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

FORM 10-Q

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

For the quarterly period ended May 4, 2019

OR

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

For the transition period from to

Commission file number: 1-13536

macy's inc

Incorporated in Delaware		**I.R.S. Employer Identification No.**
		13-3324058
7 West Seventh Street Cincinnati, Ohio 45202	**and**	**151 West 34th Street New York, New York 10001**
(513) 579-7000		**(212) 494-1602**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value per share	M	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at June 1, 2019**
Common Stock, $.01 par value per share	308,871,513 shares

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MACY'S, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(millions, except per share figures)

	13 Weeks Ended	
	May 4, 2019	May 5, 2018
Net sales	$ 5,504	$ 5,541
Credit card revenues, net	172	157
Cost of sales	(3,403)	(3,382)
Selling, general and administrative expenses	(2,112)	(2,083)
Gains on sale of real estate	43	24
Impairment and other costs	(1)	(19)
Operating income	203	238
Benefit plan income, net	7	11
Interest expense	(54)	(71)
Interest income	7	5
Income before income taxes	163	183
Federal, state and local income tax expense	(27)	(52)
Net income	136	131
Net loss attributable to noncontrolling interest	—	8
Net income attributable to Macy's, Inc. shareholders	$ 136	$ 139
Basic earnings per share attributable to Macy's, Inc. shareholders	$ 0.44	$ 0.45
Diluted earnings per share attributable to Macy's, Inc. shareholders	$ 0.44	$ 0.45

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

MACY’S, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(millions)

	13 Weeks Ended	
	May 4, 2019	May 5, 2018
Net income	$ 136	$ 131
Reclassifications to net income:		
Amortization of net actuarial loss and prior service credit on post employment and postretirement benefit plans included in net income, before tax	8	9
Tax effect related to items of other comprehensive income	(2)	(2)
Total other comprehensive income, net of tax effect	6	7
Comprehensive income	142	138
Comprehensive loss attributable to noncontrolling interest	—	8
Comprehensive income attributable to Macy's, Inc. shareholders	$ 142	$ 146

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

MACY'S, INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(millions)

	May 4, 2019	February 2, 2019	May 5, 2018
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 737	$ 1,162	$ 1,531
Receivables	237	400	250
Merchandise inventories	5,498	5,263	5,291
Prepaid expenses and other current assets	633	620	638
Total Current Assets	7,105	7,445	7,710
Property and Equipment - net of accumulated depreciation and amortization of $4,621, $4,495 and $4,765	6,499	6,637	6,575
Right of Use Assets	2,631	—	—
Goodwill	3,908	3,908	3,908
Other Intangible Assets – net	441	478	486
Other Assets	712	726	889
Total Assets	$ 21,296	$ 19,194	$ 19,568
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term debt	$ 41	$ 43	$ 25
Merchandise accounts payable	1,950	1,655	2,045
Accounts payable and accrued liabilities	2,846	3,366	2,695
Income taxes	182	168	312
Total Current Liabilities	5,019	5,232	5,077
Long-Term Debt	4,680	4,708	5,857
Long-Term Lease Liabilities	2,823	—	—
Deferred Income Taxes	1,193	1,238	1,169
Other Liabilities	1,258	1,580	1,664
Shareholders' Equity:			
Macy's, Inc.	6,323	6,436	5,821
Noncontrolling interest	—	—	(20)
Total Shareholders' Equity	6,323	6,436	5,801
Total Liabilities and Shareholders' Equity	$ 21,296	$ 19,194	$ 19,568

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

MACY'S, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(millions)

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at February 2, 2019	$ 3	$ 652	$ 8,050	$ (1,318)	$ (951)	$ 6,436
Cumulative-effect adjustment (a)			(158)			(158)
Net income			136			136
Other comprehensive income					6	6
Common stock dividends ($0.3775 per share)			(117)			(117)
Stock-based compensation expense		14				14
Stock issued under stock plans		(60)		66		6
Balance at May 4, 2019	$ 3	$ 606	$ 7,911	$ (1,252)	$ (945)	$ 6,323

(a) Represents the cumulative-effect adjustment to retained earnings for the adoption of Accounting Standards Update 2016-02 (ASU-2016-02), Leases (Topic 842), on February 3, 2019.

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Macy's, Inc. Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at February 3, 2018	$ 3	$ 676	$ 7,246	$ (1,456)	$ (724)	$ 5,745	$ (12)	$ 5,733
Net income (loss)			139			139	(8)	131
Other comprehensive income					7	7		7
Common stock dividends ($0.3775 per share)			(116)			(116)		(116)
Stock-based compensation expense		17				17		17
Stock issued under stock plans		(51)		80		29		29
Stranded tax costs (b)			164		(164)	—		—
Balance at May 5, 2018	$ 3	$ 642	$ 7,433	$ (1,376)	$ (881)	$ 5,821	$ (20)	$ 5,801

(b) Represents the reclassification of stranded tax effects to retained earnings as a result of U.S. federal tax reform.

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

MACY'S, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(millions)

	13 Weeks Ended	
	May 4, 2019	May 5, 2018
Cash flows from operating activities:		
Net income	$ 136	$ 131
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment and other costs	1	19
Depreciation and amortization	236	235
Stock-based compensation expense	14	17
Gains on sale of real estate	(43)	(24)
Deferred income taxes	7	19
Benefit plans	8	9
Changes in assets and liabilities:		
Decrease in receivables	163	105
Increase in merchandise inventories	(235)	(115)
Increase in prepaid expenses and other current assets	(6)	(20)
Increase in merchandise accounts payable	247	415
Decrease in accounts payable and accrued liabilities	(516)	(453)
Increase in current income taxes	8	25
Change in other assets and liabilities not separately identified	(58)	(41)
Net cash provided (used) by operating activities	(38)	322
Cash flows from investing activities:		
Purchase of property and equipment	(204)	(132)
Capitalized software	(60)	(58)
Disposition of property and equipment	34	23
Other, net	(7)	11
Net cash used by investing activities	(237)	(156)
Cash flows from financing activities:		
Debt repaid	(3)	(3)
Dividends paid	(116)	(116)
Decrease in outstanding checks	(45)	(10)
Issuance of common stock	6	28
Proceeds from noncontrolling interest	—	2
Net cash used by financing activities	(158)	(99)
Net increase (decrease) in cash, cash equivalents and restricted cash	(433)	67
Cash, cash equivalents and restricted cash beginning of period	1,248	1,513
Cash, cash equivalents and restricted cash end of period	$ 815	$ 1,580
Supplemental cash flow information:		
Interest paid	$ 46	$ 65
Interest received	7	5
Income taxes paid (net of refunds received)	12	8

Note: Restricted cash of $78 million and $49 million have been included with cash and cash equivalents for the 13 weeks ended May 4, 2019 and May 5, 2018, respectively.

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

1. Organization and Summary of Significant Accounting Policies

Nature of Operations

Macy's, Inc. and subsidiaries (the "Company") is an omnichannel retail organization operating stores, websites and mobile applications under three brands (Macy's, Bloomingdale's and bluemercury) that sell a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. The Company has stores in 43 states, the District of Columbia, Guam and Puerto Rico. As of May 4, 2019, the Company's operations were conducted through Macy's, Bloomingdale's, Bloomingdale's The Outlet, Macy's Backstage and bluemercury.

Bloomingdale's in Dubai, United Arab Emirates and Al Zahra, Kuwait are operated under a license agreement with Al Tayer Insignia, a company of Al Tayer Group, LLC.

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019 (the "2018 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2018 10-K.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

The Consolidated Financial Statements for the 13 weeks ended May 4, 2019 and May 5, 2018, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company.

Seasonality

Because of the seasonal nature of the retail business, the results of operations for the 13 weeks ended May 4, 2019 and May 5, 2018 (which do not include the Christmas season) are not necessarily indicative of such results for the full fiscal year.

Reclassifications

Certain reclassifications were made to prior years' amounts to conform to the classifications of such amounts in the most recent years.

Comprehensive Income

Total comprehensive income represents the change in equity during a period from sources other than transactions with shareholders and, as such, includes net income. For the Company, the only other components of total comprehensive income for the 13 weeks ended May 4, 2019 and May 5, 2018 relate to post employment and postretirement plan items. Settlement charges incurred are included as a separate component of income before income taxes in the Consolidated Statements of Income. Amortization reclassifications out of accumulated other comprehensive loss are included in the computation of net periodic benefit cost (income) and are included in benefit plan income, net on the Consolidated Statements of Income. See Note 6, "Benefit Plans," for further information.

Newly Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), as amended, which requires lessees to recognize substantially all leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard was adopted by the Company on February 3, 2019 utilizing a modified retrospective approach that allowed for transition in the period of adoption. The Company adopted the package of practical expedients available at transition that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. Upon adoption, the Company used hindsight in determining lease term and impairment. For lease and non-lease components, the Company has elected to account for both as a single lease component.

Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of$2,516 million and $2,728 million, respectively, as of February 3, 2019. The difference of $212 million between the additional net lease assets and lease liabilities, net of the deferred tax impact of$54 million, was recorded as an adjustment to retained earnings. Prepaid rent, intangible lease assets, finance lease assets, and accrued and deferred rent as of February 3, 2019 were recorded as part of the ROU asset. Finance lease obligations as of February 3, 2019 were recorded as part of the lease liabilities. The standard did not materially impact the Company's consolidated net income and had no impact on cash flows.

2. Earnings Per Share Attributable to Macy's, Inc. Shareholders

The following tables set forth the computation of basic and diluted earnings per share attributable to Macy's, Inc. shareholders:

	13 Weeks Ended					
	May 4, 2019			May 5, 2018		
	Net Income		Shares	Net Income		Shares
	(millions, except per share data)					
Net income attributable to Macy's, Inc. shareholders and average number of shares outstanding	$ 136		308.2	$ 139		305.7
Shares to be issued under deferred compensation and other plans			0.9			0.9
	$ 136		309.1	$ 139		306.6
Basic earnings per share attributable to Macy's, Inc. shareholders		$ 0.44			$ 0.45	
Effect of dilutive securities:						
Stock options, restricted stock and restricted stock units			2.3			2.8
	$ 136		311.4	$ 139		309.4
Diluted earnings per share attributable to Macy's, Inc. shareholders		$ 0.44			$ 0.45	

In addition to the stock options and restricted stock units reflected in the foregoing tables, stock options to purchase16.9 million shares of common stock and restricted stock units relating to 2.2 million shares of common stock were outstanding atMay 4, 2019, but were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive or they were subject to performance conditions that had not been met.

In addition to the stock options and restricted stock units reflected in the foregoing tables, stock options to purchase15.7 million shares of common stock and restricted stock units relating to 2.5 million shares of common stock were outstanding atMay 5, 2018, but were not included in the computation of diluted earnings per share because their inclusion would have been antidilutive or they were subject to performance conditions that had not been met.

3. Revenue

Net sales

Revenue is recognized when customers obtain control of goods and services promised by the Company. The amount of revenue recognized is based on the amount that reflects the consideration that is expected to be received in exchange for those respective goods and services. The Company's revenue generating activities include the following:

Retail Sales

Retail sales include merchandise sales, inclusive of delivery income, licensed department income, sales of private brand goods directly to third party retailers and sales of excess inventory to third parties. Sales of merchandise are recorded at the time of shipment to the customer and are reported net of estimated merchandise returns and certain customer incentives. Commissions earned on sales generated by licensed departments are included as a component of total net sales and are recognized as revenue at the time merchandise is sold to customers. Service revenues (e.g., alteration and cosmetic services) are recorded at the time the customer receives the benefit of the service. The Company has elected to present sales taxes on a net basis and, as such, sales taxes are included in accounts payable and accrued liabilities until remitted to the taxing authorities.

For the 13 weeks ended May 4, 2019 and May 5, 2018, Macy's accounted for 88% of the Company's net sales. Disaggregation of the Company's net sales by family of business for the 13 weeks ended May 4, 2019 and May 5, 2018 were as follows:

	13 Weeks Ended	
Net sales by family of business	**May 4, 2019**	**May 5, 2018**
	(millions)	
Women's Accessories, Intimate Apparel, Shoes, Cosmetics and Fragrances	$ 2,152	$ 2,159
Women's Apparel	1,313	1,351
Men's and Kids'	1,202	1,174
Home/Other (a)	837	857
Total	$ 5,504	$ 5,541

(a) Other primarily includes restaurant sales, allowance for merchandise returns adjustments and breakage income from unredeemed gift cards.

Merchandise Returns

The Company estimates merchandise returns using historical data and recognizes an allowance that reduces net sales and cost of sales. The liability for merchandise returns is included in accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets and was $294 million, $269 million and $298 million as of May 4, 2019, February 2, 2019 and May 5, 2018, respectively. Included in prepaid expenses and other current assets is an asset totaling$200 million, $188 million and $204 million as of May 4, 2019, February 2, 2019 and May 5, 2018, respectively, for the recoverable cost of merchandise estimated to be returned by customers.

Gift Cards and Customer Loyalty Programs

The Company only offers no-fee, non-expiring gift cards to its customers. At the time gift cards are sold or issued, no revenue is recognized; rather, the Company records an accrued liability to customers. The liability is relieved and revenue is recognized equal to the amount redeemed at the time gift cards are redeemed for merchandise. The Company records revenue from unredeemed gift cards (breakage) in net sales on a pro-rata basis over the time period gift cards are actually redeemed. At least three years of historical data, updated annually, is used to determine actual redemption patterns.

The Company maintains customer loyalty programs in which customers earn points based on their purchases. Under the Macy's brand, points are earned based on customers' spending on Macy's private label and co-branded credit cards as well as non-proprietary cards during certain tender-neutral promotional events. Under the Bloomingdale's brand, the Company offers a tender neutral points-based program. The Company recognizes the estimated net amount of the rewards that will be earned and redeemed as a reduction to net sales at the time of the initial transaction and as tender when the points are subsequently redeemed by a customer.

The liability for unredeemed gift cards and customer loyalty programs is included in accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets and was $696 million, $856 million and $736 million as of May 4, 2019, February 2, 2019 and May 5, 2018, respectively.

Credit Card Revenues, net

In 2005, the Company entered into an arrangement with Citibank to sell the Company's private label and co-branded credit cards ("Credit Card Program"). Subsequent to this initial arrangement and associated amendments, in 2014, the Company entered into an amended and restated Credit Card Program Agreement (the "Program Agreement") with Citibank. As part of the Program Agreement, the Company receives payments for providing a combination of interrelated services and intellectual property to Citibank in support of the underlying Credit Card Program. Revenue based on the spending activity of the underlying accounts is recognized as the respective card purchases occur and the Company's profit share is recognized based on the performance of the underlying portfolio. Revenue associated with the establishment of new credit accounts and assisting in the receipt of payments for existing accounts is recognized as such activities occur. Credit card revenues include finance charges, late fees and other revenue generated by the Company's Credit Card Program, net of fraud losses and expenses associated with establishing new accounts.

4. Leases

The Company leases a portion of the real estate and personal property used in its operations. Most leases require the Company to pay real estate taxes, maintenance, insurance and other similar costs; some also require additional payments based on percentages of sales and some contain purchase options. Certain of the Company's real estate leases have terms that extend for a significant number of years and provide for rental rates that increase or decrease over time. Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options.

Operating lease liabilities are recognized at the lease commencement date based on the present value of the fixed lease payments using the Company's incremental borrowing rates for its population of leases. Related operating ROU assets are recognized based on the initial present value of the fixed lease payments, reduced by contributions from landlords, plus any prepaid rent and direct costs from executing the leases. ROU assets are tested for impairment in the same manner as long-lived assets.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Variable lease payments are recognized as lease expense as they are incurred.

Certain of the Company's leases contain covenants that restrict the ability of the tenant (typically a subsidiary of the Company) to take specified actions (including the payment of dividends or other amounts on account of its capital stock) unless the tenant satisfies certain financial tests.

ROU assets and lease liabilities consist of:

	Classification		**May 4, 2019 (millions)**
Assets			
Finance lease assets (a)	Right of Use Assets	$	11
Operating lease assets	Right of Use Assets		2,620
Total leased assets		$	2,631
Liabilities			
Current			
Finance	Accounts payable and accrued liabilities	$	1
Operating	Accounts payable and accrued liabilities		362
Noncurrent			
Finance	Long-Term Lease Liabilities		25
Operating	Long-Term Lease Liabilities		2,798
Total lease liabilities		$	3,186

(a) Finance lease assets are recorded net of accumulated amortization of $12 million as of May 4, 2019.

The components of net lease expense are disclosed below. Operating lease expense includes variable lease expense of $28 million.

	Classification	13 Weeks Ended May 4, 2019 (millions)
Operating lease expense (b)	Selling, general and administrative expenses	$ 122
Sublease income	Selling, general and administrative expenses	(1)
Net lease expense		$ 121

(b) Certain supply chain operating lease expense amounts are included in cost of sales.

As of May 4, 2019, the maturity of lease liabilities is as follows:

	Finance Leases (c)	Operating Leases (d)	Total
		(millions)	
Fiscal year			
2019	$ 2	$ 271	$ 273
2020	3	331	334
2021	3	330	333
2022	3	312	315
2023	3	307	310
After 2023	32	5,231	5,263
Total undiscounted lease payments	46	6,782	6,828
Less amount representing interest	20	3,622	3,642
Total lease liabilities	$ 26	$ 3,160	$ 3,186

(c) Finance lease payments include $12 million related to options to extend lease terms that are reasonably certain of being exercised.
(d) Operating lease payments include $3,163 million related to options to extend lease terms that are reasonably certain of being exercised and exclude $942 million of legally binding minimum lease payments for leases signed but not yet commenced.

Additional supplemental information regarding assumptions and cash flows for operating and finance leases are as follows:

Lease Term and Discount Rate	May 4, 2019 (millions)
Weighted-average remaining lease term (years)	
Finance leases	18.2
Operating leases	23.3
Weighted-average discount rate	
Finance leases	6.65 %
Operating leases	6.71 %

Other Information	13 Weeks Ended May 4, 2019 (millions)
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows used from operating leases	$ 94
Leased assets obtained in exchange for new operating lease liabilities	19

As of February 2, 2019, as disclosed in the 2018 10-K, minimum rental commitments for noncancellable leases, including executed leases not yet commenced, were as follows:

	Capitalized Leases (e)	Operating Leases	Total
		(millions)	
Fiscal year			
2019	$ 3	$ 325	$ 328
2020	3	315	318
2021	3	309	312
2022	3	283	286
2023	3	264	267
After 2023	31	2,758	2,789
Total minimum lease payments	46	$ 4,254	$ 4,300
Less amount representing interest	20		
Present value of net minimum capitalized lease payments	$ 26		

(e) For purposes of the disclosure, capitalized lease is used interchangeably with finance lease.

5. Financing Activities

The following table shows the detail of debt repayments:

	13 Weeks Ended	
	May 4, 2019	May 5, 2018
	(millions)	
9.5% Amortizing debentures due 2021	$ 2	$ 2
9.75% Amortizing debentures due 2021	1	1
	$ 3	$ 3

On May 9, 2019, the Company entered into a new credit agreement with certain financial institutions that replaces the previous credit agreement which was set to expire on May 6, 2021. Similar to the previous agreement, the new credit agreement provides for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $1,500 million (which may be increased to$1,750 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing). The new credit agreement is scheduled to expire on May 9, 2024, subject to up to two one-year extensions that may be requested by the Company and agreed to by the lenders.

6. Benefit Plans

The Company has defined contribution plans which cover substantially all employees who work 1,000 hours or more in a year. In addition, the Company has a funded defined benefit plan ("Pension Plan") and an unfunded defined benefit supplementary retirement plan ("SERP"), which provides benefits, for certain employees, in excess of qualified plan limitations. Effective January 1, 2012, the Pension Plan was closed to new participants, with limited exceptions, and effective January 2, 2012, the SERP was closed to new participants.

In February 2013, the Company announced changes to the Pension Plan and SERP whereby eligible employees no longer earn future pension service credits after December 31, 2013, with limited exceptions. All retirement benefits attributable to service in subsequent periods are provided through defined contribution plans.

In addition, certain retired employees currently are provided with specified health care and life insurance benefits ("Postretirement Obligations"). Eligibility requirements for such benefits vary, but generally state that benefits are available to eligible employees who were hired prior to a certain date and retire after a certain age with specified years of service. Certain employees are subject to having such benefits modified or terminated.

The defined contribution plan expense and actuarially determined components of the net periodic benefit cost (income) associated with the defined benefit plans are as follows:

	13 Weeks Ended	
	May 4, 2019	May 5, 2018
	(millions)	
401(k) Qualified Defined Contribution Plan	$ 25	$ 23
Non-Qualified Defined Contribution Plan	$ 1	$ —
Pension Plan		
Service cost	$ 1	$ 2
Interest cost	26	26
Expected return on assets	(48)	(53)
Recognition of net actuarial loss	7	8
Amortization of prior service credit	—	—
	$ (14)	$ (17)
Supplementary Retirement Plan		
Service cost	$ —	$ —
Interest cost	6	6
Recognition of net actuarial loss	2	2
Amortization of prior service cost	—	—
	$ 8	$ 8
Total Retirement Expense	$ 20	$ 14
Postretirement Obligations		
Service cost	$ —	$ —
Interest cost	1	1
Recognition of net actuarial gain	(1)	(1)
Amortization of prior service credit	—	—
	$ —	$ —

7. Fair Value Measurements

The following table shows the Company's financial assets that are required to be measured at fair value on a recurring basis, by level within the hierarchy as defined by applicable accounting standards:

	May 4, 2019				May 5, 2018			
		Fair Value Measurements				Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(millions)							
Marketable equity and debt securities	$ 110	$ 31	$ 79	$ —	$ 96	$ 25	$ 71	$ —

Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, receivables, certain short-term investments and other assets, short-term debt, merchandise accounts payable, accounts payable and accrued liabilities and long-term debt. With the exception of long-term debt, the carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments. The fair values of long-term debt, excluding capitalized leases, are generally estimated based on quoted market prices for identical or similar instruments, and are classified as Level 2 measurements within the hierarchy as defined by applicable accounting standards.

The following table shows the estimated fair value of the Company's long-term debt, excluding capital leases and other obligations:

	May 4, 2019			May 5, 2018		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
	(millions)					
Long-term debt	$ 4,667	$ 4,680	$ 4,614	$ 5,803	$ 5,832	$ 5,621

8. Condensed Consolidating Financial Information

Certain debt obligations of the Company, which constitute debt obligations of Macy's Retail Holdings, Inc. ("Subsidiary Issuer"), a 100%-owned subsidiary of Macy's, Inc. ("Parent"), are fully and unconditionally guaranteed by Parent. In the following condensed consolidating financial statements, "Other Subsidiaries" includes all other direct subsidiaries of Parent, including Bluemercury, Inc., FDS Bank, West 34th Street Insurance Company New York, Macy's Merchandising Corporation, Macy's Merchandising Group, Inc. and its subsidiaries Macy's Merchandising Group (Hong Kong) Limited, Macy's Merchandising Group Procurement, LLC, Macy's Merchandising Group International, LLC, Macy's Merchandising Group International (Hong Kong) Limited, and its majority-owned subsidiary Macy's China Limited. "Subsidiary Issuer" includes operating divisions and non-guarantor subsidiaries of the Subsidiary Issuer on an equity basis. The assets and liabilities and results of operations of the non-guarantor subsidiaries of the Subsidiary Issuer are also reflected in "Other Subsidiaries."

Condensed Consolidating Statements of Comprehensive Income for the 13 weeks ended May 4, 2019 and May 5, 2018, Condensed Consolidating Balance Sheets as of May 4, 2019, May 5, 2018 and February 2, 2019, and the related Condensed Consolidating Statements of Cash Flows for the 13 weeks ended May 4, 2019 and May 5, 2018 are presented on the following pages.

Condensed Consolidating Statement of Comprehensive Income
For the 13 Weeks Ended May 4, 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 2,154	$ 4,768	$ (1,418)	$ 5,504
Credit card revenues (expense), net	—	(2)	174	—	172
Cost of sales	—	(1,341)	(3,480)	1,418	(3,403)
Selling, general and administrative expenses	—	(803)	(1,309)	—	(2,112)
Gains on sale of real estate	—	24	19	—	43
Impairment and other costs	—	—	(1)	—	(1)
Operating income	—	32	171	—	203
Benefit plan income, net	—	3	4	—	7
Interest (expense) income, net:					
External	5	(53)	1	—	(47)
Intercompany	—	(19)	19	—	—
Equity in earnings (loss) of subsidiaries	132	(30)	—	(102)	—
Income (loss) before income taxes	137	(67)	195	(102)	163
Federal, state and local income tax benefit (expense)	(1)	24	(50)	—	(27)
Net income (loss)	136	(43)	145	(102)	136
Net loss attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to Macy's, Inc. shareholders	$ 136	$ (43)	$ 145	$ (102)	$ 136
Comprehensive income (loss)	$ 142	$ (38)	$ 149	$ (111)	$ 142
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—
Comprehensive income (loss) attributable to Macy's, Inc. shareholders	$ 142	$ (38)	$ 149	$ (111)	$ 142

Condensed Consolidating Statement of Comprehensive Income
For the 13 Weeks Ended May 5, 2018
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$ —	$ 2,008	$ 5,363	$ (1,830)	$ 5,541
Credit card revenues (expense), net	—	(6)	163	—	157
Cost of sales	—	(1,320)	(3,892)	1,830	(3,382)
Selling, general and administrative expenses	—	(828)	(1,255)	—	(2,083)
Gains on sale of real estate	—	23	1	—	24
Impairment and other costs	—	—	(19)	—	(19)
Operating income (loss)	—	(123)	361	—	238
Benefit plan income, net	—	4	7	—	11
Interest (expense) income, net:					
External	4	(71)	1	—	(66)
Intercompany	—	(18)	18	—	—
Equity in earnings of subsidiaries	136	102	—	(238)	—
Income (loss) before income taxes	140	(106)	387	(238)	183
Federal, state and local income tax benefit (expense)	(1)	37	(88)	—	(52)
Net income (loss)	139	(69)	299	(238)	131
Net loss attributable to noncontrolling interest	—	—	8	—	8
Net income (loss) attributable to Macy's, Inc. shareholders	$ 139	$ (69)	$ 307	$ (238)	$ 139
Comprehensive income (loss)	$ 146	$ (63)	$ 303	$ (248)	$ 138
Comprehensive loss attributable to noncontrolling interest	—	—	8	—	8
Comprehensive income (loss) attributable to Macy's, Inc. shareholders	$ 146	$ (63)	$ 311	$ (248)	$ 146

Condensed Consolidating Balance Sheet
As of May 4, 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 293	$ 151	$ 293	$ —	$ 737
Receivables	—	40	197	—	237
Merchandise inventories	—	2,369	3,129	—	5,498
Prepaid expenses and other current assets	—	163	470	—	633
Total Current Assets	293	2,723	4,089	—	7,105
Property and Equipment – net	—	3,202	3,297	—	6,499
Right of Use Assets	—	677	1,954	—	2,631
Goodwill	—	3,326	582	—	3,908
Other Intangible Assets – net	—	5	436	—	441
Other Assets	—	28	684	—	712
Deferred Income Taxes	6	—	—	(6)	—
Intercompany Receivable	2,436	—	886	(3,322)	—
Investment in Subsidiaries	3,776	3,061	—	(6,837)	—
Total Assets	$ 6,511	$ 13,022	$ 11,928	$ (10,165)	$ 21,296
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ —	$ 41	$ —	$ —	$ 41
Merchandise accounts payable	—	845	1,105	—	1,950
Accounts payable and accrued liabilities	73	786	1,987	—	2,846
Income taxes	87	61	34	—	182
Total Current Liabilities	160	1,733	3,126	—	5,019
Long-Term Debt	—	4,680	—	—	4,680
Long-Term Lease Liabilities	—	607	2,216	—	2,823
Intercompany Payable	—	3,322	—	(3,322)	—
Deferred Income Taxes	—	626	573	(6)	1,193
Other Liabilities	28	341	889	—	1,258
Shareholders' Equity:					
Macy's, Inc.	6,323	1,713	5,124	(6,837)	6,323
Noncontrolling Interest	—	—	—	—	—
Total Shareholders' Equity	6,323	1,713	5,124	(6,837)	6,323
Total Liabilities and Shareholders' Equity	$ 6,511	$ 13,022	$ 11,928	$ (10,165)	$ 21,296

Condensed Consolidating Balance Sheet
As of May 5, 2018
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 1,070	$ 79	$ 382	$ —	$ 1,531
Receivables	—	48	202	—	250
Merchandise inventories	—	2,283	3,008	—	5,291
Prepaid expenses and other current assets	—	150	488	—	638
Total Current Assets	1,070	2,560	4,080	—	7,710
Property and Equipment – net	—	3,298	3,277	—	6,575
Goodwill	—	3,326	582	—	3,908
Other Intangible Assets – net	—	43	443	—	486
Other Assets	1	96	792	—	889
Deferred Income Taxes	5	—	—	(5)	—
Intercompany Receivable	1,156	—	2,113	(3,269)	—
Investment in Subsidiaries	3,975	4,232	—	(8,207)	—
Total Assets	$ 6,207	$ 13,555	$ 11,287	$ (11,481)	$ 19,568
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ —	$ 6	$ 19	$ —	$ 25
Merchandise accounts payable	—	896	1,149	—	2,045
Accounts payable and accrued liabilities	109	784	1,802	—	2,695
Income taxes	253	35	24	—	312
Total Current Liabilities	362	1,721	2,994	—	5,077
Long-Term Debt	—	5,841	16	—	5,857
Intercompany Payable	—	3,269	—	(3,269)	—
Deferred Income Taxes	—	570	604	(5)	1,169
Other Liabilities	24	416	1,224	—	1,664
Shareholders' Equity:					
Macy's, Inc.	5,821	1,738	6,469	(8,207)	5,821
Noncontrolling Interest	—	—	(20)	—	(20)
Total Shareholders' Equity	5,821	1,738	6,449	(8,207)	5,801
Total Liabilities and Shareholders' Equity	$ 6,207	$ 13,555	$ 11,287	$ (11,481)	$ 19,568

Condensed Consolidating Balance Sheet
As of February 2, 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS:					
Current Assets:					
Cash and cash equivalents	$ 889	$ 59	$ 214	$ —	$ 1,162
Receivables	—	68	332	—	400
Merchandise inventories	—	2,342	2,921	—	5,263
Prepaid expenses and other current assets	—	143	477	—	620
Total Current Assets	889	2,612	3,944	—	7,445
Property and Equipment – net	—	3,287	3,350	—	6,637
Goodwill	—	3,326	582	—	3,908
Other Intangible Assets – net	—	38	440	—	478
Other Assets	—	41	685	—	726
Deferred Income Taxes	12	—	—	(12)	—
Intercompany Receivable	1,713	—	1,390	(3,103)	—
Investment in Subsidiaries	4,030	3,119	—	(7,149)	—
Total Assets	$ 6,644	$ 12,423	$ 10,391	$ (10,264)	$ 19,194
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current Liabilities:					
Short-term debt	$ —	$ 42	$ 1	$ —	$ 43
Merchandise accounts payable	—	713	942	—	1,655
Accounts payable and accrued liabilities	170	950	2,246	—	3,366
Income taxes	14	52	102	—	168
Total Current Liabilities	184	1,757	3,291	—	5,232
Long-Term Debt	—	4,692	16	—	4,708
Intercompany Payable	—	3,103	—	(3,103)	—
Deferred Income Taxes	—	679	571	(12)	1,238
Other Liabilities	24	406	1,150	—	1,580
Shareholders' Equity:					
Macy's, Inc.	6,436	1,786	5,363	(7,149)	6,436
Noncontrolling Interest	—	—	—	—	—
Total Shareholders' Equity	6,436	1,786	5,363	(7,149)	6,436
Total Liabilities and Shareholders' Equity	$ 6,644	$ 12,423	$ 10,391	$ (10,264)	$ 19,194

Condensed Consolidating Statement of Cash Flows
For the 13 Weeks Ended May 4, 2019
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 136	$ (43)	$ 145	$ (102)	$ 136
Equity in loss (earnings) of subsidiaries	(132)	30	—	102	—
Impairment and other costs	—	—	1	—	1
Dividends received from subsidiaries	225	—	—	(225)	—
Depreciation and amortization	—	85	151	—	236
Gains on sale of real estate	—	(24)	(19)	—	(43)
Changes in assets, liabilities and other items not separately identified	78	(118)	(328)	—	(368)
Net cash provided (used) by operating activities	307	(70)	(50)	(225)	(38)
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net of dispositions	—	(52)	(178)	—	(230)
Other, net	—	—	(7)	—	(7)
Net cash used by investing activities	—	(52)	(185)	—	(237)
Cash flows from financing activities:					
Debt repaid	—	(3)	—	—	(3)
Dividends paid	(116)	—	(225)	225	(116)
Issuance of common stock	6	—	—	—	6
Intercompany activity, net	(700)	214	486	—	—
Other, net	(93)	28	20	—	(45)
Net cash provided (used) by financing activities	(903)	239	281	225	(158)
Net increase (decrease) in cash, cash equivalents and restricted cash	(596)	117	46	—	(433)
Cash, cash equivalents and restricted cash at beginning of period	889	64	295	—	1,248
Cash, cash equivalents and restricted cash at end of period	$ 293	$ 181	$ 341	$ —	$ 815

Condensed Consolidating Statement of Cash Flows
For the 13 Weeks Ended May 5, 2018
(millions)

	Parent	Subsidiary Issuer	Other Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ 139	$ (69)	$ 299	$ (238)	$ 131
Equity in earnings of subsidiaries	(136)	(102)	—	238	—
Impairment and other costs	—	—	19	—	19
Dividends received from subsidiaries	200	—	—	(200)	—
Depreciation and amortization	—	82	153	—	235
Gains on sale of real estate	—	(23)	(1)	—	(24)
Changes in assets, liabilities and other items not separately identified	150	175	(364)	—	(39)
Net cash provided by operating activities	353	63	106	(200)	322
Cash flows from investing activities:					
Purchase of property and equipment and capitalized software, net of dispositions	—	(50)	(117)	—	(167)
Other, net	—	(10)	21	—	11
Net cash used by investing activities	—	(60)	(96)	—	(156)
Cash flows from financing activities:					
Debt repaid	—	(3)	—	—	(3)
Dividends paid	(116)	—	(200)	200	(116)
Issuance of common stock	28	—	—	—	28
Proceeds from noncontrolling interest	—	—	2	—	2
Intercompany activity, net	(254)	(10)	264	—	—
Other, net	(50)	23	17	—	(10)
Net cash provided (used) by financing activities	(392)	10	83	200	(99)
Net increase (decrease) in cash, cash equivalents and restricted cash	(39)	13	93	—	67
Cash, cash equivalents and restricted cash at beginning of period	1,109	79	325	—	1,513
Cash, cash equivalents and restricted cash at end of period	$ 1,070	$ 92	$ 418	$ —	$ 1,580

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

For purposes of the following discussion, all references to "first quarter of 2019" and "first quarter of 2018" are to the Company's 13-week fiscal periods ended May 4, 2019 and May 5, 2018, respectively. References to "2019" and "2018" are to the Company's 52-week fiscal years ending February 1, 2020 and ended February 2, 2019, respectively.

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes included elsewhere in this report, as well as the financial and other information included in the 2018 10-K. The following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could materially differ from those discussed in these forward-looking statements. Factors that could cause or contribute to those differences include, but are not limited to, those discussed below and elsewhere in this report (particularly in "Risk Factors" and in "Forward-Looking Statements") and in the 2018 10-K (particularly in "Risk Factors" and in "Forward-Looking Statements"). This discussion includes non-GAAP financial measures. For information about these measures, see the disclosure under the caption "Important Information Regarding Non-GAAP Financial Measures" on pages 27 to 28.

Overview

The Company is an omnichannel retail organization operating stores, websites and mobile applications under three brands (Macy's, Bloomingdale's and bluemercury) that sell a wide range of merchandise, including apparel and accessories (men's, women's and kids'), cosmetics, home furnishings and other consumer goods. The Company has stores in 43 states, the District of Columbia, Guam and Puerto Rico. As of May 4, 2019, the Company's operations were conducted through Macy's, Bloomingdale's, Bloomingdale's The Outlet, Macy's Backstage, and bluemercury.

Bloomingdale's in Dubai, United Arab Emirates and Al Zahra, Kuwait are operated under a license agreement with Al Tayer Insignia, a company of Al Tayer Group, LLC.

Quarter Highlights

During the first quarter of 2019, the Company continued its investment in its 2019 strategic initiatives and experienced continued growth in its 2018 strategic initiatives. Highlights of these initiatives include:

- Expansion of the Growth50 to the Growth150 with the addition of 100 locations in 2019. These additional 100 locations will receive the store improvement initiatives executed at the Growth50 locations, such as facility upgrades, merchandising strategies, and localized marketing. During the first quarter of 2019, sales results for the Growth50 locations outperformed the other Macy's locations, and implementation of the store improvement initiatives is underway at the additional 100 locations.
- Continued expansion of Backstage, Macy's mall-based off-price business, to another 50 locations within existing Macy's locations in 2019. During the first quarter of 2019, the Company opened nine new locations within existing Macy's stores for a total of 181 Backstage locations (174 inside Macy's stores and seven freestanding locations) as of May 4, 2019.
- Continued expansion of the vendor direct program (i.e., merchandise purchased from the Company's websites and digital applications and shipped directly to customers from the respective vendor) during 2019 into additional brands and assortments. During the first quarter of 2019, the vendor direct program added new vendors and increased merchandise assortments, and contributed to the Company's digital sales growth.
- The mobile-first strategy includes improving a customer's digital experience through the enhancement of app features such as My Wallet (i.e., online order pick up identification, payment and loyalty rewards features), My Store (i.e., access to in-store offers and product locator features) and My Stylist (i.e., connects customers with in-store fashion consultants). The first quarter of 2019 included investments in the enhancement of these features.
- Investment in destination businesses comprising six merchandise categories (dresses, fine jewelry, big ticket, men's tailored, women's shoes and beauty) to gain market share and to further contribute to the Company's sales growth. These merchandise categories experienced strong sales performance during the first quarter of 2019.

During the first quarter of 2019, STORY at Macy's was launched with the opening of 36 locations in 15 states. Each STORY at Macy's will be refreshed with a new theme and merchandise every 10 to 15 weeks.

Bloomingdale's and Bloomingdale's The Outlets had strong performances during the quarter. Bloomingdale's continued to see the operating performance for its flagship 59th Street store benefit from the renovations that occurred in 2018. Bluemercury, the Company's luxury beauty products and spa retailer, continued its growth during the quarter both in stand-alone stores and stores within Macy's stores.

Results of Operations

Comparison of the First Quarter of 2019 and the First Quarter of 2018

	First Quarter of 2019		First Quarter of 2018	
	Amount	% to Net Sales	Amount	% to Net Sales
	(dollars in millions, except per share figures)			
Net sales	$ 5,504		$ 5,541	
Credit card revenues, net	172	3.1 %	157	2.8 %
Cost of sales	(3,403)	(61.8) %	(3,382)	(61.0) %
Selling, general and administrative expenses	(2,112)	(38.4) %	(2,083)	(37.6) %
Gains on sale of real estate	43	0.8 %	24	0.4 %
Impairment and other costs	(1)	— %	(19)	(0.3) %
Operating income	203	3.7 %	238	4.3 %
Benefit plan income, net	7		11	
Interest expense, net	(47)		(66)	
Income before income taxes	163		183	
Federal, state and local income tax expense	(27)		(52)	
Net income	136		131	
Net loss attributable to noncontrolling interest	—		8	
Net income attributable to Macy's, Inc. shareholders	$ 136	2.5 %	$ 139	2.5 %
Diluted earnings per share attributable to Macy's, Inc. shareholders	$ 0.44		$ 0.45	
Supplemental Financial Measure				
Gross margin (a)	$ 2,101	38.2 %	$ 2,159	39.0 %
Supplemental Non-GAAP Financial Measure				
Diluted earnings per share attributable to Macy's, Inc. shareholders, excluding the impact of certain items	$ 0.44		$ 0.48	

(a) Gross margin is defined as net sales less cost of sales.

Net Sales and Comparable Sales

Net sales for the first quarter of 2019 decreased $37 million or 0.7% compared to the first quarter of 2018. Comparable sales on an owned basis for the first quarter of 2019 increased 0.6% compared to the first quarter of 2018. On an owned plus licensed basis, comparable sales increased 0.7% during the first quarter of 2019.

Digital sales continued to experience strong growth with double-digit gains in thefirst quarter of 2019 and all three brands, Macy's, Bloomingdale's and bluemercury, performed well. Sales during the first quarter of 2019 were strong in the merchandise categories that make up our destination businesses, particularly dresses, fine jewelry, men's tailored, women's shoes, skincare and fragrances. Active and kids also improved compared to the prior year quarter, while sales were not as strong in handbags during the first quarter of 2019. Geographically, the Midwest and Northeast were the strongest regions during the first quarter of 2019.

Credit Card Revenues, Net

Credit card revenues, net were$172 million in the first quarter of 2019, an increase of $15 million compared to $157 million recognized in the first quarter of 2018. Increased proprietary card usage driven by the enhanced Macy's Star Rewards loyalty program and higher consumer credit balances drove the favorable results. Proprietary card penetration increased 80 basis points to 46.3% in the first quarter of 2019 compared to 45.5% in the first quarter of 2018.

Cost of Sales

Cost of sales increased by $21 million compared to the first quarter of 2018, an 80 basis points increase as a percent to net sales to 61.8% in the first quarter of 2019. The increase in cost of sales was primarily driven by higher delivery expense which resulted from free shipping offered as part of the Company's loyalty programs coupled with increased transactions compared to the prior year quarter.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 2019 increased $29 million from the first quarter of 2018. The SG&A rate as a percent to net sales of 38.4% was 80 basis points higher in the first quarter of 2019, as compared to the first quarter of 2018. This increase in SG&A expenses was driven primarily by investments in the expansion of Backstage as well as the other strategic initiatives previously discussed.

Gains on Sale of Real Estate

The first quarter of 2019 included asset sale gains of $43 million compared to $24 million in the first quarter of 2018. The first quarter of 2019 included a $21 million gain related to the Macy's White Plains transaction, while the first quarter of 2018 included approximately $18 million related to the Macy's Brooklyn transaction.

Impairment and Other Costs

The first quarters of 2019 and 2018 included $1 million and $19 million, respectively, of impairment and other costs. Impairment and other costs in the first quarter of 2018 were associated with the wind-down of Macy's China Limited.

Benefit Plan Income, Net

The first quarters of 2019 and 2018 included $7 million and $11 million, respectively, of non-cash net benefit plan income relating to the Company's defined benefit plans. This income includes the net of: interest cost, expected return on plan assets and amortization of prior service costs or credits and actuarial gains and losses.

Net Interest Expense

Net interest expense for the first quarter of 2019 decreased $19 million from the first quarter of 2018 due to a reduction in the Company's debt resulting from tender offer and open market repurchases in 2018.

Effective Tax Rate

The Company's effective tax rate was 16.6% for the first quarter of 2019 and 28.4% for the first quarter of 2018 compared to the federal income tax statutory rate of 21%. The effective tax rate for the first quarter of 2019 was impacted by the settlement of certain tax matters. In addition, the first quarter of 2019 included income of $1 million for net excess tax benefits associated with share-based payments compared to a net tax shortfall expense of $3 million in the first quarter of 2018.

Net Income Attributable to Macy's, Inc. Shareholders

Net income attributable to Macy's, Inc. shareholders for the first quarter of 2019 decreased $3 million compared to the first quarter of 2018. The first quarter of 2019 was driven by lower operating income partially offset by lower interest expense and a lower effective tax rate than the first quarter of 2018.

Diluted Earnings Per Share Attributable to Macy's, Inc. Shareholders

Diluted earnings per share for the first quarter of 2019 decreased $0.01 compared to the first quarter of 2018, reflecting lower net income.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash from operations, cash on hand and the credit facility described below.

Operating Activities

Net cash used by operating activities in the first quarter of 2019 was $38 million, compared to net cash provided by operating activities of $322 million in the first quarter of 2018. The difference in operating cash flows period over period reflects the timing of inventory purchases.

Investing Activities

Net cash used by investing activities was $237 million in the first quarter of 2019, compared to $156 million in the first quarter of 2018. The increase in the first quarter of 2019 was driven by the Company's investments in its strategic initiatives resulting in $264 million of capital expenditures, inclusive of property and equipment and capitalized software, compared to $190 million in the first quarter of 2018. Offsetting this outflow in the first quarter of 2019, the Company received cash of $34 million from the disposition of property and equipment primarily related to the execution of real estate transactions, compared to $23 million of proceeds in the first quarter of 2018.

Financing Activities

Net cash used by the Company for financing activities was $158 million for the first quarter of 2019, including payment of $116 million of cash dividends and a $45 million decrease in outstanding checks. These outflows were partially offset by $6 million of proceeds received from the issuance of common stock, primarily related to the exercise of stock options.

Net cash used by the Company for financing activities was $99 million for the first quarter of 2018, including payment of $116 million of cash dividends. This outflow was partially offset by $28 million from the issuance of common stock, primarily related to the exercise of stock options.

As of May 4, 2019, the Company was party to a credit agreement with certain financial institutions providing for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $1,500 million (which may be increased to $1,750 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing) outstanding at any particular time. As of May 4, 2019, the Company did not have any borrowings or letters of credit outstanding under its credit facility.

On May 9, 2019, the Company entered into a new credit agreement with certain financial institutions that replaces the previous credit agreement which was set to expire on May 6, 2021. Similar to the previous agreement, the new credit agreement provides for revolving credit borrowings and letters of credit in an aggregate amount not to exceed $1,500 million (which may be increased to $1,750 million at the option of the Company, subject to the willingness of existing or new lenders to provide commitments for such additional financing). The new credit agreement is scheduled to expire on May 9, 2024, subject to up to two one-year extensions that may be requested by the Company and agreed to by the lenders.

The Company is party to a $1,500 million unsecured commercial paper program. The Company may issue and sell commercial paper in an aggregate amount outstanding at any particular time not to exceed its then-current combined borrowing availability under its bank credit agreement. As of May 4, 2019, the Company did not have any borrowings outstanding under its commercial paper program.

As of May 4, 2019, the Company was required under its credit agreement to maintain a specified interest coverage ratio for the latest four quarters of no less than 3.25 and a specified leverage ratio as of and for the latest four quarters of no more than 3.75 under the credit agreement. The Company's interest coverage ratio for the first quarter of 2019 was 12.30 and its leverage ratio at May 4, 2019 was 1.78, in each case as calculated in accordance with the credit agreement. As of May 4, 2019, the Company was in compliance with the ratios.

On May 17, 2019, the Company announced that the Board of Directors declared a quarterly dividend of 37.75 cents per share on its common stock, payable July 1, 2019, to Macy's shareholders of record at the close of business on June 14, 2019.

Capital Resources

Management believes that, with respect to the Company's current operations, its cash on hand and funds from operations, together with its credit facility and other capital resources, will be sufficient to cover the Company's reasonably foreseeable working capital, capital expenditure and debt service requirements and other cash requirements in both the near term and over the longer term. The Company's ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain sufficient levels of liquidity. To the extent that the Company's cash balances from time to time exceed amounts that are needed to fund its immediate liquidity requirements, the Company will consider alternative uses of some or all of such excess cash. Such alternative uses may include, among others, the redemption or repurchase of debt, equity or other securities through open market purchases, privately negotiated transactions or otherwise, and the funding of pension related obligations. Depending upon its actual and anticipated sources and uses of liquidity, conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, for the purpose of raising capital which could be used to refinance current indebtedness or for other corporate purposes, including the redemption or repurchase of debt, equity or other securities through open market purchases, privately negotiated transactions or otherwise, and the funding of pension related obligations.

The Company intends from time to time to consider additional acquisitions of, and investments in, retail businesses and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed from one or more of the following sources: cash on hand, cash from operations, borrowings under existing or new credit facilities and the issuance of long-term debt or other securities, including common stock.

Outlook and Recent Developments

On May 15, 2019, the Company issued a press release to report preliminary earnings for its first quarter of 2019 and reaffirmed its full year guidance provided previously in the 2018 10-K.

Important Information Regarding Non-GAAP Financial Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). However, management believes that certain non-GAAP financial measures provide users of the Company's financial information with additional useful information in evaluating operating performance. Management believes that providing supplemental changes in comparable sales on an owned plus licensed basis, which includes adjusting for growth in comparable sales of departments licensed to third parties, assists in evaluating the Company's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis, and in evaluating the impact of changes in the manner in which certain departments are operated. In addition, management believes that excluding certain items from net income and diluted earnings per share attributable to Macy's, Inc. shareholders that are no longer associated with the Company's core operations and that may vary substantially in frequency and magnitude period-to-period provides useful supplemental measures that assist in evaluating the Company's ability to generate earnings and leverage sales and to more readily compare these metrics between past and future periods.

Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the Company's financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in non-GAAP financial measures may be significant items that could impact the Company's financial position, results of operations or cash flows and should therefore be considered in assessing the Company's actual and future financial condition and performance. Additionally, the amounts received by the Company on account of sales of departments licensed to third parties are limited to commissions received on such sales. The methods used by the Company to calculate its non-GAAP financial measures may differ significantly from methods used by other companies to compute similar measures. As a result, any non-GAAP financial measures presented herein may not be comparable to similar measures provided by other companies.

Change in Comparable Sales

The following is a tabular reconciliation of the non-GAAP financial measure of changes in comparable sales on an owned plus licensed basis, to GAAP comparable sales (i.e. on an owned basis), which the Company believes to be the most directly comparable GAAP financial measure.

	First Quarter of 2019
Increase in comparable sales on an owned basis (note 1)	0.6%
Impact of growth in comparable sales of departments licensed to third parties (note 2)	0.1%
Increase in comparable sales on an owned plus licensed basis	0.7%

Notes:

(1) Represents the period-to-period percentage change in net sales from stores in operation throughout the year presented and the immediately preceding year and all online sales, excluding commissions from departments licensed to third parties. Stores impacted by a natural disaster or undergoing significant expansion or shrinkage remain in the comparable sales calculation unless the store, or material portion of the store, is closed for a significant period of time. Definitions and calculations of comparable sales may differ among companies in the retail industry.

(2) Represents the impact of including the sales of departments licensed to third parties occurring in stores in operation throughout the year presented and the immediately preceding year and all online sales in the calculation of comparable sales. The Company licenses third parties to operate certain departments in its stores and online and receives commissions from these third parties based on a percentage of their net sales. In its financial statements prepared in conformity with GAAP, the Company includes these commissions (rather than the sales of the departments licensed to third parties) in its net sales. The Company does not, however, include any amounts with respect to licensed department sales (or any commissions earned on such sales) in its comparable sales in accordance with GAAP (i.e., on an owned basis). The Company believes that the amounts of commissions earned on sales of departments licensed to third parties are not material to its results of operations for the periods presented.

Adjusted Net Income and Adjusted Diluted Earnings Per Share Attributable to Macy's, Inc. Shareholders

The following is a tabular reconciliation of the non-GAAP financial measure of net income and diluted earnings per share attributable to Macy's, Inc. shareholders, excluding certain items identified below, to GAAP net income and diluted earnings per share attributable to Macy's, Inc., shareholders, which the Company believes to be the most directly comparable GAAP measures.

	First Quarter of 2019		First Quarter of 2018	
	Net Income Attributable to Macy's, Inc. Shareholders	Diluted Earnings Per Share	Net Income Attributable to Macy's, Inc. Shareholders	Diluted Earnings Per Share
As reported	$ 136	$ 0.44	$ 139	$ 0.45
Impairment and other costs (note 3 and 4)	1	—	13	0.04
Income tax impact of certain item noted above (note 4)	—	—	(3)	(0.01)
As adjusted	$ 137	$ 0.44	$ 149	$ 0.48

Notes:

(3) For the first quarter of 2018, the above pre-tax adjustment excludes impairment and other costs attributable to the noncontrolling interest shareholder of $6 million.

(4) The impact during the first quarter of 2019 represents a value less than zero for net income attributable to Macy's, Inc. shareholders or $0.01 per diluted share attributable to Macy's, Inc. shareholders.

New Pronouncements

Accounting Pronouncements Recently Adopted

See Part I, Item 1, “Financial Statements — Note 1 — Organization and Summary of Significant Accounting Policies.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to the Company’s market risk as described in the Company's 2018 10-K. For a discussion of the Company’s exposure to market risk, refer to the Company’s market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of the 2018 10-K.

Item 4. Controls and Procedures.

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of May 4, 2019, with the participation of the Company's management, an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of May 4, 2019 the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports the Company files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission (the "SEC") rules and forms, and that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

From time to time adoption of new accounting pronouncements, major organizational restructuring and realignment occurs for which the Company reviews its internal control over financial reporting. As a result of this review, there were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its subsidiaries are involved in various proceedings that are incidental to the normal course of their businesses. As of the date of this report, the Company does not expect that any of such proceedings will have a material adverse effect on the Company's financial position or results of operations.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes to the Risk Factors described in Part I, "Item 1A. Risk Factors" in the Company's 2018 10-K.

The risk factor "***We depend upon designers, vendors and other sources of merchandise, goods and services. Our business could be affected by disruptions in, or other legal, regulatory, political or economic issues associated with, our supply network***" is deleted and replaced as follows:

We depend upon designers, vendors and other sources of merchandise, goods and services. Our business could be affected by disruptions in, or other legal, regulatory, political or economic issues associated with, our supply network.

Our relationships with established and emerging designers have been significant contributors to Macy's past success. Our ability to find qualified vendors and access products in a timely and efficient manner is often challenging, particularly with respect to goods sourced outside the United States. We source the majority of our merchandise from manufacturers located outside the U.S., primarily Asia. Any major changes in tax policy, such as the disallowance of tax deductions for imported merchandise could have a material adverse effect on our business, results of operations and liquidity.

The procurement of all our goods and services are subject to the effects of price increases which we may or may not be able to pass through to our customers. In addition, our procurement of goods and services from outside the U.S. is subject to risks associated with political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade. All of these factors may affect our ability to access suitable merchandise on acceptable terms, are beyond our control and could negatively affect our business and results of operations.

On May 10, 2019, the current U.S. Administration imposed a 25% tariff on approximately $200 billion worth of imports from China into the U.S. The current U.S. Administration is in the process of extending the 25% tariff to all remaining imports from China, valued at approximately $300 billion, which imports include merchandise for both private-label and national brands sold in our stores. The Office of the U.S. Trade Representative is expected to hold a public hearing regarding the tariff extension on June 17, 2019. We are evaluating the potential impact of the effective and proposed tariffs, including a potential continued escalation of retaliatory tariffs, as well as other recent changes in foreign trade policy on our supply chain, costs, sales and profitability and are considering strategies to mitigate such impact, including reviewing sourcing options and working with our vendors and merchants. While it is too early to predict how these changes in foreign trade policy and any recently enacted, proposed and future tariffs on products imported by us from China will affect our business, these changes could negatively impact our business and results of operations if they seriously disrupt the movement of products through our supply chain or increase their cost. In addition, while we may be able to shift our sourcing options, executing such a shift would be time consuming and would be difficult or impracticable for many products and may result in an increase in our manufacturing costs. The adoption and expansion of trade restrictions, retaliatory tariffs, or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and/or the U.S. economy, which in turn could adversely impact our results of operations and business.

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

The following table provides information regarding the Company's purchases of Common Stock during thefirst quarter of 2019.

	Total Number of Shares Purchased	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (1)($)
	(thousands)		(thousands)	(millions)
February 3, 2019 – March 2, 2019	8	25.14	—	1,716
March 3, 2019 – April 6, 2019	—	—	—	1,716
April 7, 2019 – May 4, 2019	—	—	—	1,716
	8	25.14	—	

(1) Commencing in January 2000, the Company's Board of Directors has from time to time approved authorizations to purchase, in the aggregate, up to $18 billion of Common Stock as of May 4, 2019. All authorizations are cumulative and do not have an expiration date. As ofMay 4, 2019, $1,716 million of authorization remained unused. The Company may continue, discontinue or resume purchases of Common Stock under these or possible future authorizations in the open market, in privately negotiated transactions or otherwise at any time and from time to time without prior notice.

Item 5. Other Information.

Forward-Looking Statements

This report and other reports, statements and information previously or subsequently filed by the Company with the SEC contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "think," "estimate" or "continue" or the negative or other variations thereof, and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including risks and uncertainties relating to:

- the possible invalidity of the underlying beliefs and assumptions;
- the success of the Company’s operational decisions, such as product sourcing, merchandise mix and pricing, and marketing, and strategic initiatives, such as Growth stores, Backstage on-mall off-price business, and vendor direct expansion;
- general consumer-spending levels, including the impact of general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of the weather or natural disasters;
- competitive pressures from department stores, specialty stores, general merchandise stores, manufacturers’ outlets, off-price and discount stores, and all other retail channels, including the Internet, catalogs and television;
- the Company’s ability to remain competitive and relevant as consumers’ shopping behaviors migrate to other shopping channels and to maintain its brand and reputation;
- possible systems failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to the Company in the event of such a breach;
- the cost of employee benefits as well as attracting and retaining quality employees;
- transactions involving our real estate portfolio;
- conditions to, or changes in the timing of, proposed transactions, and changes in expected synergies, cost savings and non-recurring charges;
- possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions;
- possible actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials;
- changes in relationships with vendors and other product and service providers;
- currency, interest and exchange rates and other capital market, economic and geo-political conditions;
- the seasonal nature of the Company's business;
- unstable political conditions, civil unrest, terrorist activities and armed conflicts;
- the possible inability of the Company's manufacturers or transporters to deliver products in a timely manner or meet the Company's quality standards;
- the Company’s reliance on foreign sources of production, including risks related to the disruption of imports by labor disputes, regional health pandemics, and regional political and economic conditions; and
- duties, taxes, other charges and quotas on imports.

In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as "Risk Factors" in this report and in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could cause actual amounts, results, events and circumstances to differ materially from those expressed in or implied by such forward-looking statements.

Item 6. Exhibits.

10.1	Form of Stock Option Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *
10.2	2019-2021 Performance-Based Restricted Stock Unit Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *
10.3	Form of Time-Based Restricted Stock Unit Terms and Conditions under the 2018 Equity and Incentive Compensation Plan *
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32.1	Certification by Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act
32.2	Certification by Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act
101	The following financial statements from Macy's, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 4, 2019, filed on June 5, 2019, formatted in XBRL: (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.

*Constitutes a compensatory plan or arrangement.

SIGNATURES

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

MACY'S, INC.

By: /s/ ELISA D. GARCIA

Elisa D. Garcia
Executive Vice President, Chief Legal Officer and Secretary

By: /s/ FELICIA WILLIAMS

Felicia Williams
Senior Vice President, Controller and Enterprise Risk Officer
(Principal Accounting Officer)

Date: June 5, 2019

2019 Stock Option
Terms and Conditions
2018 Equity and Incentive Compensation Plan

1. **Grant of Stock Option**. Macy's, Inc. (the "Company") has granted to Optionee a stock option (the " Option") to purchase shares of Common Stock (the "Optioned Shares"), subject to the terms, conditions, and restrictions set forth herein and in the Macy's, Inc. 2018 Equity and Incentive Compensation Plan (the "Plan"). The number of Optioned Shares and the price at which the Optioned Shares may be purchased (the "Option Price") are shown on the Stock Option Award Letter (the " Award Letter") to which these Terms and Conditions expressly apply. These Terms and Conditions and the Award Letter together constitute an Evidence of Award, as defined in the Plan. The Option is a nonqualified stock option and shall not be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

2. **Term of Option**. The term of the Option (the "Term") shall commence on the grant date shown on the Award Letter (the " Date of Grant") and, unless earlier terminated in accordance with Section 6 hereof, shall expire at the close of business on the date which is ten (10) years from the Date of Grant.

3. **Right to Exercise**. Subject to expiration or earlier termination of the Option, the Optioned Shares shall vest and become exercisable in accordance with the vesting schedule detailed in the Award Letter.

4. **Notice of Exercise; Payment**. To the extent then exercisable, the Option may be exercised, in whole or in part, by written notice to the Company stating the number of Optioned Shares being exercised and the manner of payment. Optionee shall comply with all regulatory requirements applicable to the issuance of Common Shares and shall execute any documents the Company deems necessary or advisable.

(a) Payment of the purchase price for the Optioned Shares being exercised shall be tendered in full with the notice in cash, check or other cash equivalent acceptable to the Company. As soon as practicable, but no later than 30 days after receipt of notice of exercise, the Company shall direct issuance of the Optioned Shares purchased.

(b) Optionee may pay the purchase price by making arrangements satisfactory to the Company with a broker that is a member of the Financial Industry Regulatory Authority, Inc. to sell a sufficient number of Optioned Shares being purchased so that the net proceeds of the sale transaction will at least equal the amount of the aggregate Option Price, plus interest at the "applicable Federal rate" within the meaning of Section 1274 of the Code, for the period from the date of exercise to the date of payment, and pursuant to which the broker undertakes to deliver to the Company the Option Price, plus such interest, not later than the settlement date of the sale transaction (this payment mechanism is referred to as the "Cashless Exercise Program").

(c) If there is no Cashless Exercise Program in effect at the time the Company receives notice of exercise, Optionee may also tender the Option Price by (i) the actual or constructive transfer to the Company of nonforfeitable, non-restricted Common Shares that have been owned by Optionee for more than six months prior to the date of exercise, valued at their Market Value per Share or (ii) any combination of the foregoing methods of payment, including a partial tender in cash and a partial tender in nonforfeitable, nonrestricted Common Shares.

5. **Termination of Option**. Except as provided in Section 6 below, the Option shall terminate automatically and without further notice at the end of the Term. Optioned Shares not exercised prior to the end of the Term shall be immediately forfeited and may no longer be exercised.

6. **Vesting and Exercisability Following Certain Events**. Optionee (or his or her guardian, legal representative, estate or beneficiary, as applicable) shall have the right to exercise the Option following the occurrence of the following events:

(a) General. Except as otherwise provided in this Section 6, in the event Optionee's employment with the Company is terminated for any reason, all unvested Optioned Shares shall be immediately forfeited, and all vested Optioned Shares shall remain exercisable through the earlier of 90 days following the effective date of termination of employment or expiration of the Term.

(b) Termination of Employment Without Cause. Except as otherwise provided in Sections 6(d) through 6(j) below, or as provided on a case-by-case basis by the Board, unvested Optioned Shares shall continue to vest and become exercisable in accordance with their terms to the same extent that such unvested Optioned Shares would have vested had Optionee remained in continuous employment with the Company for one year following Optionee's termination of employment, if (i) as of the Date of Grant, Optionee is a participant in the Company's Senior Executive Severance Plan, (ii) Optionee's employment with the Company is terminated without Cause (as defined in Section 21) other than as described in Section 6(k) (an "Involuntary Termination"), and (iii) Optionee complies with the provisions of Section 6(i) below. Those Optioned Shares and any other vested but unexercised Optioned Shares shall be exercisable through the earlier of two years following the effective date of termination of employment or expiration of the Term. Notwithstanding the foregoing, if, as of the effective date of such termination of employment, Optionee is (i) between the ages of 55 and 61 and has at least ten years of vesting service or (ii) age 62 or over and has at least five years of vesting service, the provisions of Sections 6(h) and 6(i) governing exercisability and/or forfeiture of vested but unexercised Optioned Shares following retirement shall apply.

(c) Termination of Employment for Cause. In the event Optionee's employment with the Company is terminated for Cause, all Optioned Shares (vested or unvested) shall immediately be forfeited as of the effective date of termination.

(d) Death During Active Employment of Optionee Under Age 55, or Age 55-61 With Less Than 10 Years of Vesting Service or Age 62+ With Less than 5 Years of Vesting Service. If Optionee is under age 55, age 55 to 61 with less than ten years of vesting service or age 62 and over with less than five years of vesting service, and dies while employed by the Company, all unvested Optioned Shares shall vest and become immediately exercisable in full. Those Optioned Shares and any other vested but unexercised Optioned Shares shall continue to be exercisable through the earlier of three years after Optionee's death or expiration of the Term.

(e) Death During Active Employment of Optionee Age 55-61 With at Least 10 Years of Vesting Service. If Optionee is age 55 to 61 with at least ten years of vesting service and dies while employed by the Company, all unvested Optioned Shares shall vest and become immediately exercisable in full. Those Optioned Shares shall continue to be exercisable through the earlier of three years after Optionee's death or expiration of the Term. Any vested but unexercised Optioned Shares as of the date of death shall continue to be exercisable through expiration of the Term.

(f) Death During Active Employment of Optionee Age 62 + With at Least 5 Years of Vesting Service. If Optionee is age 62 or over with at least five years of vesting service and dies while employed by the Company, all unvested Optioned Shares shall vest and become immediately exercisable in full. Those Optioned Shares and any vested but unexercised Optioned Shares as of the date of death shall continue to be exercisable through expiration of the Term.

(g) Death Within 90 Days Following Termination of Employment of Optionee Under Age 55, or Age 55-61 With Less Than 10 Years of Vesting Service or Age 62+ With Less than 5 Years of Vesting Service. If Optionee is under age 55, age 55 to 61 with less than ten years of vesting service or age 62 and over with less than five years of vesting service, and dies within 90 days after termination of employment, all vested but unexercised Optioned Shares as of the date of death shall continue to be exercisable through the earlier of 90 days after the date of Optionee's death or the expiration of the Term; provided, however, that if Optionee's death occurs within one year of the Date of Grant, the Option shall terminate upon the date of death.

(h) Retirement. If Optionee retires under a Company sponsored IRS qualified retirement plan:

(i) At age 55 through 61 with at least ten years of vesting service, then

(1) any vested but unexercised Optioned Shares as of the effective date of retirement shall continue to be exercisable through expiration of the Term; and

(2) any Optioned Shares that were not vested as of the effective date of retirement shall be forfeited; and

(ii) At age 62 or over with at least five years of vesting service, then

(1) any vested but unexercised Optioned Shares as of the effective date of retirement shall continue to be exercisable through expiration of the Term; and

(2) any Optioned Shares granted at least six months prior to the effective date of retirement that were not vested as of the effective date of retirement shall continue to vest in accordance with the vesting schedule detailed in the Award Letter, and shall be exercisable through expiration of the Term; and

(3) Any Optioned Shares granted less than six months prior to the effective date of retirement that were not vested as of the effective date of retirement shall be forfeited.

The provisions of this Section 6(h) shall continue to apply if Optionee dies following retirement.

(i) Violation of Restrictive Covenants. Notwithstanding the provisions of Section 6(b) and 6(h) above, all Optioned Shares (vested and unvested) shall be forfeited immediately and may no longer be exercised upon the occurrence of any of the following events:

(i) Following voluntary or involuntary retirement or Involuntary Termination and prior to one year [24 months for CEO] following retirement or involuntary Termination, as applicable, Optionee renders personal services to a Competing Business (as defined in Section 21) in any manner, including, without limitation, as employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financer, joint venturer or otherwise; or

(ii) Following voluntary or involuntary retirement or Involuntary Termination and prior to 24 months following retirement or Involuntary Termination, Optionee directly or indirectly solicits or otherwise entices any of the Company's employees to resign from their employment with the Company, whether individually or as a group; or

(iii) At any time following voluntary or involuntary retirement or Involuntary Termination, Optionee discloses or provides to any third party, or uses, modifies, copies or adapts any of the Company's Confidential Information (as defined in Section 21).

An involuntary retirement occurs when the employment of an Optionee who satisfies the age and years of service criteria described in Section 6(h) above is terminated by the Company without Cause or is terminated by Optionee with Good Reason (as defined in Section 21) within the 24-month period following a Change in Control (as defined in the Plan). If there are no Optioned Shares outstanding at the time a restrictive covenant is violated, the Company may pursue other legal remedies.

(j) Disability. If Optionee becomes permanently and totally disabled while an active employee of the Company, all unvested Optioned Shares shall vest and become immediately exercisable in full. Those Optioned Shares and any other vested but unexercised Optioned Shares shall continue to be exercisable through the expiration of the Term.

(k) Termination Following a Change in Control. If, within the 24-month period following a Change in Control, Optionee's employment is terminated by the Company without Cause or if Optionee voluntarily terminates employment with Good Reason and is a participant in the Company's Change in Control Plan, then all unvested Optioned Shares shall vest and become immediately exercisable in full. Those Optioned Shares and any other vested but unexercised Optioned Shares shall continue to be exercisable through the earlier of 90 days following termination of employment or expiration of the Term; provided, however, that if as of the effective date of such termination, Optionee is (i) between the ages of 55 and 61 and has at least ten years of vesting service or (ii) age 62 or over and has at least five years of vesting service, the provisions of Sections 6(h) and 6(i) governing exercisability and/or forfeiture of vested but unexercised Optioned Shares following retirement shall apply.

The continuous employment of Optionee with the Company shall not be deemed to have been interrupted by reason of the transfer of Optionee's employment among the Company, its subsidiaries, divisions and affiliates or a leave of absence approved by the Company.

7. **Clawback**. Any incentive-based compensation received by Optionee from the Company hereunder or otherwise (including any proceeds realized from any exercise of an Option and/or sale of the Optioned Shares) shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive-Based Compensation Recovery Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and Optionee shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of these Terms and Conditions, the term "Incentive-Based Compensation Recovery Policy" means any policy of the type contemplated by Section 10D of the Securities Exchange Act of 1934, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company.

8. **No Employment Contract**. Nothing contained in the Award Letter or these Terms and Conditions shall confer upon Optionee any right with respect to continued employment by the Company, or limit or affect the right of the Company to terminate the employment or adjust the compensation of Optionee.

9. **Taxes and Withholding**. If the Company is required to withhold any federal, state, local or foreign tax in connection with the exercise of the Option, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to such exercise that Optionee pay or make provisions satisfactory to the Company for payment of the tax. Unless Optionee makes alternative arrangements satisfactory to the Company prior to exercise of the Option, Optionee will satisfy the minimum statutory tax withholding obligations by providing for the sale of enough shares to generate proceeds that will satisfy the withholding obligation or surrendering to the Company a portion of the shares of Common Stock that are issued to Optionee following exercise of the Option for credit against the withholding obligation at the Market Value per Share of such shares on the exercise date. In accordance with Section 16 of the Plan, in no event will the fair market value of the shares of Common Stock to be withheld or delivered pursuant to this Section 9 to satisfy applicable withholding taxes exceed Optionee's estimated tax obligations based on the maximum statutory tax rates in the applicable taxing jurisdiction.

10. **Limitations on Transfer of Option**. The Option may not be transferred or assigned by Optionee other than (i) upon death, by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order or (iii) to a fully revocable trust to which Optionee is treated as the owner for federal income tax purposes. The Option may be exercised, during the lifetime of Optionee, only by Optionee, or in the event of his or her legal incapacity, by his or her guardian or legal representative acting on behalf of Optionee in a fiduciary capacity under state law or court supervision.

11. **Compliance with Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, the Option shall not be exercisable if the exercise thereof would result in a violation of any such law.

12. **Adjustments**. The Option is subject to adjustment to prevent dilution or enlargement of the rights of Optionee that would otherwise result from changes in the capital structure of the Company or from certain corporate transactions or events as provided in Section 11 of the Plan.

13. **Availability of Common Shares**. The Company shall at all times until the expiration of the Option reserve and keep available, either in treasury or out of authorized but unissued Common Shares, the full number of Optioned Shares deliverable upon the exercise of this Option.

14. **Relation to Other Benefits**. Any economic or other benefit to Optionee under the Award Letter or these Terms and Conditions shall not be taken into account in determining any benefits to which Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company.

15. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to these Terms and Conditions to the extent that the amendment is applicable hereto; provided, however, that no amendment shall materially impair the rights of Optionee under the Award Letter or these Terms and Conditions without Optionee's consent.

16. **Severability**. In the event that any provisions of these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, the invalidated provision shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. **Relation to Plan.**

(a) General. These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. All references in these Terms and Conditions to the Company shall include, unless the context in which it is used suggests otherwise, its subsidiaries, divisions and affiliates.

(b) Compliance with Section 409A of the Code**.** The Company and Optionee acknowledge that, to the extent applicable, it is intended that the option covered by these Terms and Conditions comply with the provisions of Section 409A of the Code, and the option shall be administered in a manner consistent with this intent. Any amendments made to comply with Section 409A of the Code may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Optionee. Any reference herein to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

18. **Successors and Assigns**. The provisions of the Award Letter and these Terms and Conditions shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and permitted assigns of Optionee, and the successors and assigns of the Company.

19. **Governing Law**. The Award Letter and these Terms and Conditions shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware.

20. **Notices**. Any notice to the Company provided for herein shall be in writing, marked to the attention of the Corporate Controller at 7 West Seventh Street, Cincinnati, Ohio 45202 and any notice to Optionee shall be addressed to Optionee at his or her address currently on file with the Company. Any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, first class mail, postage prepaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit in the United States mail).

21. **Definitions**.

(a) "Cause" shall mean Optionee shall have committed prior to termination of employment any of the following acts:

(i) An intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with Optionee's duties or in the course of Optionee's employment;

(ii) Intentional wrongful damage to material assets of the Company;

(iii) Intentional wrongful disclosure of material confidential information of the Company;

(iv) Intentional wrongful engagement in any competitive activity that would constitute a material breach of the duty of loyalty;

(v) Intentional breach of any stated material employment policy of the Company; or

(vi) Intentional neglect by Optionee of Optionee's duties and responsibilities.

For purposes of Section 21(a)(v), "material employment policy of the Company" includes, but is not limited to, any of the following policies: Equal Employment Opportunity, Anti-Harassment, the policy prohibiting workplace violence, wage & hour policies, or the prohibition on the falsification of Company records.

(b) "Competing Business" shall mean:

(i) Any of the following named companies, or any other business into which such company is merged, consolidated, or otherwise combined, and the subsidiaries, affiliates and successors of each such company:

Amazon	J.C. Penney	Sears
Burlington Coat Factory	Kohl's	Target
Dillard's	Nordstrom	TJX
Hudson's Bay	Ross Stores	Walmart

or

(ii) Any business or enterprise engaged in the business of retail sales that (1) had annual revenues for its most recently completed fiscal year of at least $4.0 billion; and (2) both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered by the Company (and its subsidiaries, divisions or controlled affiliates), and (ii) the revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's (and its subsidiaries, divisions or controlled affiliates) total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(c) "Confidential Information" shall mean any data or information that is material to the Company and not generally known to the public, including, without limitation: (i) price, cost and sales data; (ii) the identities and locations of vendors and consultants furnishing materials and services to the Company and the terms of vendor or consultant contracts or arrangements; (iii) lists and other information regarding customers and suppliers; (iv) financial information that has not been released to the public; (v) future business plans, marketing or licensing strategies, and advertising campaigns; or (vi) information about the Company's employees and executives, as well as the Company's talent strategies including but not limited to compensation, retention and recruiting initiatives.

(d) “Good Reason” shall mean:

(i) A material diminution in Optionee’s base compensation;

(ii) A material diminution in Optionee’s authority, duties or responsibilities;

(iii) A material change in the geographic location at which Optionee must perform the Optionee’s services; or

(iv) Any other action or inaction that constitutes a material breach by the Company of an agreement under which Optionee provides services.

22. **Data Privacy**. Optionee hereby explicitly accepts the Option and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in the Award Letter and/or these Terms and Conditions by and among the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing Optionee’s participation in the Plan.

(a) Optionee understands that the Company holds certain personal information about Optionee, including, but not limited to, Optionee’s name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, Common Shares held, details of all Options or any other entitlement to Common Shares awarded, canceled, exercised, vested, unvested or outstanding in Optionee’s favor, for the purpose of implementing, administering and managing the Plan (the “Data”).

(b) Optionee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States or elsewhere, and that the recipient’s country may have different data privacy laws and protections than the United States. Optionee understands that Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting Optionee’s local human resources representative.

(c) Optionee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Optionee’s participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Optionee may elect to deposit any Common Shares acquired.

(d) Optionee understands that Data will be held only as long as is necessary to implement, administer and manage Optionee’s participation in the Plan.

(e) Optionee understands that Optionee may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Optionee’s local human resources representative.

(f) Optionee understands, however, that refusing or withdrawing Optionee’s consent may affect Optionee’s ability to participate in the Plan.

23. **Acceptance of Award**. By accepting this award, Optionee agrees as follows:

(a) Noncompetition. During the term of Optionee's employment with the Company and for the 12 [24 for CEO] month period beginning on the date that Optionee's employment with the Company ceases for any reason, Optionee shall not act in any capacity (whether as an employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financier, joint venturer, or otherwise), for any of the following companies, or any business into which such company is merged, consolidated, or otherwise combined: Amazon, Burlington Coat Factory, Dillard's, Hudson's Bay, J.C. Penney, Kohl's, Nordstrom, Ross Stores, Sears, Target, TJX and Walmart, and the subsidiaries, affiliates and successors of each such company, or a Restricted Business. A "Restricted Business" means any business or enterprise engaged in the business of retail sales that had annual revenues for its most recently completed fiscal year of at least $4 billion; and both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered in stores, online or through an alternate channel directly by the Company, and (ii) revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(b) Nonsolicitation. Optionee agrees that Optionee will not directly or indirectly at any time during the period of Optionee's employment with the Company and for the 24 month period beginning on the date that Optionee's employment with the Company ceases for any reason, solicit or otherwise entice any of the Company's employees to resign from their employment by the Company, whether individually or as a group. Optionee acknowledges that this covenant is necessary to enable the Company to maintain the confidentiality of its Confidential Information, to avoid inevitable disclosure of such Confidential Information, to protect the Company's goodwill with its Customers and to protect against unfair competition and to retain its' competitive advantage. "Customer" means any person or entity which at the time of Optionee's cessation of employment with the Company is, or was within two years prior to such cessation of employment, a customer of the Company.

(c) Confidential Information. In order to protect the Company's Confidential Information, Optionee agrees that during the period of Optionee's employment with the Company and thereafter, Optionee will not disclose nor provide to anyone, and will not use, modify, copy or adapt (except in the course of performing Optionee's duties for the Company) any of the Company's Confidential Information. Optionee specifically agrees that Optionee's obligation not to use, modify, copy, adapt, disclose, or provide to third parties any of the Company's Confidential Information shall survive termination of Optionee's employment with the Company, regardless of the grounds for such termination.

(d) Breach. Optionee acknowledges and agrees that if Optionee should breach any of the covenants, restrictions and agreements contained herein, irreparable loss and injury would result to the Company, and that damages arising out of such a breach may be difficult to ascertain. Optionee therefore agrees that in the event of any such breach, all vested and unvested Optioned Shares covered by this award shall be immediately forfeited and cancelled and, in addition to all other remedies provided at law or at equity, the Company may petition and obtain from a court of law or equity all necessary temporary, preliminary and permanent injunctive relief to prevent a breach by Optionee of any covenant contained in these Terms and Conditions.

(e) Enforcement. The parties hereby agree that if the scope or enforceability of any of the covenants contained in these Terms and Conditions is in dispute, a court or other trier of fact may modify and enforce the covenant in the form necessary to provide the Company with the maximum protection afforded by applicable law.

(f) Extension of Obligations. If Optionee breaches any of the provisions of these Terms and Conditions, and if the Company brings legal action for injunctive relief, such relief shall have the duration specified in Section 23(a) or Section 23(b) as relevant, commencing from the date such relief is granted.

(g) Other Restrictions or Covenants. The covenants, restrictions and agreements contained herein are in addition to any noncompetition, nonsolicitation or confidentiality agreements Optionee has entered or may inter into with the Company pursuant to the Company's Executive Severance Plan, Senior Executive Severance Plan, or otherwise.

(h) References to Company. Optionee is employed by Macy's, Inc. or one of its controlled affiliates, subsidiaries or divisions (collectively "Macy's Affiliates"). References in these Terms and Conditions to Company shall include references to Macy's Affiliates.

2019-2021 Performance-Based Restricted Stock Units
Terms and Conditions
2018 Equity and Incentive Compensation Plan

1. **Grant of Performance-Based Restricted Stock Units**. Macy's, Inc. (the "Company") has granted to Grantee as of the grant date (" Date of Grant") that "Target" number Performance-Based Restricted Stock Units (" Performance Units") as shown on the Performance-Based Restricted Stock Unit Award Letter ("Award Letter") to which these Terms and Conditions apply, subject to the terms, conditions and restrictions set forth herein and in the Macy's, Inc. 2018 Equity and Incentive Compensation Plan (the "Plan"). These Terms and Conditions and the Award Letter together constitute an Evidence of Award, as defined in the Plan. Subject to Section 11 of the Plan, each Performance Unit represents the right to receive one share of common stock of the Company ("Common Stock").

2. **Performance Period.** The Performance Period shall commence on February 3, 2019 (the "Commencement Date") and, except as otherwise provided in these Terms and Conditions, will expire in full on January 29, 2022 (the "Performance Period"). For the sake of clarity, if a Change in Control occurs, the Performance Period will end on the date of a Change in Control and the Performance Units will convert to time-based restricted stock units in accordance with Section 4(c) below.

3. **Normal Vesting of Performance Units.**

(a) The actual number of Performance Units that may be earned and become nonforfeitable is based on achieving the targeted level of the Company's average Comparable Sales Growth ("Comparable Sales Growth"), average Return on Invested Capital (" ROIC") and relative Total Shareholder Return ("TSR") goals for the Performance Period (the " Performance Goals"), weighted 37.5%, 37.5% and 25.0% respectively, as set forth in the following schedules.

COMPARABLE SALES GROWTH SCHEDULE

	Comparable Sales Growth (37.5%)	
Performance Level*	**3-year Average**	**Vesting Percentage**
Outstanding	≥5.0%	200%
Target	2.3 %	100%
Threshold	-1.5 %	25%
Below Threshold	<-1.5%	0%

* Straight-line interpolation will apply to performance levels between the ones shown above.

(i) "Comparable Sales Growth" is defined as the period-to-period percentage change in net owned plus licensed sales from stores in operation throughout the year presented and the immediately preceding year and all online sales, as reported in the Company's financial statements included in its Form 10-K. Stores impacted by a natural disaster or that undergo significant expansion or shrinkage remain in the comparable sales calculation unless the store is closed for a significant period of time. Comparable Sales will be measured on a three-year average basis (i.e., the average of Fiscal 2019, Fiscal 2020 and Fiscal 2021 annual Comparable Sales Growth).

ROIC SCHEDULE

	ROIC (37.5%)	
Performance Level*	**3-year Average**	**Vesting Percentage**
Outstanding	≥21.6%	200%
Target	19.1%	100%
Threshold	15.9%	25%
Below Threshold	<15.9%	0%

* Straight-line interpolation will apply to performance levels between the ones shown above.

(ii) "Return on Invested Capital" is defined as EBITDAR divided by Total Average Gross Investment. EBITDAR is equal to the sum of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, which is equal to the sum of operating income and depreciation and amortization as reported in the Company's financial statements included in its Form 10-K, adjusted as provided in Section 1(b) below) plus Rent Expense. Rent Expense represents gross rent expense as reported in the Company's financial statements included in its Form 10-K. Total Average Gross Investment is equal to the sum of Gross Property, Plant and Equipment (PPE) plus Right of Use Asset ("ROU Asset"), Capitalized Value of Non-Capitalized Variable Rent, Working Capital – which includes Receivables, Merchandise Inventories, Prepaid Expenses and Other Current Assets – offset by Merchandise Accounts Payable and Accounts Payable and Accrued Liabilities, and Other Assets, each as reported in the ROIC calculation in the Company's financial statements in the applicable Form 10-K. Gross PPE and ROU Asset will be determined using a two-point average (i.e., beginning and end of year). Capitalized Value of Variable Rent will be calculated as 8x variable rent expense as reported in the financial statements in the Form 10-K. Working Capital components and Other Assets will be determined using a four-point (i.e., quarterly) average. ROIC will be measured on a three-year average basis (i.e., the average of Fiscal 2019, Fiscal 2020 and Fiscal 2021 annual ROIC).

RELATIVE TSR SCHEDULE

	Relative TSR (25.0%)	
Performance Level*	**3-year TSR vs. Peer Group****	**Vesting Percentage**
Outstanding	≥90%	200%
Target	50%	100%
Threshold	30%	25%
Below Threshold	<30%	0%

* Straight-line interpolation will apply to performance levels between the ones shown above.
** Peer group companies: Bed, Bath & Beyond, Best Buy, Dillard's, Dollar Tree, Gap, Hudson's Bay, J.C. Penney, Kohl's, L Brands, Lowe's, Nordstrom, Ross Stores, Target and TJX Companies.

(i) TSR will be calculated on a compound annualized basis over the three-year period.

(ii) TSR is defined as the change in the value of the Common Stock from the Date of Grant through January 29, 2022, taking into account both stock price appreciation and the reinvestment of dividends. The beginning and ending stock prices will be based on a 20-day average stock price.

(iii) Dividends will be reinvested at the closing price on the last day of the month after the “ex dividend” date. All cash special dividends shall be treated like regular dividends. All spin-offs or share-based dividends shall be assumed to be sold on the issue date and reinvested in the issuing company that same date.

(iv) Relative TSR is the percentile rank of the Company’s TSR compared to the TSR of the peer group over the Performance Period. If any of the companies in the peer group are no longer publicly traded at the end of the Performance Period due to bankruptcy, they will continue to be included in the relative TSR calculation by force ranking them at the bottom of the array. If any companies are no longer publicly traded due to acquisition, they will be excluded from the calculation.

(v) If absolute TSR for the Performance Period is negative, the Vesting Percentage will be capped at Target. Maximum payout on Relative TSR goals will be capped at 400% of Target number of Performance Units multiplied by the closing price of the Common Stock on the Date of Grant.

(b) For purposes of determining whether the performance goals for Comparable Sales and ROIC have been met, the calculation of the Company’s actual Comparable Sales and ROIC will be adjusted to exclude the following, if they were not included in the Company’s business plan:

(i) asset impairment charges (as determined under GAAP);
(ii) income, gains, expenses, losses, cash inflows and cash outflows resulting from material restructuring charges (as reported in the Company’s quarterly earnings releases and filings with the Securities and Exchange Commission (SEC) and reviewed by the Company’s independent auditors);
(iii) income, gains, expenses, losses, cash inflows and cash outflows attributable to any division, business segment, material business operation, subsidiary, affiliate or material group of stores that are acquired;
(iv) income, gains, expenses, losses, cash inflows and cash outflows from the sale or disposition of any division, business segment, material business operation, subsidiary, affiliate or material group of stores;
(v) income, gains, expenses, losses, cash inflows and cash outflows resulting from unusual or infrequently occurring items (as reported in the Company’s quarterly earnings releases and filings with the SEC and reviewed by the Company’s independent auditors);
(vi) store closing costs (as reported in the Company’s quarterly earnings releases and filings with the SEC and reviewed by the Company’s independent auditors);
(vii) material tax assessments for which a reserve or liability was not previously recorded in the Company’s financial statements;
(viii) unplanned tax law changes which have a material impact on the Company; and
(ix) changes in accounting principles (as determined under GAAP).

The adjustments for each one of the items listed above will only be made if the item was not included or was materially different than expected in the preparation of the Company’s 2019-2021 Business Plans. For example, if the Company’s Business Plan was prepared based on the Company acquiring a business segment and the acquisition of the business segment occurs as planned, no adjustment will be made to exclude the income, gains, expenses, losses, cash inflows and cash outflows attributable to that business segment.

To the extent a disposition, financing or material contract change was not correctly taken into account in the preparation of the Company's fiscal 2019-2021 Business Plans determined as of March 21, 2019, including the failure to take a disposition, financing or material contract change into account at all or the fact that all or a portion of the disposition, financing or material contract change occurred earlier or later than planned, or did not occur at all, adjustments shall be made to the planned Sales and ROIC in order to accurately take the actual disposition, financing or material contract change into account. For this purpose, (i) a "disposition" means a substantial divestiture of assets or a disposition of a division, segment, business operation, subsidiary, affiliate or store, (ii) a "financing" means a major financing or refinancing and (iii) a "material contract change" means the cancellation, amendment, or renegotiation of a pre-existing contract that will have a material impact on the Company's financial results. For example, if a disposition was not considered in the preparation of the Company's fiscal 2019-2021 Business Plans, determined as of March 21, 2019, the Company's planned Sales and ROIC shall be adjusted to exclude the planned Sales and ROIC attributable to the corresponding assets or division, segment, business operation, subsidiary, affiliate or store from the date of disposition until the end of the Company's fiscal year.

(c) In all cases the Compensation Committee shall certify whether the Company has achieved the specified levels of average Comparable Sales Growth, average ROIC and relative TSR as soon as administratively feasible following the end of the Performance Period. For purposes of these Terms and Conditions and the Award Letter, "Performance Vesting Date" means the later of (1) the last day of the Performance Period and (2) the date on which the Compensation Committee certifies the levels of achievement of the applicable Performance Goals.

(d) From time to time, the Company may adopt accounting standards, consistent with GAAP, which may impact the performance measures used in the Macy's, Inc. Senior Executive Compensation Plan. If this occurs and the adoption of such standards was not included in the financial plans used to develop the performance ranges (outstanding, target, threshold and below threshold) for each measure, then actual performance results shall be adjusted to exclude the impact of the adoption of the accounting standards.

4. **Forfeiture of Performance Units.**

(a) Termination of Employment**.** Except as the Board may determine on a case-by-case basis or as provided below, all unvested Performance Units shall be forfeited if Grantee ceases to be continuously employed by the Company at any time prior to the end of the Performance Period. The continuous employment of Grantee shall not be deemed to have been interrupted by reason of the transfer of Grantee's employment among the Company and its subsidiaries, divisions or affiliates or a leave of absence approved by the Company. In the event of a termination for Cause (as defined in Section 18), all unvested Performance Units shall be immediately forfeited.

(b) Death, Disability, Retirement or Involuntary Termination. Except as the Board may determine on a case-by-case basis:

(i) If the Performance Units have not been converted pursuant to Section 4(c)(i) or (ii) below, in the event Grantee retires at least six months after the Date of Grant, on or after age 62 with at least five years of vesting service ("Retirement"), and complies with the provisions of

Section 4(d) below, then on the Performance Vesting Date, a pro rata portion of the percentage of Performance Units that become vested as determined under Section 3 above will vest (i.e., prorated from the Commencement Date through the date of Retirement based on the number of completed months of service during the Performance Period divided by 36). If the Performance Units have been converted pursuant to Section 4(c)(i) or (ii) below on or before the last day of the Performance Period and Grantee is a Retirement Eligible Grantee on or before the last day of the Performance Period, 100% of the Performance Units as so converted will vest on the latter of the Change in Control and the date Grantee becomes a Retirement-Eligible Grantee;

(ii) If the Performance Units have not been converted pursuant to Section 4(c)(i) or (ii) below, in the event Grantee dies or becomes Disabled during the Performance Period, on the Performance Vesting Date, a pro rata portion of the percentage of Performance Units that become vested as determined under Section 3 will vest (i.e., prorated from the Commencement Date through the date of death or Disability based on the number of completed months of service during the Performance Period divided by 36). If the Performance Units have been converted pursuant to Section 4(c)(i) or (ii) below and Grantee dies or becomes Disabled on or before the last day of the Performance Period, 100% of the Performance Units as so converted will vest on the latter of the Change in Control and the date of death or Disability; and;

(iii) If (A) the Performance Units have not been converted pursuant to Section 4(c)(i) or (ii) below, (B) as of the Date of Grant, Grantee is a participant in the Company's Senior Executive Severance Plan, (C) Grantee's employment is terminated by the Company without Cause other than as described in Section 4(c)(iii) (such termination, with respect to a Senior Executive Severance Plan participant, an "Involuntary Termination"), and (D) Grantee complies with the provisions of Section 4(d) below, then on the Performance Vesting Date, a pro rata portion of the percentage of Performance Units that become vested as determined under Section 3 above will vest (i.e., prorated from the Commencement Date through the first anniversary of the date of termination of employment based on the number of completed months of service during the Performance Period plus the one-year period following termination of employment divided by 36).

(c) Change in Control. In the event of a Change in Control (as defined in the Plan) prior to the last day of the Performance Period, Performance Units will convert to time-based restricted stock units without proration for the percentage of the Performance Period that has elapsed since the Commencement Date, as follows:

(i) If the Change in Control occurs prior to the 24-month anniversary of the Commencement Date, then 100% of the Target award number of Performance Units shall convert to time-based restricted stock units (plus an additional number of shares of time-based restricted stock units representing the dividend equivalents payable on that Target award number of Performance Units from the Commencement Date to the date of the Change in Control);

(ii) If the Change in Control occurs on or after the 24-month anniversary of the Commencement Date, the conversion of Performance Units to time-based restricted stock units (and the corresponding conversion of dividend equivalents payable on those Performance Units to time-based restricted stock units) will be based on (a) the Company's Comparable Sales Growth and ROIC performance determined under Section 3 above from the Commencement Date through the first 24 months of the Performance Period, plus the Company's performance determined under Section 3 above during any completed fiscal quarter thereafter to the date of the Change in Control and (b) the Company's relative TSR as of the date of the Change in Control.

(iii) Except as set forth in Section 4(b)(i) or (ii) above, Performance Units as converted pursuant to Section 4(c)(i) or (ii) above will vest as follows:

(A) If Performance Units as converted pursuant to Section 4(c)(i) or (ii) above are not assumed or replaced by the acquiror/continuing entity on terms deemed appropriate by the Compensation Committee, the Converted Units will vest on or immediately prior to the closing of the Change in Control;

(B) The Performance Units as converted pursuant to Section 4(c)(i) or (ii) above will vest on the last day of the Performance Period (the "Normal Vesting Date"), if vesting has not otherwise accelerated as provided pursuant to Section 4(b)(i) or (ii) above or 4(c)(iii)(C) below; or

(C) If, within the 24-month period following the Change in Control, Grantee is terminated by the Company or the continuing entity without Cause or if Grantee voluntarily terminates employment with Good Reason and is a participant in the Company's Change in Control Plan (a "Qualifying Termination"), the Performance Units as converted pursuant to Section 4(c)(i) or (ii) above will vest on the date of such Qualifying Termination.

(d) Violation of Restrictive Covenants. All unvested Performance Units shall be forfeited immediately upon the occurrence of any of the following events. If there are no unvested Performance Units outstanding at the time a restrictive covenant is violated, the Company may pursue other legal remedies.

(i) Following voluntary or involuntary Retirement or Involuntary Termination and prior one year [24 months for CEO] following Retirement or Involuntary Termination, as applicable, Grantee renders personal services to a Competing Business (as defined in Section 18) in any manner, including, without limitation, as employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financer, joint venturer or otherwise; or

(ii) Following voluntary or involuntary Retirement or Involuntary Termination and prior to 24 months following Retirement or Involuntary Termination, Grantee directly or indirectly solicits or otherwise entices any of the Company's employees to resign from their employment with the Company, whether individually or as a group; or

(iii) At any time following voluntary or involuntary Retirement or Involuntary Termination, Grantee discloses or provides to any third party, or uses, modifies, copies or adapts any of the Company's Confidential Information (defined in Section 18).

An involuntary Retirement occurs when the employment of a Grantee who satisfies the age and years of service criteria described in Section 4(b) above is terminated by the Company without Cause (as defined in Section 18) or is terminated by Grantee with Good Reason (as defined in Section 18) within the 24-month period following a Change in Control.

5. **Dividend, Voting and Other Rights**. Grantee shall have no rights of a stockholder with respect to the Performance Units prior to the date on which shares of Common Stock are issued in

settlement thereof, including the right to vote any of the Performance Units. An amount representing dividends payable on shares of Common Stock with respect to the award of Performance Units on a dividend record date shall be deemed reinvested in Common Stock and credited to Grantee as restricted stock units (rounded to the nearest whole share) as of the dividend payment date. The Performance Units are subject to adjustment to prevent dilution or enlargement of the rights of Grantee that would otherwise result from changes in the capital structure of the Company or from certain corporate transactions or events as provided in Section 11 of the Plan. Any restricted stock units or additional Performance Units credited to Grantee pursuant to this Section 5, including by reason of any adjustments under Section 11 of the Plan, will be subject to the terms and restrictions (including vesting) set forth in these Terms and Conditions.

6. **Settlement of Performance Units**. The Company shall issue or deliver to Grantee a number of whole shares of unrestricted Common Stock equal to the number of vested Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and the related restricted stock units attributed to any dividend equivalents on those Performance Units as soon as practicable following either (i) the Performance Vesting Date or Normal Vesting Date (as applicable), or (ii) if the Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) become vested and earned or deemed vested and earned prior thereto upon an event contemplated by Section 4(b) or 4(c)(iii), the date of such event, and in the case of either clause (i) or (ii) of this Section 6, within the "short-term deferral" period determined under Treasury Regulation Section 1.409A-1(b)(4), with the applicable vesting date being referred to herein as the "Vesting Date." Such shares of unrestricted Common Stock shall be credited as book entry shares to Grantee's trading account. For the sake of clarity, the settlement and payment of Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and the related restricted stock units attributed to any dividend equivalents on those Performance Units is intended to comply with Treasury Regulation Section 1.409A-1(b)(4), and these Terms and Conditions and the Award Letter will be construed and administered in such a manner. As a result, notwithstanding any provision in these Terms and Conditions and the Award Letter to the contrary, the settlement and payment of Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and the related restricted stock units attributed to any dividend equivalents on those Performance Units will be made in all events no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and the related restricted stock units attributed to any dividend equivalents on those Performance Units are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulation Section 1.409A-1(d). In the event Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and any related restricted stock units attributed to any dividend equivalents on those Performance Units are not earned or do not become vested, those Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) and the related restricted stock units attributed to any dividend equivalents on those Performance Units, shall be forfeited.

7. **Clawback**. Any incentive-based compensation received by Grantee from the Company hereunder or otherwise shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive-Based Compensation Recovery Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and Grantee shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of these Terms and Conditions, the term "Incentive-Based Compensation Recovery Policy" means any policy of the type contemplated by Section 10D of the Securities Exchange Act of 1934, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of

any national securities exchange or national securities association applicable to the Company. Until the Company adopts an Incentive-Based Compensation Recovery Policy, the following clawback provision shall apply:

> In the event that, within three years of the end of the Performance Period and settlement of vested Performance Units, the Company restates its financial results with respect to the Company's performance during the Performance Period to correct a material error that the Compensation Committee determines is the result of fraud or intentional misconduct, then the Compensation Committee, in its discretion, may require Grantee to repay to the Company all income, if any, derived from the Performance Units.

8. **No Employment Contract**. Nothing contained in the Award Letter or these Terms and Conditions shall confer upon Grantee any right with respect to continued employment by the Company, or limit or affect the right of the Company to terminate the employment or adjust the compensation of Grantee.

9. **Taxes and Withholding**. If the Company is required to withhold any federal, state, local or foreign tax in connection with the issuance or vesting of, or other event triggering a tax obligation with respect to, any Performance Units or the issuance of any unrestricted shares of Common Stock or other securities following vesting pursuant to the Award Letter or these Terms and Conditions, it shall be a condition to such vesting, issuance or event that Grantee pay or make provisions that are satisfactory to the Company for payment of the tax. Unless Grantee makes alternative arrangements satisfactory to the Company prior to the vesting of the Performance Units or the issuance of shares of unrestricted Common Stock or other event triggering a tax obligation, Grantee will satisfy the statutory tax withholding obligations by providing for the sale of enough shares to generate proceeds that will satisfy the withholding obligation or surrendering to the Company a portion of the shares of Common Stock that are issued or transferred to Grantee following the Vesting Date for credit against the withholding obligation at the Market Value per Share of such shares on the Vesting Date. In accordance with Section 16 of the Plan, in no event will the fair market value of the shares of Common Stock to be withheld or delivered pursuant to this Section 9 to satisfy applicable withholding taxes exceed Grantee's estimated tax obligations based on the maximum statutory tax rates in the applicable taxing jurisdiction.

10. **Limitations on Transfer of Performance Units**. The Performance Units may not be transferred or assigned by Grantee until they vest other than (i) upon death, by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order or (iii) to a fully revocable trust to which Grantee is treated as the owner for federal income tax purposes.

11. **Compliance with Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, that the Company shall not be obligated to issue any Performance Units or shares of unrestricted Common Stock or other securities pursuant to the Award Letter and these Terms and Conditions if the issuance thereof would result in a violation of any such law.

12. **Relation to Other Benefits**. Any economic or other benefit to Grantee under the Award Letter and these Terms and Conditions shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company.

13. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to these Terms and Conditions to the extent that the amendment is applicable hereto; provided, however, that no amendment shall materially impair the rights of Grantee under the Award Letter and these Terms and Conditions without Grantee's consent.

14. **Severability**. In the event that any provisions of these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, the invalidated provision shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. **Relation to Plan**.

(a) General. These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. All references in these Terms and Conditions to the Company shall include, unless the context in which it is used suggests otherwise, its subsidiaries, divisions and affiliates.

(b) Compliance with Section 409A of the Code. The Company and Grantee acknowledge that, to the extent applicable, it is intended that the performance units covered by these Terms and Conditions comply with the provisions of Section 409A of the Code, and the Performance Units (including any Performance Units as converted pursuant to Section 4(c)(i) or (ii) above) shall be administered in a manner consistent with this intent. Any amendments made to comply with Section 409A of the Code may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee. In any case, Grantee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed in connection with these Terms and Conditions and the Award Letter (including any taxes and penalties under Section 409A of the Code), and the Company shall not have any obligation to indemnify or otherwise hold Grantee harmless from any or all of such taxes or penalties. Each payment under these Terms and Conditions and the Award Letter shall be treated as a separate payment for purposes of Section 409A of the Code. Any reference herein to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

16. **Successors and Assigns**. The provisions of the Award Letter and these Terms and Conditions shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and permitted assigns of Grantee and the successors and assigns of the Company.

17. **Governing Law**. The Award Letter and these Terms and Conditions shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware.

18. **Definitions**.

(a) "Cause" shall mean that Grantee has committed prior to termination of employment any of the following acts:

(i) An intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with Grantee's duties or in the course of Grantee's employment;

(ii) Intentional wrongful damage to material assets of the Company;

(iii) Intentional wrongful disclosure of material confidential information of the Company;

(iv) Intentional wrongful engagement in any competitive activity that would constitute a material breach of the duty of loyalty;

(v) Intentional breach of any stated material employment policy of the Company; or

(vi) Intentional neglect by Grantee of Grantee's duties and responsibilities.

For purposes of Section 18(a)(v), "material employment policy of the Company" includes, but is not limited to, any of the following policies: Equal Employment Opportunity, Anti-Harassment, the policy prohibiting workplace violence, wage & hour policies, or the prohibition on the falsification of Company records.

(b) "Competing Business" shall mean:

(i) any of the following named companies, or any other business into which such company is merged, consolidated, or otherwise combined, and the subsidiaries, affiliates and successors of each such company:

Amazon	J.C. Penney	Sears
Burlington Coat Factory	Kohl's	Target
Dillard's	Nordstrom	TJX
Hudson's Bay	Ross Stores	Walmart

or

(ii) any business or enterprise engaged in the business of retail sales that (1) had annual revenues for its most recently completed fiscal year of at least $4.0 billion; and (2) both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered by the Company (and its subsidiaries, divisions or controlled affiliates), and (ii) the revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's (and its subsidiaries, divisions or controlled affiliates) total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(c) "Confidential Information" shall mean any data or information that is material to the Company and not generally known to the public, including, without limitation: (i) price, cost and sales data; (ii) the identities and locations of vendors and consultants furnishing materials and services to the Company and the terms of vendor or consultant contracts or arrangements; (iii) lists and other information regarding customers and suppliers; (iv) financial information that has not been released to the public; (v) future business plans, marketing or licensing strategies, and advertising campaigns; or (vi) information about the Company’s employees and executives, as well as the Company’s talent strategies including but not limited to compensation, retention and recruiting initiatives.

(d) “Disability” shall mean Grantee’s inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(e) “Good Reason” shall mean, without Grantee’s consent, the occurrence of any of the following events:

(i) A material diminution in Grantee’s base compensation;

(ii) A material diminution in Grantee’s authority, duties or responsibilities;

(iii) A material change in the geographic location at which Grantee must perform Grantee’s services; or

(iv) Any other action or inaction that constitutes a material breach by the Company of an agreement under which Grantee provides services.

Notwithstanding the foregoing, in order to terminate for Good Reason, (x) Grantee must provide the Company with written notice of the event(s) or condition(s) constituting Good Reason within ninety (90) days following the existence of such event(s) or condition(s), (y) the Company must be given thirty (30) days to cure such event(s) or condition(s), and (z) Grantee must actually terminate employment for Good Reason within sixty (60) days following the end of the Company’s cure period.

(f) “Retirement-Eligible Grantee” means with respect to a Performance Unit that is outstanding at least six months after the Date of Grant a Grantee who is age 62 with at least five years of vesting service.

19. **Data Privacy**. Grantee hereby explicitly accepts the grant of Performance Units and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in the Award Letter and these Terms and Conditions by and among the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing Grantee’s participation in the Plan.

(a) Grantee understands that the Company holds certain personal information about Grantee, including, but not limited to, Grantee’s name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, shares of Common Stock held, details of all grants of Performance Units or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee’s favor, for the purpose of implementing, administering and managing the Plan (the “Data”).

(b) Grantee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States or elsewhere, and that the recipient’s country may have different data privacy laws and protections than the United States. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee’s local human resources representative.

(c) Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Grantee may elect to deposit any shares of Common Stock acquired.

(d) Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan.

(e) Grantee understands that Grantee may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative.

(f) Grantee understands, however, that refusing or withdrawing Grantee's consent may affect Grantee's ability to participate in the Plan.

20. **Acceptance of Award**. By accepting this award, Grantee agrees as follows:

(a) Noncompetition. During the term of Grantee's employment with the Company and for the 12 [24 for CEO] month period beginning on the date that Grantee's employment with the Company ceases for any reason, Grantee shall not act in any capacity (whether as an employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financier, joint venturer, or otherwise), for any of the following companies, or any business into which such company is merged, consolidated, or otherwise combined: Amazon, Burlington Coat Factory, Dillard's, Hudson's Bay, J.C. Penney, Kohl's, Nordstrom, Ross Stores, Sears, Target, TJX and Walmart, and the subsidiaries, affiliates and successors of each such company, or a Restricted Business. A "Restricted Business" means any business or enterprise engaged in the business of retail sales that had annual revenues for its most recently completed fiscal year of at least $4 billion; and both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered in stores, online or through an alternate channel directly by the Company, and (ii) revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(b) Nonsolicitation. Grantee agrees that Grantee will not directly or indirectly at any time during the period of Grantee's employment with the Company and for the 24 month period beginning on the date that Grantee's employment with the Company ceases for any reason, solicit or otherwise entice any of the Company's employees to resign from their employment by the Company, whether individually or as a group. Grantee acknowledges that this covenant is necessary to enable the Company to maintain the confidentiality of its Confidential Information, to avoid inevitable disclosure of such Confidential Information, to protect the Company's goodwill with its Customers and to protect against unfair competition and to retain its' competitive advantage. "Customer" means any person or entity which at the time of Grantee's cessation of employment with the Company is, or was within two years prior to such cessation of employment, a customer of the Company.

(c) Confidential Information. In order to protect the Company's Confidential Information, Grantee agrees that during the period of Grantee's employment with the Company and thereafter, Grantee will not disclose nor provide to anyone, and will not use, modify, copy or adapt (except in the course of performing Grantee's duties for the Company) any of the Company's Confidential Information. Grantee specifically agrees that Grantee's obligation not to use, modify, copy, adapt, disclose, or provide to third parties any of the Company's Confidential Information shall survive termination of Grantee's employment with the Company, regardless of the grounds for such termination.

(d) Breach. Grantee acknowledges and agrees that if Grantee should breach any of the covenants, restrictions and agreements contained herein, irreparable loss and injury would result to the Company, and that damages arising out of such a breach may be difficult to ascertain. Grantee therefore agrees that in the event of any such breach, all vested and unvested Performance Units covered by this award shall be immediately forfeited and cancelled and, in addition to all other remedies provided at law or at equity, the Company may petition and obtain from a court of law or equity all necessary temporary, preliminary and permanent injunctive relief to prevent a breach by Grantee of any covenant contained in these Terms and Conditions.

(e) Enforcement. The parties hereby agree that if the scope or enforceability of any of the covenants contained in these Terms and Conditions is in dispute, a court or other trier of fact may modify and enforce the covenant in the form necessary to provide the Company with the maximum protection afforded by applicable law.

(f) Extension of Obligations. If Grantee breaches any of the provisions of these Terms and Conditions, and if the Company brings legal action for injunctive relief, such relief shall have the duration specified in Section 20(a) or Section 20(b) as relevant, commencing from the date such relief is granted.

(g) Other Restrictions or Covenants. The covenants, restrictions and agreements contained herein are in addition to any noncompetition, nonsolicitation or confidentiality agreements Grantee has entered or may inter into with the Company pursuant to the Company's Executive Severance Plan, Senior Executive Severance Plan, or otherwise.

(h) References to Company. Grantee is employed by Macy's, Inc. or one of its controlled affiliates, subsidiaries or divisions (collectively "Macy's Affiliates"). References in these Terms and Conditions to Company shall include references to Macy's Affiliates.

Time-Based Restricted Stock Units
Terms and Conditions
2018 Equity and Incentive Compensation Plan

1. **Grant of Restricted Stock Units**. Macy's, Inc. (the "Company") has granted to Grantee as of the grant date (the "Date of Grant") that number of restricted stock units as shown on the Restricted Stock Unit Award Letter (the "Award Letter") to which these Terms and Conditions apply, subject to the terms, conditions and restrictions set forth herein and in the Macy's, Inc. 2018 Equity and Incentive Compensation Plan (the "Plan"). These Terms and Conditions and the Award Letter together constitute an Evidence of Award, as defined in the Plan. Subject to Section 11 of the Plan, each Restricted Stock Unit represents the right to receive one share of common stock of the Company ("Common Stock").

2. **Vesting of Restricted Stock Units.**

(a) Time Vesting. Subject to Section 3 hereof, the Restricted Stock Units shall vest in accordance with the vesting schedule detailed in the Award Letter (the "Normal Vesting Date").

(b) Accelerated Vesting. Notwithstanding Section 2(a), the Restricted Stock Units shall vest as follows (referred to herein as an "Accelerated Vesting Date"):

(i) All unvested Restricted Stock Units shall immediately vest upon Grantee's death or Disability (as defined in Section 16) while employed by the Company;

(ii) All unvested Restricted Stock Units shall continue to vest in accordance with their terms in the event Grantee retires at least six months after the Date of Grant, on or after age 62 with at least 5 years of service ("Retirement"), and complies with the provisions of Section 3(b) below;

(iii) Unvested Restricted Stock Units shall continue to vest in accordance with their terms to the same extent that such unvested Restricted Stock Units would have vested had Grantee remained in continuous employment with the Company for one year following the date of termination of Grantee's employment, if (A) as of the Date of Grant, Grantee is a participant in the Company's Senior Executive Severance Plan, (B) Grantee's employment is terminated by the Company without Cause (as defined in Section 16) (other than as described in clause (iv) below) (such termination, with respect to a Senior Executive Severance Plan participant, an "Involuntary Termination"), and (C) Grantee complies with the provisions of Section 3(b) below; and

(iv) All unvested Restricted Stock Units shall immediately vest (A) if, within the twenty-four (24) month period following a Change in Control (as defined in the Plan), Grantee's employment is terminated by the Company without Cause (as defined in Section 16) or if Grantee voluntarily terminates employment with Good Reason (as defined in Section 16) and is a participant in the Company's Change in Control Plan (either event, a "Qualifying Termination"), or (B) at the Change in Control if awards are not assumed or replaced by the acquirer/continuing entity on terms deemed appropriate by the Compensation Committee.

3. **Forfeiture of Restricted Stock Units.**

(a) Termination of Employment. Except as the Compensation Committee may determine on a case-by-case basis or in accordance with Section 2(b)(ii), 2(b)(iii) or 2(b)(iv)(A), all unvested Restricted Stock Units shall be forfeited if Grantee ceases to be continuously employed by the Company at any time prior to the Normal Vesting Date. The continuous employment of Grantee shall not be deemed to have been interrupted by reason of the transfer of Grantee's employment among the Company and its subsidiaries, divisions or affiliates or a leave of absence approved by the Company. In the event of a termination for Cause, all unvested Restricted Stock Units shall be immediately forfeited.

(b) Violation of Restrictive Covenants. All unvested Restricted Stock Units shall be forfeited immediately upon the occurrence of any of the following events. If there are no unvested Restricted Stock Units outstanding at the time a restrictive covenant is violated, the Company may pursue other legal remedies.

(i) Following voluntary or involuntary Retirement or Involuntary Termination and prior to one year following Retirement or Involuntary Termination, as applicable, Grantee renders personal services to a Competing Business (as defined in Section 16) in any manner, including, without limitation, as employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financer, joint venturer or otherwise; or

(ii) Following voluntary or involuntary Retirement or Involuntary Termination and prior to 24 months following Retirement or Involuntary Termination, Grantee directly or indirectly solicits or otherwise entices any of the Company's employees to resign from their employment with the Company, whether individually or as a group; or

(iii) At any time following voluntary or involuntary Retirement or Involuntary Termination, Grantee discloses or provides to any third party, or uses, modifies, copies or adapts any of the Company's Confidential Information (as defined in Section 16).

An involuntary Retirement occurs when the employment of a Grantee who satisfies the age and years of service criteria described in Section 2(b) above is terminated by the Company without Cause.

4. **Dividend, Voting and Other Rights**. Grantee shall have no rights of a stockholder with respect to the Restricted Stock Units prior to the date on which shares of Common Stock are issued in settlement thereof, including the right to vote any of the Restricted Stock Units or the right to receive dividends. The Restricted Stock Units are subject to adjustment to prevent dilution or enlargement of the rights of Grantee that would otherwise result from changes in the capital structure of the Company or from certain corporate transactions or events as provided in Section 11 of the Plan. Any additional Restricted Stock Units credited to Grantee pursuant to such adjustments will be subject to the terms and restrictions set forth in these Terms and Conditions.

5. **Settlement of Restricted Stock Units**.

(a) If Grantee is a Retirement-Eligible Grantee, subject to the satisfaction of any withholding tax liability, the Company shall issue to Grantee (or his or her beneficiary, if applicable) shares of unrestricted Common Stock to settle Restricted Stock Units granted hereunder to the extent the Restricted Stock Units are vested on such date or event (whether vested by virtue of such date, event or otherwise) on the earliest to occur of: (i) the Normal Vesting Date, (ii) Grantee's death, (iii) Grantee's Disability, (iv) a Change in Control; provided, that, if the Change in Control does not constitute a "change in ownership", a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company under Section 409A of the Code (a "Section 409A Change in Control") with respect to the Company, the shares of unrestricted Common Stock shall not be issued or delivered at such time and shall instead be issued or delivered in accordance with this Section 5(a) upon the next event contemplated hereby), and (v) Grantee's "separation from service" from the Company within the meaning of Section 409A of the Code and Treasury Regulation Section 1.409A-1(h), provided such separation from service occurs within the twenty-four (24) month period following a Section 409A Change in Control. The number of Restricted Stock Units which are considered to be vested on any such date shall be determined in accordance with Section 409A of the Code. In particular, for purposes of Section 5(a)(iv) above, all unvested Restricted Stock Units shall be considered as vested on such Change in Control date if Grantee on such date would have retired and such event would have been treated as a Retirement under Section 2(b)(ii). The number of shares of unrestricted Common Stock to be issued in settlement of such vested Restricted Stock Units shall be equal to the number of Restricted Stock Units that are vested on the applicable vesting date or event. Such Common Stock shall be credited as book entry shares to Grantee's trading account.

(b) If Grantee is not a Retirement-Eligible Grantee, subject to the satisfaction of any tax withholding liability, on or promptly after the Normal Vesting Date or, if earlier, an Accelerated Vesting Date, but in all cases within the "short-term deferral" period determined under Treasury Regulation Section 1.409A-1(b)(4), the Company shall issue to Grantee (or his or her beneficiary, if applicable) shares of unrestricted Common Stock to settle vested Restricted Stock Units granted hereunder. The number of shares of unrestricted Common Stock to be issued in settlement of such vested Restricted Stock Units shall be equal to the number of Restricted Stock Units that vested on the applicable vesting date or event contemplated by Section 2(a) or 2(b). Such Common Stock shall be credited as book entry shares to Grantee's trading account. For the sake of clarity, the settlement and payment of Restricted Stock Units is intended to comply with Treasury Regulation Section 1.409A-1(b)(4), and these Terms and Conditions and the Award Letter will be construed and administered in such a manner. As a result, notwithstanding any provision in these Terms and Conditions and the Award Letter to the contrary, the settlement and payment of Restricted Stock Units will be made in all events no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the Restricted Stock Units are no longer subject to a "substantial risk of forfeiture" within the meaning of Treasury Regulation Section 1.409A-1(d).

(c) For the sake of clarity, in the event all or any portion of the Restricted Stock Units do not become vested, those Restricted Stock Units shall be forfeited without payment of any consideration therefor.

6. **No Employment Contract**. Nothing contained in the Award Letter or these Terms and Conditions shall confer upon Grantee any right with respect to continued employment by the Company, or limit or affect the right of the Company to terminate the employment or adjust the compensation of Grantee.

7. **Taxes and Withholding**. If the Company is required to withhold any federal, state, local or foreign tax in connection with the issuance or vesting of, or other event triggering a tax obligation with respect to, any Restricted Stock Units or the issuance of any unrestricted shares of Common Stock or other securities following vesting pursuant to the Award Letter or these Terms or Conditions, it shall be a condition to such vesting, issuance or event that Grantee pay or make provisions satisfactory to the Company for payment of the tax. Unless Grantee makes alternative arrangements satisfactory to the Company prior to the vesting of the Restricted Stock Units or the issuance of shares of unrestricted Common Stock or other event triggering a tax obligation, Grantee will satisfy the statutory tax withholding obligations by providing for the sale of enough shares to generate proceeds that will satisfy the withholding obligation or surrendering to the Company a portion of the shares of Common Stock that are issued or transferred to Grantee following the Vesting Date for credit against the withholding obligation at the Market Value per Share of such shares on the Vesting Date. In accordance with Section 16 of the Plan, in no event will the fair market value of the shares of Common Stock to be withheld or delivered pursuant to this Section 7 to satisfy applicable withholding taxes exceed Grantee's estimated tax obligations based on the maximum statutory tax rates in the applicable taxing jurisdiction.

8**.** **Limitations on Transfer of Restricted Stock Units.** The Restricted Stock Units may not be transferred or assigned by Grantee until they vest other than (i) upon death, by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order or (iii) to a fully revocable trust to which Grantee is treated as the owner for federal income tax purposes.

9. **Compliance with Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, that the Company shall not be obligated to issue any Restricted Stock Units or shares of unrestricted Common Stock or other securities pursuant to the Award Letter and these Terms and Conditions if the issuance thereof would result in a violation of any such law.

10. **Relation to Other Benefits**. Any economic or other benefit to Grantee under the Award Letter and these Terms and Conditions shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company.

11. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to these Terms and Conditions to the extent that the amendment is applicable hereto; provided, however, that no amendment shall materially impair the rights of Grantee under the Award Letter and these Terms and Conditions without Grantee's consent.

12. **Severability**. In the event that any provisions of these Terms and Conditions shall be invalidated for any reason by a court of competent jurisdiction, the invalidated provision shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

13. **Relation to Plan**.

(a) General. These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. All references to the Company in these Terms and Conditions shall include, unless the context in which it is used suggests otherwise, its subsidiaries, divisions and affiliates.

(b) Compliance with Section 409A of the Code. The Company and Grantee acknowledge that, to the extent applicable, it is intended that the restricted stock units covered by these Terms and Conditions comply with or be exempt from the provisions of Section 409A of the Code, and the restricted stock units shall be administered in a manner consistent with this intent. Any amendments made to comply with Section 409A of the Code may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee. In any case, Grantee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed in connection with these Terms and Conditions and the Award Letter (including any taxes and penalties under Section 409A of the Code), and the Company shall not have any obligation to indemnify or otherwise hold Grantee harmless from any or all of such taxes or penalties. Any reference herein to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. To the extent that the Restricted Stock Units, or the issuance or delivery of shares of Common Stock underlying the Restricted Stock Units are subject to Section 409A of the Code, the Restricted Stock Units shall be awarded, and any shares of Common Stock in respect thereof shall be issued or delivered in a manner that complies with Section 409A of the Code. Each payment under these Terms and Conditions and the Award Letter shall be treated as a separate payment for purposes of Section 409A of the Code. Notwithstanding any other provision to the contrary, to the extent that any payment described in these Terms and Conditions or the Award Letter constitutes a "deferral of compensation" subject to Section 409A of the Code (after taking into account to the maximum extent possible any applicable exemptions) treated as payable upon a "separation from service" (as defined in Section 409A of the Code and Treasury Regulation Section 1.409A-1(h)), then, if on the date of Grantee's separation from service, Grantee is a "specified employee" (as defined in Section 409A of the Code and using the identification methodology selected by the Company from time to time), to the extent required for Grantee not to incur additional taxes pursuant to Section 409A of the Code, such payment will be made to Grantee on the fifth business day of the seventh month after such separation from service. Notwithstanding any other provision to the contrary, a termination or cessation of employment shall not be deemed to have occurred for purposes of any provision of these Terms and Conditions or the Award Letter providing for the payment of "deferred compensation" upon or following a termination or cessation of employment unless such termination is also a "separation from service" from the Company, and, for purposes of any such provision of these Terms and Conditions, references to "employment termination," "termination of employment," "retirement," or like terms shall mean "separation from service."

14. **Successors and Assigns**. The provisions of the Award Letter and these Terms and Conditions shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and permitted assigns of Grantee, and the successors and assigns of the Company.

15. **Governing Law**. The Award Letter and these Terms and Conditions shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware.

16. **Definitions**.

(a) "Cause" shall mean that Grantee has committed prior to termination of employment any of the following acts:

(i) An intentional act of fraud, embezzlement, theft, or any other material violation of law in connection with Grantee's duties or in the course of Grantee's employment;

(ii) Intentional wrongful damage to material assets of the Company;

(iii) Intentional wrongful disclosure of material confidential information of the Company;

(iv) Intentional wrongful engagement in any competitive activity that would constitute a material breach of the duty of loyalty;

(v) Intentional breach of any stated material employment policy of the Company; or

(vi) Intentional neglect by Grantee of Grantee's duties and responsibilities.

For purposes of Section 16(a)(v), "material employment policy of the Company" includes, but is not limited to, any of the following policies: Equal Employment Opportunity, Anti-Harassment, the policy prohibiting workplace violence, wage & hour policies, or the prohibition on the falsification of Company records.

(b) "Competing Business" shall mean:

(i) Any of the following named companies, or any other business into which such company is merged, consolidated, or otherwise combined, and the subsidiaries, affiliates and successors of each such company

Amazon	J.C. Penney	Sears
Burlington Coat Factory	Kohl's	Target
Dillard's	Nordstrom	TJX
Hudson's Bay	Ross Stores	Walmart

or

(ii) Any business or enterprise engaged in the business of retail sales that (1) had annual revenues for its most recently completed fiscal year of at least $4.0 billion; and (2) both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered by the Company (and its subsidiaries, divisions or controlled affiliates), and (ii) the revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's (and its subsidiaries, divisions or controlled affiliates) total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(c) "Confidential Information" shall mean any data or information that is material to the Company and not generally known to the public, including, without limitation: (i) price, cost and sales data; (ii) the identities and locations of vendors and consultants furnishing materials and services to the Company and the terms of vendor or consultant contracts or arrangements; (iii) lists and other information regarding customers and suppliers; (iv) financial information that has not been released to the public; (v) future business plans, marketing or licensing strategies, and advertising campaigns; or (vi) information about the Company's employees and executives, as well as the Company's talent strategies including but not limited to compensation, retention and recruiting initiatives.

(d) "Disability" shall mean Grantee's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(e) "Good Reason" shall mean:

(i) A material diminution in Grantee's base compensation;

(ii) A material diminution in Grantee's authority, duties or responsibilities;

(iii) A material change in the geographic location at which Grantee must perform Grantee's services; or

(iv) Any other action or inaction that constitutes a material breach by the Company of an agreement under which Grantee provides services.

Notwithstanding the foregoing, in order to terminate for Good Reason, (x) Grantee must provide the Company with written notice of the event(s) or condition(s) constituting Good Reason within ninety (90) days following the existence of such event(s) or condition(s), (y) the Company must be given thirty (30) days to cure such event(s) or condition(s), and (z) Grantee must actually terminate employment for Good Reason within sixty (60) days following the end of the Company's cure period.

(f) "Retirement-Eligible Grantee" means a Grantee who, as determined on the Date of Grant, either (i) is or will become age 62 with at least five years of vesting service at a time when the attainment of such age and service requirements will result in the Restricted Stock Units being treated as "deferred compensation" subject to Section 409A of the Code or (ii) is a participant in the Company's Senior Executive Severance Plan.

17. **Data Privacy**. Grantee hereby explicitly accepts the grant of Restricted Stock Units and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in the Award Letter and these Terms and Conditions by and among the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan.

(a) Grantee understands that the Company holds certain personal information about Grantee, including, but not limited to, Grantee's name, home address and telephone number, date of birth, social security number or other identification number, salary, nationality, job title, shares of Common Stock held, details of all grants of Restricted Stock Units or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the purpose of implementing, administering and managing the Plan (the "Data").

(b) Grantee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States or elsewhere, and that the recipient's country may have different data privacy laws and protections than the United States. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative.

(c) Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Grantee may elect to deposit any shares of Common Stock acquired.

(d) Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan.

(e) Grantee understands that Grantee may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative.

(f) Grantee understands, however, that refusing or withdrawing Grantee's consent may affect Grantee's ability to participate in the Plan.

18. **Acceptance of Award**. By accepting this award, Grantee agrees as follows:

(a) Noncompetition. During the term of Grantee's employment with the Company and for the 12 month period beginning on the date that Grantee's employment with the Company ceases for any reason, Grantee shall not act in any capacity (whether as an employee, agent, consultant, advisor, independent contractor, proprietor, partner, officer, director, manager, owner, financier, joint venturer, or otherwise), for any of the following companies, or any business into which such company is merged, consolidated, or otherwise combined: Amazon, Burlington Coat Factory, Dillard's, Hudson's Bay, J.C. Penney, Kohl's, Nordstrom, Ross Stores, Sears, Target, TJX and Walmart, and the subsidiaries, affiliates and successors of each such company, or a Restricted Business. A "Restricted Business" means any business or enterprise engaged in the business of retail sales that had annual revenues for its most recently completed fiscal year of at least $4 billion; and both (i) offers a category or categories of merchandise (e.g., Fine Jewelry, Cosmetics, Kids, Big Ticket, Housewares, Men's, Dresses), any of which are offered in stores, online or through an alternate channel directly by the Company, and (ii) revenue derived by such other retailer during such retailer's most recently ended fiscal year from such category or categories of merchandise represent(s), in the aggregate, more than 50% of the Company's total revenues for the most recently completed fiscal year derived from the same category or categories of merchandise.

(b) Nonsolicitation. Grantee agrees that Grantee will not directly or indirectly at any time during the period of Grantee's employment with the Company and for the 24 month period beginning on the date that Grantee's employment with the Company ceases for any reason, solicit or otherwise entice any of the Company's employees to resign from their employment by the Company, whether individually or as a group. Grantee acknowledges that this covenant is necessary to enable the Company to maintain the confidentiality of its Confidential Information, to avoid inevitable disclosure of such Confidential Information, to protect the Company's goodwill with its Customers and to protect against unfair competition and to retain its' competitive advantage. "Customer" means any person or entity which at the time of Grantee's cessation of employment with the Company is, or was within two years prior to such cessation of employment, a customer of the Company.

(c) Confidential Information. In order to protect the Company's Confidential Information, Grantee agrees that during the period of Grantee's employment with the Company and thereafter, Grantee will not disclose nor provide to anyone, and will not use, modify, copy or adapt (except in the course of performing Grantee's duties for the Company) any of the Company's Confidential Information. Grantee specifically agrees that Grantee's obligation not to use, modify, copy, adapt, disclose, or provide to third parties any of the Company's Confidential Information shall survive termination of Grantee's employment with the Company, regardless of the grounds for such termination.

(d) Breach. Grantee acknowledges and agrees that if Grantee should breach any of the covenants, restrictions and agreements contained herein, irreparable loss and injury would result to the Company, and that damages arising out of such a breach may be difficult to ascertain. Grantee therefore agrees that in the event of any such breach, all vested and unvested Restricted Stock Units covered by this award shall be immediately forfeited and cancelled and, in addition to all other remedies provided at law or at equity, the Company may petition and obtain from a court of law or equity all necessary temporary, preliminary and permanent injunctive relief to prevent a breach by Grantee of any covenant contained in these Terms and Conditions.

(e) Enforcement. The parties hereby agree that if the scope or enforceability of any of the covenants contained in these Terms and Conditions is in dispute, a court or other trier of fact may modify and enforce the covenant in the form necessary to provide the Company with the maximum protection afforded by applicable law.

(f) Extension of Obligations. If Grantee breaches any of the provisions of these Terms and Conditions, and if the Company brings legal action for injunctive relief, such relief shall have the duration specified in Section 18(a) or Section 18(b) as relevant, commencing from the date such relief is granted.

(g) Other Restrictions or Covenants. The covenants, restrictions and agreements contained herein are in addition to any noncompetition, nonsolicitation or confidentiality agreements Grantee has entered or may inter into with the Company pursuant to the Company's Executive Severance Plan, Senior Executive Severance Plan, or otherwise.

(h) References to Company. Grantee is employed by Macy's, Inc. or one of its controlled affiliates, subsidiaries or divisions (collectively "Macy's Affiliates"). References in these Terms and Conditions to Company shall include references to Macy's Affiliates.

Exhibit 31.1

CERTIFICATION

I, Jeff Gennette, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Macy's, 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.

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 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.

June 5, 2019

/s/ Jeff Gennette
Jeff Gennette
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Paula A. Price, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Macy's, 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.

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 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.

June 5, 2019

/s/ Paula A. Price
Paula A. Price
Chief Financial Officer

Exhibit 32.1

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

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 filing of the Form 10-Q of Macy's, Inc. (the "Company") for the fiscal quarter ended May 4, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to his knowledge:

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

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: June 5, 2019

/s/ Jeff Gennette
Name: Jeff Gennette
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

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 filing of the Form 10-Q of Macy's, Inc. (the "Company") for the fiscal quarter ended May 4, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies that, to his knowledge:

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

2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: June 5, 2019

/s/ Paula A. Price
Name: Paula A. Price
Title: Chief Financial Officer