

**Remarks by Terry J. Lundgren,
Chairman, President and Chief Executive Officer, Macy's, Inc.
To the 2012 Annual Meeting of Shareholders
May 18, 2012**

At each of the last four shareholders meetings, we have updated you on the extraordinary changes that were taking place at Macy's, Inc. Through our reorganization in 2008 and 2009, we became an all-new company.

We introduced the concept of My Macy's localization ... and we talked about the speed, flexibility and agility we gained by centralizing buying, planning, marketing and other functions.

Fast forward to today. The customer is voting, and we are winning.

We have turned in two great years of sales growth – with same-store increases of 4.6 percent in 2010 and 5.3 percent in 2011. That means we grew sales by more than \$1 billion each of the last two years.

In the first quarter of 2012, our same-store sales were up by another 4.4 percent.

Our earnings per share, adjusted for certain items, grew by 36 percent in 2011 on top of double-digit increases in each of 2009 and 2010. In this year's first quarter, EPS rose by another 43 percent.

Our year-over-year online sales were up 40 percent in 2011, on top of 29 percent growth in 2010, on top of 20 percent growth in 2009.

We have improved our balance sheet significantly and regained investment-grade status from the rating agencies.

We have twice doubled our stock dividend.

We have hired thousands of new associates as we have beefed up the stores, macys.com and support operations.

In building Macy's culture of growth, we have outperformed just about every major competitor.

Our share price is up by nearly 30 percent since this meeting last year, and has more than tripled since this meeting in 2009.

Today, Macy's and Bloomingdale's customers are voting with their wallets on our strategies and the improvements we have made in our business. And the customer is rewarding us with his and her loyalty.

For all of these accomplishments, we salute the extraordinary talent, energy and dedication of our organization at Macy's, Inc. We truly have the best people in retailing, and we are very proud of the success story they have worked so hard to bring to reality.

As you might expect, we are dedicated to continuous improvement in the way we serve customers and generate results. So I would like to share with you our strategies for continuing to win with the customer and against our competitors.

Our strategy for continued growth has three pillars. We call it M.O.M.

The first "M" is for my Macy's localization. "O" is for Omnichannel. The second "M" is for MAGIC Selling.

So I will share with you briefly what's now and what's next within each letter of M.O.M., including our new initiative to build our business with customers in the Millennial generation.

My Macy's, of course, is our approach to tailoring the merchandise assortment and shopping experience in every store location for the customer who shops there. We serve a diverse multicultural marketplace, and My Macy's allows us to adjust our approach store-by-store.

Experts who observe the retailing industry tell us that My Macy's is the most powerful innovation in retailing in many years. It sets Macy's apart from our competitors and enables us to make decisions that are right for customers at every touchpoint.

In 2012 and beyond, we are continuing to fine-tune our localization approach to deliver outstanding value in a way that feels personal to every customer.

In that regard, we have just launched a new internal project we call My Macy's 2.0. It involves about a dozen initiatives. Among the questions we are tackling are:

How do we better identify and infuse new businesses in stores where there is under-served customer demand?

How do we streamline the internal processes through which we make and execute My Macy's decisions in the field and our central organization?

How do we continue to develop great talent in the field so we can continue to promote these executives to positions with greater responsibilities?

How do we more forcefully market local assortments through meaningful special events and build closer customer relationships?

Within many of these initiatives, we are moving quickly to test new ideas. We will share our learnings across the company. And we will roll out the winning strategies.

Also, embraced within the My Macy's strategy is our new Millennial customer initiative.

You will be seeing us redouble our efforts with customers between the ages of 13 and 30 – the Millennial generation. This is now the largest generation in America – larger than the Baby Boomers. And they are spending!

Millennials think and act differently than other customers so we need to approach them differently in order to make Macy's their favorite store.

We look at Millennials in two overlapping pieces. The first group includes customers between the ages of 13 and 22 – both male and female. These are typically students, and they gravitate toward the area of our stores we call mstylelab.

The second group is between the ages of 19 and 30. These are the young adults who are graduating and establishing themselves in the workforce. They shop across the store, with particular focus on the apparel, accessories and cosmetics areas we call Impulse.

All in all, Millennials in America spend about \$65 billion every year on the kind of merchandise we sell. We have aggressive plans for growing our share of this business.

In the coming seasons, you will see a whole new merchandise assortment directed at specific Millennial segments. We're also looking at new ways to staff fitting rooms in Impulse and mstylelab, and we are working on marketing programs that will help us build better relationships with college students and 20-something professionals.

We will experiment with department environment, sizes and adjacencies depending on the population size and nature of the local Millennial customer.

We look forward to growing our sales to Millennial customers, and to deepening our relationship with them for years to come.

Let's move to the "O" in M.O.M. that means Omnichannel. Through this strategy, we are melding together our stores, the Internet and mobile devices so we can surround our customer at every turn.

We have made huge progress over the past year or two in taking a 360-degree view of the customer, and in building ways that we can deliver to our customers the products they want no matter where those products may exist across Macy's.

Our Search & Send process has been a huge success so far, and we're just getting started.

In 2011, with the help of our associates trained in Search & Send, customers ordered more than 7 million items from a register in a Macy's store, which were then shipped to their homes from either our online inventory, or from the inventory of another store that had been set up to ship individual packages.

At the end of 2011, we had 23 Macy's stores set up to pick and ship orders from other stores that didn't have the right inventory on hand to fill the customer's needs.

This was in addition to the inventories stocked in our three primary online fulfillment centers.

Today, about 150 Macy's stores are set up for shipping, and by the end of 2012, we expect that number to grow to 292 stores, on top of the inventories in four primary online fulfillment centers.

We also are beginning to use store-to-customer shipping to fill online orders.

Search & Send and store fulfillment are just the tip of the omnichannel iceberg at Macy's.

Technology is emerging on every front to help engage our customers and serve their needs.

We have accomplished a lot.

In the coming months, you can expect to see a wide range of new technologies tested so we can see what works best. Remember, it all comes down to what the customer wants and needs, and what makes the shopping experience better and more convenient.

We're working on new technology for use on the sales floor in women's shoes to easily identify what we have in stock and to ring up a sale without ever leaving the customer's side.

We're rapidly rolling out new ways to reach customers with special offers delivered to their mobile device through Facebook, Google, and other sites ... and directly via text message.

We're working on a new generation of price-checkers on the sales floor that will offer customers suggestions on other items they might want to consider buying.

We're working on digital displays to extend our assortments in places where our selling space is limited.

We're working on new and interesting ways to use tablet computers on the sales floor.

We're working on digitally-driven virtual mannequins that, at the touch of a button, can display complete outfits that our customers want to see on, without actually trying it on.

The list goes on.

The bottom line is that you can expect Macy's to be a technology leader in helping to improve the shopping experience in-store, online and via mobile.

That brings me to the second "M" – MAGIC Selling – the strategy we launched nearly two years ago to improve customer engagement in our stores.

Data clearly shows that when our associates connect with customers and actively assist them, shoppers are more satisfied and buy more from us.

Of course, we want our associates to be friendly, but that's just the beginning. We need every associate to actively practice the process of MAGIC – Meeet and make a connection ... Ask questions and listen ... Give options, give advice ... Inspire to buy and Celebrate the purchase.

To date, Macy's store associates have been through more than 1 million hours of MAGIC training. And the results are showing in very tangible ways.

You can see how we drive sales when we engage customers and apply MAGIC Selling.

Everyone wins when our associates are visible to the customer, knowledgeable about our products, can suggest coordinating items, and process transactions efficiently.

So that's M.O.M. – My Macy's ... Omnichannel ... and MAGIC Selling.

This is an exciting time to be at this company. As it says on the cover of the annual report, we are seeing growth on every front. And we are not stopping now to rest. We believe we have plenty of runway ahead for continued improvement. Our foot on the accelerator is all the way to the floor.