office, into three classes as nearly equal in number as possible. Such classes shall originally consist of a first class of four directors who shall be elected at the annual meeting of stockholders held in 1985 for a term expiring at the annual meeting of stockholders to be held in 1986, and election and qualification of their respective successors; a second class of five directors who shall be elected at the annual meeting of stockholders held in 1985 for a term expiring at the annual meeting of stockholders to be held in 1987, and election and qualification of their respective successors; and a third class of five directors who shall be elected at the annual meeting of stockholders held in 1985 for a term expiring at the annual meeting of stockholders to be held in 1988, and election and qualification of their respective successors. At each annual meeting of stockholders, until the 2007 annual meeting of stockholders, the successors of the class of directors whose term expires at that meeting shall be elected for a term expiring at the annual meeting of stockholders held in the third year following the year of election of such directors and election and qualification of their respective successors. Subject to the provisions of this Section 3 below, until the 2009 annual meeting of stockholders, when the classification of the Board of Directors shall cease, the Board of Directors shall increase or decrease the number of directors in one or more classes as may be appropriate whenever it increases or decreases the number of directors pursuant to this Section 3, in order to ensure that the three classes shall be as nearly equal in number as possible. Directors elected at or after the annual meeting of stockholders to be held in 2007 shall hold office until the first annual meeting of stockholders following their election and until his or her successor shall have been duly elected and qualified or until the director's prior death, resignation or removal.

SECTION 4. Quorum and Manner of Acting. A majority of the directors at the time in office shall constitute a quorum for the transaction of business at any meeting, which in no case shall be less than one third of the total number of directors. Except as otherwise provided in the laws of the State of Delaware, the certificate of incorporation, or these Bylaws, the affirmative vote of a majority of the directors present at any meeting at which a quorum is present shall be required for the taking of any action by the Board of Directors. In the absence of a quorum at any meeting of the Board, the meeting need not be held, or a majority of the directors present thereat or if no director be present, the Secretary, may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. Members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by such means shall constitute presence in person at the meeting.

SECTION 5. Offices; Places of Meetings. The Board of Directors may hold meetings and have an office or offices at such place or places within or without the State of Delaware as the Board may from time to time determine, and in the case of meetings, as shall be specified or fixed in the respective notices or waivers of notice thereof, except where other provision is made in the laws of the State of Delaware, the certificate of incorporation, or these Bylaws.

SECTION 6. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers, and the transaction of other business, at the time of each annual election of directors. Such meeting may be held prior to the stockholders' meeting, if deemed necessary and appropriate, and if so held, would be held subject to the election of directors at the upcoming stockholders' meeting; provided, however, that no individual not then a director may act as a director prior to his or her election at the upcoming stockholders' meeting. Such meeting shall be called and held at the place and time specified in the notice or waiver and held at the place and time specified in the notice or waiver of notice thereof as in the case of a special meeting of the Board of Directors.

SECTION 7. Regular Meetings. Regular meetings of the Board of Directors shall be held as the Board of Directors shall determine, at such times and places as shall from time to time be determined by the Board, except that in May, the regular meeting shall be held immediately following the adjournment of the annual meeting of the Board. Notice of regular meetings need not be given.

SECTION 8. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or a Vice Chairman of the Board or by any two of the directors. Notice of each such meeting shall be mailed to each director, addressed to such director at his or her residence or usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent to such director at his or her residence or such place of business by telegram, cable, radiogram, telephone facsimile, or other appropriate written communication, or delivered personally or by telephone, not later than the day before the day on which the meeting is to be held.

Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided.

SECTION 9. Organization. At each meeting of the Board of Directors, the Chairman of the Board or in his or her absence, a Vice Chairman of the Board or in his or her absence, a director chosen by a majority of the directors present, shall act as chairman. The Secretary or in his or her absence, an Assistant Secretary or in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of the meeting shall appoint, shall act as secretary of the meeting and keep a record of the proceedings thereof.

SECTION 10. Order of Business. At all meetings of the Board of Directors, business shall be transacted in the order determined by the Board.

SECTION 11. Resignation. Any director may resign at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, a Vice Chairman of the Board, or the Secretary. Such resignation shall take effect at the date of receipt of the notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 12. Removal of Directors. Any director may be removed, either with or without cause, at any time, by the affirmative vote of at least 80% of the combined voting power of the then-outstanding shares of all classes and series of stock of the Company entitled to vote generally in the election of directors, voting together as a single class, at a special meeting of stockholders duly called and held for the purpose or at an annual meeting of stockholders.

SECTION 13. Vacancies. Any vacancy in the Board of Directors caused by death, resignation, removal, disqualification, increase in the number of directors, or any other cause, shall be filled by a majority vote of the remaining directors, even though less than a quorum, or by the stockholders at a special meeting duly called and held for the purpose or at an annual meeting, and each director so elected shall hold office until the next succeeding annual meeting of stockholders following such director's election and until such director's successor shall have been elected and qualified, including in circumstances where such director's predecessor was elected to a longer term.

SECTION 14. Remuneration. Directors and members of any committee may receive such fixed sum per meeting attended, or such annual sum or sums, and such reimbursement for expenses of attendance at meetings, as may be determined from time to time by resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving proper compensation therefor.

SECTION 15. Notification of Nominations. Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. Any stockholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company, not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated, (b) a representation that such stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (c) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder, (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated by the Board of Directors, and (e) the consent of each nominee to serve as a director of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

SECTION 16. Action of the Board of Directors by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or such committee.

ARTICLE IV

COMMITTEES

SECTION 1. Executive Committee. The Board of Directors may, by resolution passed by a majority of the whole Board, designate directors of the Company, in such number as the Board shall see fit, but not less than two, as an Executive Committee which shall have and may exercise, during intervals between meetings of the Board, the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but the Executive Committee shall not have the power or authority in reference to filling vacancies in its membership, amending the certificate of incorporation (except that the Executive Committee (or any committee designated pursuant to Section 6 of this Article IV) may, to the full extent permitted by the laws of the State of Delaware, make determinations with respect to the issuance of stock of the Company), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease, or exchange of all or substantially all the Company's property and assets, recommending to the stockholders a dissolution of the Company or a revocation of a dissolution, amending these Bylaws, or declaring a dividend. The Executive Committee (or any committee designated pursuant to Section 6 of this Article IV) shall have the power or authority to authorize the issuance of stock of the Company. The Board of Directors shall designate one of the members of the Executive Committee to be the Chairman of the Committee. Each member of the Executive Committee shall continue to act as such only so long as he or she shall be a director of the Company and only during the pleasure of a majority of the whole Board of Directors.

SECTION 2. Meetings. Regular meetings of the Executive Committee, of which no notice shall be necessary, shall be held on such days and at such places, within or without the State of Delaware, as shall be fixed by resolution adopted by a majority of, and communicated to all, the members of the Executive Committee. Special meetings of the Committee may be called at the request of any member. Notice of each special meeting of the Committee shall be mailed to each member thereof, addressed to such member at his or her residence or usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent to such member at his or her residence or such place of business by telegram, cable, radiogram, telephone facsimile, or other appropriate written communication, or delivered personally or by telephone, not later than the day before the day on which the meeting is to be held. Each such notice shall state the time and place of the meeting but need not state the purposes thereof except as otherwise herein expressly provided. Subject to the provisions of this Article IV, the Executive Committee, by resolution of a majority of all its members, shall fix its own rules of procedure. The Executive Committee shall keep a record of its proceedings and report them to the Board of Directors at the next regular meeting thereof after such proceedings shall have been taken.

SECTION 3. Quorum and Manner of Acting. Not less than a majority of the members of the Executive Committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at a meeting thereof at which a quorum is present shall be the act of the Executive Committee. The directors comprising the Committee shall act only as a committee, and such directors, individually, shall have no power as such. Members of the Executive Committee, or any committee designated by the Board of Directors, may participate in a meeting of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by such means shall constitute presence in person at the meeting.

SECTION 4. Vacancies. The Board of Directors, by vote of a majority of the whole Board, shall have power to fill any vacancy in the Executive Committee due to death, resignation, removal, disqualification, or any other cause.

SECTION 5. Resignation. Any director may resign from the Executive Committee at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, the Chairman of the Executive Committee, a Vice Chairman of the Board, or the Secretary. Such resignation shall take effect at the date of receipt of the notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. Other Committees. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more other committees, each such committee to consist of one or more directors of the Company, which shall have and may exercise such powers and authority (subject to the limitations specified in Section 1 of this Article IV) as the Board of Directors may determine and specify in such resolution or resolutions, such committee or committees to have such name or names as may be determined from time to time by the Board of Directors. A majority of all the members of any such committee may fix its rules of procedure, determine its actions, and fix the time and place (whether within or without the State of Delaware) of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. The Board of Directors shall have the power, either with or without cause, at any time, to change the members of any such committee, to fill vacancies, and to discharge any such committee.

ARTICLE V

OFFICERS

SECTION 1. Principal Officers. The principal offices of the Company may be a Chairman of the Board and one or more

Vice Chairmen of the Board, each of whom shall be members of the Board of Directors, and members of the Company's Corporate Staff, or successor committee then in place (the number and titles thereof to be determined by the Board of Directors). In addition, there may be such other officers, agents, and employees of the Company as may be appointed in accordance with the provisions of Section 3 of this Article V. Any two or more offices may be held by the same person.

SECTION 2. Election and Term of Office. The officers of the Company, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article V, shall be elected annually by the Board of Directors. Each officer, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article V, shall hold office until his or her successor shall have been duly elected and qualified, or until his or her earlier death, resignation, removal, or disqualification.

SECTION 3. Appointed Officers. In addition to the principal officers enumerated in Section 1 of this Article V, the Company may have such other officers, agents, and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint or remove any such other officers, agents, or employees.

SECTION 4. Removal. Any officer may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors at a special meeting called for the purpose or except in case of any officer elected by the Board of Directors, by any officer upon whom the power of removal may be conferred by the Board of Directors.

SECTION 5. Resignation. Any officer may resign at any time by giving written notice of his or her resignation to the Board of Directors or to the Chairman of the Board, a Vice Chairman of the Board, or the Secretary. Such resignation shall take effect at the date of receipt of the notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for regular election or appointment to such office.

SECTION 7. Chairman of the Board. The Chairman of the Board may be the chief executive officer of the Company. The Chairman of the Board shall preside at all meetings of the Board of Directors and of the stockholders at which he or she is present.

The Chairman of the Board shall have the general supervision of the affairs of the Company, and perform all such duties as are incident to the office or as are properly required of him or her by the Board of Directors. The Chairman of the Board shall have authority to enter into any contract or execute and deliver any instrument in the name and on behalf of the Company, when authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer, agent, or employee of the Company.

SECTION 8. Vice Chairmen of the Board. The Board of Directors may establish the office of Vice Chairman of the Board. In the absence or disability of the Chairman of the Board, a Vice Chairman of the Board shall perform the duties and exercise the powers of the Chairman of the Board. A Vice Chairman of the Board shall have authority to enter into any contract or execute and deliver any instrument in the name and on behalf of the Company, when authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer, agent, or employee of the Company. In addition, a Vice Chairman of the Board shall have such further powers and perform such further duties as may, from time to time, be assigned to him or her by the Board of Directors or the Chairman of the Board or as may be prescribed by these Bylaws.

SECTION 9. <u>Presidents.</u> The Board of Directors may establish the office of President of a division, region, or other unit, function, or activity of the Company. A President shall have such powers and perform such duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board.

SECTION 10. <u>Vice Presidents</u>. The Board of Directors may establish several classifications of Vice Presidents, such as Executive Vice Presidents, Senior Vice Presidents, Regional Vice Presidents, and Divisional Vice Presidents. Each Vice President shall have such powers and perform such duties as shall, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board.

SECTION 11. <u>The Treasurer</u>. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Company, and shall deposit or cause to be deposited all such funds in the name of the Company in such banks, trust companies, and other depositories as shall be selected in accordance with the provisions of these Bylaws; shall render to the Board of Directors, whenever the Board may require him or her so to do, a report of all his or her transactions as Treasurer; and in general, shall perform all duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board.

SECTION 12. The Secretary. The Secretary shall record or cause to be recorded in books kept for the purpose the proceedings of the meetings of the stockholders, the Board of Directors, and all committees, if any; shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law; shall be custodian of the seal of the Company; and in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board.

SECTION 13. The Controller. The Controller shall have charge of the books and records of account of the Company; shall keep or cause to be kept, and shall be responsible for the keeping of, correct and adequate records of the assets, liabilities, business, and transactions of the Company; shall at all reasonable times exhibit his or her books and records of account to any director of the Company upon application at the office of the Company where such books and records are kept; shall be responsible for the preparation and filing of all reports and returns relating to or based upon the books and records of the Company kept by him or her or under his or her direction; and in general, shall perform all duties incident to the office of Controller and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board, or a Vice Chairman of the Board.

ARTICLE VI

CONTRACTS, LOANS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. Execution of Contracts. The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers or other person or persons to enter into any contract or execute and deliver any instrument in the name and on behalf of the Company, and such authority may be general or confined to specific instances, and unless so authorized by the Board of Directors or by the provisions of these Bylaws, no officer or other person shall have any power or authority to bind the Company by any contract or engagement or to pledge its credit or to render it liable peculiarly for any purpose or to any amount.

SECTION 2. Loans. No loan shall be contracted on behalf of the Company, and no negotiable papers shall be issued in its name, except by such officer or officers or other person or persons as may be designated by the Board of Directors from time to time. If and to the extent authorized by the Board of Directors, the power to contract loans or issue negotiable papers may be delegated by any such officer or officers or other person or persons.

SECTION 3. Checks, Drafts, etc. All checks, drafts, bills of exchange, and other orders for the payment of money, letters of credit, acceptances, obligations, notes, and other evidences of indebtedness, bills of lading, warehouse receipts, and insurance certificates of the Company shall be signed or endorsed by such officer or officers or other person or persons as may be designated by the Board of Directors from time to time. If and to the extent authorized by the Board of Directors, the power to sign or endorse any such instrument may be delegated by any such officer or officers or other person or persons.

SECTION 4. Bank Accounts. The Board of Directors may from time to time authorize the opening and maintenance of general and special bank and custodial accounts with such banks, trust companies, and other depositories as it may select. Rules, regulations, and agreements applicable to such accounts may be made, and changed from time to time, by the Board of Directors, including, but without limitation, rules, regulations, and agreements with respect to the use of facsimile and printed signatures. Any of such powers of the Board of Directors with respect to bank and custodial accounts may be delegated by the Board of Directors to any officer or officers or other person or persons as may be designated by the Board of Directors, and if and to the extent authorized by the Board of Directors, any such power may be further delegated by any such officer or officers or other person or persons.

ARTICLE VII

BOOKS AND RECORDS

SECTION 1. Location. The books and records of the Company may be kept at such place or places within or without the State of Delaware as the Board of Directors or the respective officers in charge thereof may from time to time determine. The stock record books shall be kept by such officer or agent as shall be designated by the Board of Directors.

SECTION 2. Addresses of Stockholders. Notices of meetings and all other corporate notices may be delivered personally or mailed to each stockholder at his or her address as it appears on the records of the Company.

SECTION 3. Fixing Date for Determination of Stockholders of Record. In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VIII

SHARES OF STOCK AND THEIR TRANSFER

SECTION 1. Certificates of Stock. Every holder of stock of the Company shall be entitled to have a certificate in such form as the Board of Directors shall prescribe certifying the number of shares owned by him or her in the Company. Each such certificate shall be signed by, or in the name of the Company by, the Chairman of the Board, a Vice Chairman of the Board, a President, or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Company. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, the certificate may, nevertheless, be issued by the Company with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

SECTION 2. Record, etc. A record shall be kept of the name of the person, firm, or corporation owning the stock represented by each certificate of stock of the Company issued, the number of shares represented by each such certificate, and the date thereof, and in the case of cancellation, the date of cancellation. The person in whose name shares of stock stand on the books of the Company shall be deemed the owner of record thereof for all purposes as regards the Company.

SECTION 3. Transfer of Stock. Transfers of shares of the stock of the Company shall be made only on the books of the Company by the owner of record thereof, or by his or her attorney thereunto authorized by power of attorney duly executed and filed with such officer or agent as shall be designated by the Board of Directors or with the transfer agent of the Company, and on the surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon.

ARTICLE IX

DIVIDENDS AND RESERVES

The Board of Directors may, from time to time, determine whether any, and if any, what part, of the net profits of the Company or of its surplus, available therefor pursuant to law and to the certificate of incorporation, shall be declared as dividends on the stock of the Company. The Board of Directors may, in its discretion, set apart out of any of such net profits or surplus a reserve or reserves for any proper purpose and may abolish any such reserve.

ARTICLE X

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

The Company may indemnify, in accordance with and to the full extent permitted by the laws of the State of Delaware as in effect at the time of the adoption of this Article X or as such laws may be amended from time to time, and shall so indemnify to the full extent required by such laws, any person (and the heirs and legal representatives of such person) made or threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a director, officer, employee, or agent of the Company or any constituent corporation absorbed in a consolidation or merger, or serves or served as such with another corporation, partnership, joint venture, trust, or other enterprise at the request of the Company or any such constituent corporation. Notwithstanding any other provision of this Article X or the laws of the State of Delaware to the contrary, no such person shall be entitled to indemnification or the advancement of expenses pursuant to this Article X with respect to any action, suit, or proceeding, or part thereof, brought or made by such person against the Company, unless such indemnification or advancement of expenses (i) is due to such person pursuant to the specific provisions of any agreement in writing between such person and the Company approved by the Company's Board of Directors or (ii) has been approved in writing in advance of the commencement of such action, suit, or proceeding, or part thereof, by or at the direction of the Company's Board of Directors. Any indemnification or advancement of expenses pursuant to this Article X shall only be made in the specific case by a separate determination made (i) by a majority vote of the directors who are not parties to such action, suit, or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the Company's stockholders, as to entitlement to advancement of expenses and/or indemnification, as the case may be.

ARTICLE XI

RATIFICATION

Any transaction, questioned in any stockholders' derivative suit on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer, or stockholder, non-disclosure, miscomputation, or the application of improper principles or practices of accounting, may be ratified, before or after judgment, by the Board of Directors or by the stockholders in case less than a quorum of directors are qualified, and if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized. Such ratification shall be binding upon the Company and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE XII

SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Company and the words and figures "Corporate Seal 1924 Delaware".

ARTICLE XIII

FISCAL YEAR

The fiscal year of the Company shall end at the close of business on the Saturday closest to January 31 and shall, in each case, begin at the opening of business on the day next succeeding the last day of the preceding fiscal year.

ARTICLE XIV

WAIVER OF NOTICE

Whenever notice is required to be given under any provision of these Bylaws, the certificate of incorporation, or the laws of the State of Delaware, a written waiver thereof, whether in the form of a writing signed by, or a telegram, cable, radiogram, telephone facsimile, or other appropriate written communication from, the person entitled to notice and whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of the meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders or directors or a committee of directors need be specified in any written waiver of notice.

ARTICLE XV

EMERGENCY BYLAWS

SECTION 1. General. Notwithstanding any other provisions of the certificate of incorporation and these Bylaws, the emergency bylaws (hereinafter called Emergency Bylaws) provided in this Article XV shall be operative during any emergency resulting from an attack on the United States or on any locality in which the Company conducts its business or customarily holds meetings of its Board of Directors or its stockholders, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency condition (any such condition being hereinafter called an Emergency), as a result of which a quorum of the Board of Directors or the Executive Committee cannot readily be convened for action. To the extent not inconsistent with these Emergency Bylaws, the Bylaws of the Company shall remain in effect during any Emergency. Upon termination of the Emergency, these Emergency Bylaws shall cease to be operative unless and until another Emergency shall occur.

SECTION 2. Meetings and Notice of Meetings. During any Emergency any meeting of the Board of Directors or of the Executive Committee may be called by any director or officer of the Company. Notice of the meeting shall be given by the person calling the meeting, shall state the time and place of the meeting, and shall be required to be given only to such of the directors or members of the Executive Committee, as the case may be, and the persons referred to in Section 3 of this Article XV as it may be feasible to reach at the time and by any means as may then be feasible at the time.

SECTION 3. Quorum, Emergency Directors, and Manner of Acting. The directors and members of the Executive Committee, as the case may be, in attendance at a meeting pursuant to Section 2 of this Article XV, which in no case shall be less than two, shall constitute a quorum of the Board of Directors or the Executive Committee, as the case may be, and they may take any action at the meeting, by majority vote, as they shall, in their sole discretion, deem to be in the best interests of the Company. Notwithstanding the foregoing, if the number of directors or members of the Executive Committee, as the case may be, available to constitute a quorum at any such meeting, shall be less than two, additional directors, or additional members of the Executive Committee, as the case may be, in whatever number shall be necessary to constitute a Board or Executive Committee, as the case may be, of at least two members, shall be deemed selected automatically from the officers or other persons designated on a list approved by the Board of Directors before the Emergency, all in such order of priority and subject to such conditions and for such period or periods as may be provided in the resolution approving the list. The Board of Directors or Executive Committee, as the case may be, as so constituted shall continue until the termination of the Emergency. The Board of Directors, either before or during any Emergency, may provide, and from time to time modify, lines of succession in the event that during such Emergency any or all officers of the Company shall for any reason be rendered incapable of discharging their duties. Any additional director or additional member of the Executive Committee, as the case may be, may be removed, either with or without cause, by a majority vote of the remaining directors or members of the Executive Committee, as the case may be, then in office.

SECTION 4. Offices; Places of Meeting. The Board of Directors, either before or during any Emergency, may, effective during the Emergency, change the head office of the Company or designate several alternative head offices or regional offices of the Company or authorize the officers to do so.

SECTION 5. Liability during an Emergency. No officer, director, or employee shall be personally liable for acting in accordance with these Emergency Bylaws, except for willful misconduct.

ARTICLE XVI

AMENDMENTS

Subject to the provisions of the certificate of incorporation, all Bylaws of the Company shall be subject to alteration, amendment, or repeal, in whole or in part, and new bylaws not inconsistent with the laws of the State of Delaware or any provision of the certificate of incorporation may be made, either by the affirmative vote of a majority of the whole Board of Directors at any regular or special meeting of the Board, or by the affirmative vote of the holders of record of a majority of the issued and outstanding stock of the Company entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present, provided that in each case notice of the proposed alteration, amendment, or repeal or the proposed new bylaws be included in the notice of the meeting of the Board or the stockholders, or the form of consent thereof, as the case may be.

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Exhibit 31.1

CERTIFICATION

I, Myron E. Ullman, III, Chairman and Chief Executive Officer, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 6, 2006.

/s/ Myron E. Ullman, III
Myron E. Ullman, III
Chairman and Chief Executive Officer
J. C. Penney Company, Inc.

Exhibit 31.2

CERTIFICATION

I, Robert B. Cavanaugh, Executive Vice President and Chief Financial Officer, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: September 6, 2006.

/s/ Robert B. Cavanaugh
Robert B. Cavanaugh
Executive Vice President and
Chief Financial Officer
J. C. Penney Company, Inc.

Exhibit 32.1

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

In connection with the Quarterly Report of J. C. Penney Company, Inc. (the "Company") on Form 10-Q for the period ending July 29, 2006 (the "Report"), I, Myron E. Ullman, III, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

DATED this 6th day of September 2006.

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

Exhibit 32.2

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

In connection with the Quarterly Report of J. C. Penney Company, Inc. (the "Company") on Form 10-Q for the period ending July 29, 2006 (the "Report"), I, Robert B. Cavanaugh, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

DATED this 6th day of September 2006.

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