FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended May 3, 2003

IRS Employer Identification No.	Exact name of Registrant, State of Incorporation; Address of Principal Executive Offices; and Telephone Number
22-2894486	J. Crew Group, Inc. (A New York corporation) 770 Broadway New York, New York 10003 (212) 209-2500
22-3540930	J. Crew Operating Corp. (A Delaware corporation) 770 Broadway New York, New York 10003 (212) 209-2500

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days. Yes x No __

The number of shares of Common Stock outstanding of each of the issuers as of May 23, 2003

J. Crew Group, Inc.
12,870,373 shares of Common Stock, par value $.01 per share

J. Crew Operating Corp.
100 shares of Common Stock, par value $.01 per share (all of which are owned beneficially and of record by J.Crew Group, Inc.)

This combined Form 10-Q is separately filed by each of J. Crew Group, Inc and J. Crew Operating Corp. The information contained herein relating to each individual registrant is filed by such registrant on its own behalf. No registrant makes any representation as to information relating to any other registrant.

J. Crew Operating Corp. meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

Part I - Financial Information

Item I. Financial Statements

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	May 3, 2003 (unaudited)	February 1, 2003
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 19,876	$ 18,895
Merchandise inventories	100,254	107,318
Prepaid expenses and other current assets	20,196	24,886
Refundable income taxes	6,278	6,278
Total current assets	146,604	157,377
Property and equipment - at cost	302,385	300,910
Less accumulated depreciation and amortization	(138,781)	(129,363)
	163,604	171,547
Deferred income tax assets	5,000	5,000
Other assets	14,959	14,954
Total assets	$ 330,167	$ 348,878
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current portion of long-term debt	$ 1,164	$ --
Accounts payable and other current liabilities	84,552	116,384
Federal and state income taxes	2,777	2,978
Total current liabilities	88,493	119,362
Deferred credits and other long-term liabilities	63,660	65,141
Long-term debt	325,256	292,000
Redeemable preferred stock	273,645	264,038
Stockholders' deficit	(420,887)	(391,663)
Total liabilities and stockholders' deficit	$ 330,167	$ 348,878

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended May 3, 2003	Thirteen weeks ended May 4, 2002
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 152,592	$ 157,883
Other	8,903	9,169
	161,495	167,052
Cost of goods sold including buying and occupancy costs	105,581	100,087
Selling, general and administrative expenses	65,779	75,947
Loss from operations	(9,865)	(8,982)
Interest expense - net	(9,762)	(9,593)
Loss before income taxes	(19,627)	(18,575)
Income tax benefit	--	6,500
Net loss	$ (19,627)	$ (12,075)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended	
	May 3, 2003	May 4, 2002
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (19,627)	$ (12,075)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,818	8,224
Amortization of deferred financing costs	467	793
Non cash compensation expense	10	305
Non cash interest expense	4,184	4,267
Changes in operating assets and liabilities:		
Merchandise inventories	7,064	(4,487)
Prepaid expenses and other current assets	4,690	2,058
Other assets	(113)	(1,307)
Accounts payable and other liabilities	(27,255)	(36,901)
Federal and state income taxes	(201)	(6,895)
Net cash used in operating activities	(22,963)	(46,018)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,476)	(12,067)
Proceeds from construction allowances	1,000	2,190
Net cash used in investing activities	(1,476)	(9,877)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	--	55,000
Additional long term debt	25,820	--
Costs incurred in connection with debt financing	(400)	--
Net cash provided by financing activities	25,420	55,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	981	(895)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	18,895	16,201
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 19,876	$ 15,306
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 9,607	$ 8,356
Interest payable on 13 1/8% Senior Discount Debentures at February 1, 2003 capitalized and added to the principal amount of debt	$ 4,416	$ --

See notes to unaudited condensed consolidated financial statements.

J.CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen weeks ended May 3, 2003 and May 4, 2002

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of J. Crew Group, Inc. and its wholly-owned subsidiaries (collectively, "Holdings"). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of May 3, 2003 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended May 3, 2003 and May 4, 2002 have been prepared by Holdings and have not been audited. In the opinion of management, all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the financial position of Holdings, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Holdings consolidated financial statements for the fiscal year ended February 1, 2003.

The results of operations for the thirteen-week period ended May 3, 2003 are not necessarily indicative of the operating results for the full fiscal year.

2. Exchange Offer

On May 6, 2003, Holdings (through its wholly owned subsidiary, J.Crew Intermediate LLC ("Intermediate")) completed an offer to exchange 16% Senior Discount Contingent Principal Notes due 2008 of Intermediate (new notes) for its outstanding 13 1/8% Senior Discount Debentures due 2008 (existing debentures). Approximately 85% of the existing debentures were tendered for exchange.

Intermediate exchanged $76,256,000 fair value of new notes for $120,333,000 face amount of existing debentures. The debt issuance discount of $44,077,000 will be accreted to the principal amount over the life of the new notes as additional interest expense. A net gain on exchange of debt of approximately $41 million will be included in the results of operations in the second quarter.

Interest from October 15, 2002 through May 5, 2003 was paid on the existing debentures not exchanged at 13 1/8%. Interest from October 15, 2002 through May 5, 2003 on the existing debentures exchanged was added to the principal amount of the existing debentures at 16%.

The new notes bear interest at 16% payable in arrears on May 15 and November 15. Interest from date of issuance through November 15, 2005 will be added to the principal amount of the new notes. Effective November 15, 2005, interest will accrue and become payable on each May 15 and November 15 thereafter through May 15, 2008.

Commencing on May 15, 2004 and on each May 15 through May 15, 2008, the accreted value of the new notes will be increased by 10% of EBITDA in excess of $50.0 million for the immediately preceding fiscal year.

3. Debt Financing

(a) On February 4, 2003, Holdings and J.Crew Operating Corp. ("Operating Corp.") entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating Corp. in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating Corp. in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date. These loans are subordinated in right of payment to the prior payment of all senior debt and are on the same terms as the 10-3/8% Senior Subordinated Notes due 2008 of Operating Corp.

(b) The Loan and Security Agreement dated December 23, 2002, as amended, by and among Wachovia Bank, N.A., as arranger, Congress Financial Corporation, as administrative and collateral agent, and a syndicate of lenders (the "Congress Credit Facility") was further amended on April 4, 2003 to (a) consent to the formation of J.Crew Intermediate LLC and the exchange offer; (b) carve-out from the EBITDA covenant for fiscal 2002 a $9.0 million one-time charge for non-current inventory; (c) modify required EBITDA covenant levels and (d) eliminate the supplemental loan availability in fiscal 2003.

(c) On April 8, 2003, Operating Corp. borrowed the real estate availability of $5.8 million under the Congress Credit Facility. This borrowing is repayable at $97,000 per month commencing June 1, 2003.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	May 3, 2003 (unaudited)	February 1, 2003
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 19,876	$ 18,895
Merchandise inventories	100,254	107,318
Prepaid expenses and other current assets	20,196	24,886
Refundable income taxes	6,278	6,278
Total current assets	146,604	157,377
Property and equipment - at cost	302,385	300,910
Less accumulated depreciation and amortization	(138,781)	(129,363)
	163,604	171,547
Other assets	13,706	13,646
Total assets	$ 323,914	$ 342,570
Liabilities and Stockholder's Deficit		
Current liabilities:		
Current portion of long-term debt	$ 1,164	$ --
Accounts payable and other current liabilities	83,047	111,176
Federal and state income taxes	2,777	2,978
Deferred income tax liabilities	910	910
Total current liabilities	87,898	115,064
Deferred credits and other long-term liabilities	63,660	65,141
Long-term debt	174,906	150,000
Due to J.Crew Group, Inc.	11,360	2,040
Stockholder's deficit	(13,910)	10,325
Total liabilities and stockholder's deficit	$ 323,914	$ 342,570

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended May 3, 2003	May 4, 2002
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 152,592	$ 157,883
Other	8,903	9,169
	161,495	167,052
Cost of goods sold including buying and occupancy costs	105,581	100,087
Selling, general and administrative expenses	65,769	75,782
Loss from operations	(9,855)	(8,817)
Interest expense - net	5,060)	(5,270)
Loss before income taxes	(14,915)	(14,087)
Income tax benefit	--	4,900
Net loss	$ (14,915)	$ (9,187)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended	
	May 3, 2003	May 4, 2002
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (14,915)	$ (9,187)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,818	8,224
Amortization of deferred financing costs	410	737
Non cash compensation expense	--	140
Non-cash interest expense	250	--
Changes in operating assets and liabilities:		
Merchandise inventories	7,064	(4,487)
Prepaid expenses and other current assets	4,690	2,058
Other assets	(113)	(1,307)
Accounts payable and other liabilities	(27,966)	(36,901)
Federal and state income taxes	(201)	(5,295)
Net cash used in operating activities	(22,963)	(46,018)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,476)	(12,067)
Proceeds from construction allowances	1,000	2,190
Net cash used in investing activities	(1,476)	(9,877)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	--	55,000
Additional long-term debt	25,820	--
Costs incurred in connection with debt financing	(400)	--
Net cash provided by financing activities	25,420	55,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	981	(895)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	18,895	16,201
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 19,876	$ 15,306
NON-CASH FINANCING ACTIVITIES:		
Dividends to J.Crew Group, Inc.	$ 9,320	$ --

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen Weeks Ended May 3, 2003 and May 4, 2002

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of J. Crew Operating Corp. and its wholly-owned subsidiaries (collectively, "Operating Corp."). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of May 3, 2003 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended May 3, 2003 and May 4, 2002 have been prepared by Operating Corp. and have not been audited. In the opinion of management all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the financial position of Operating Corp, the results of its operations and cash flows have been made.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Operating Corp. consolidated financial statements for the fiscal year ended February 1, 2003.

The results of operations for the thirteen-week period ended May 3, 2003 are not necessarily indicative of the operating results for the full fiscal year.

2. Debt Financing

(a) On February 4, 2003, Operating Corp. entered into a credit agreement with TPG-MD Investment, LLC, a related party, which provides for a Tranche A loan to Operating Corp. in an aggregate principal amount of $10.0 million and a Tranche B loan to Operating Corp. in an aggregate principal amount of $10.0 million. The loans are due in February 2008 and bear interest at 5.0% per annum payable semi-annually in arrears on January 31 and July 31, commencing on July 31, 2003. Interest will compound and be capitalized and added to the principal amount on each interest payment date. These loans are subordinated in right of payment to the prior payment of all senior debt and are on the same terms as the 10-3/8% Senior Subordinated Notes due 2008 of Operating Corp.

(b) The Loan and Security Agreement dated December 23, 2002, as amended, by and among Wachovia Bank, N.A., as arranger, Congress Financial Corporation, as administrative and collateral agent, and a syndicate of lenders (the "Congress Credit Facility") was further amended on April 4, 2003 to (a) consent to the formation of J.Crew Intermediate LLC and the exchange offer; (b) carve-out from the EBITDA covenant for fiscal 2002 a $9.0 million one-time charge for non-current inventory; (c) modify required EBITDA covenant levels and (d) eliminate the supplemental loan availability in fiscal 2003.

(c) On April 8, 2003, Operating Corp. borrowed the real estate availability of $5.8 million under the Congress Credit Facility. This borrowing is repayable at $97,000 per month commencing June 1, 2003.

3. Stockholder's Deficit

On February 20, 2003, the Board of Directors of Operating Corp. declared a dividend of $9,320,000 payable to J. Crew Group, Inc.

Forward-looking statements

Certain statements in this Report on Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make written or oral forward-looking statements in our periodic reports to the Securities and Exchange Commission on Forms 10-K, 10-Q, 8-K, etc., in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from historical results, any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, competitive pressures in the apparel industry, changes in levels of consumer spending or preferences in apparel and acceptance by customers of the Company's products, overall economic conditions, governmental regulations and trade restrictions, acts of war or terrorism in the United States or worldwide, political or financial instability in the countries where the Company's goods are manufactured, postal rate increases, paper and printing costs, availability of suitable store locations at appropriate terms, the level of the Company's indebtedness and exposure to interest rate fluctuations, and other risks and uncertainties described in this report and the Company's other reports and documents filed or which may be filed, from time to time, with the Securities and Exchange Commission. These statements are based on current plans, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update publicly any of them in light of new information or future events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - J.CREW GROUP, INC.

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED MAY 3, 2003 COMPARED TO THIRTEEN WEEKS ENDED MAY 4, 2002.

Revenues for the thirteen weeks ended May 3, 2003 decreased to $161.5 million from $167.1 million in the thirteen weeks ended May 4, 2002, a decrease of 3.4%.

Revenues of J.Crew Retail decreased from $85.7 million in the first quarter of 2002 to $81.8 million in the first quarter of 2003. This decrease was due to a decline of 11.1% in comparable store sales in the first quarter of 2003 offset by sales from stores not open for a full fiscal year. The number of stores open at May 3, 2003 increased to 154 from 143 at May 4, 2002.

Revenues of J.Crew Direct (which consists of the Internet and catalog operations) decreased from $56.2 million in the first quarter of 2002 to $55.0 million in the first quarter of 2003. Revenues from jcrew.com increased to $36.6 million in the first quarter of 2003 from $31.2 million in the first quarter of 2002. Catalog revenues in the first quarter of 2003 decreased to $18.4 million from $25.0 million in the first quarter of 2002, as the Company continues to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $16.0 million in the first quarter of 2002 to $15.8 million in the first quarter of 2003. There were 42 stores open May 3, 2003 compared to 41 stores at May 4, 2002.

Other revenues, which consist of shipping and handling fees and royalties, decreased to $8.9 million in the first quarter of 2003 from $9.2 million in the first quarter of 2002 due to a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 59.9% in the first quarter of 2002 to 65.4% in the first quarter of 2003. This increase is attributable primarily to a decrease of 440 basis points in merchandise margin. The decrease in merchandise margin resulted from higher sales of prior season's merchandise (at discounted prices) in the first quarter of 2003 compared to the first quarter of 2002 and higher markdowns related to the sale of Spring 2003 merchandise. These results reflect management's new strategy of disposing of slow moving merchandise in season and reducing the amount of merchandise held in its Factory division for disposition in future seasons. Inventories at May 3, 2003 were down 30% from May 4, 2002, despite an additional 11 retail stores. Comparable retail store inventories were down 10%. Management expects that this current trend in merchandise margins will continue through the second quarter.

Selling, general and administrative expenses decreased to $65.8 million in the thirteen weeks ended May 3, 2003 from $75.9 million in the thirteen weeks ended May 4, 2002. This decrease of $10.1 million resulted from a decrease in general and administrative expenses of $8.1 million and a decrease of $2.0 million in selling expense. The decrease in general and administrative expenses resulted from (a) $5.0 million of severance charges relating to headcount reductions and the departure of a former Chief Executive Officer in the first quarter of 2002 compared to $.9 million of severance charges in 2003 and (b) the effect of the cost reduction initiatives implemented in the first quarter of 2002. The reduction in selling expense was due primarily to a decrease in the number of catalog pages circulated in the first quarter of 2003. As a percentage of revenues, selling, general and administrative expenses decreased to 40.7% of revenues in the first quarter of 2003 from 45.5% in the first quarter of 2002.

The increase in interest expense from $9.6 million in the first quarter of 2002 to $9.8 million in the first quarter of 2003 resulted primarily from an increase in the amortization of deferred financing costs and interest expense related to the additional long-term indebtedness in 2003 which exceeded the decrease resulting from the reduction in average short-term borrowings in the first quarter of 2003. There were no short-term borrowings under our short-term credit facility in the first quarter of 2003 compared to average short term borrowings of $35.6 million in the first quarter of 2002.

No tax benefit was attributed to the pre-tax loss in the first quarter of 2003 compared to a 35% benefit in the first quarter of 2002. At February 1, 2003 the Company established a valuation allowance to reduce the net deferred tax assets to their estimated recoverable amount. The Company does not expect to recognize any tax benefits in future results of operations until an appropriate level of profitability is sustained.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operations decreased from $46.0 million in the first quarter of 2002 to $23.0 million in the first quarter of 2003. This decrease in cash used in operations resulted primarily from the decrease in working capital requirements in the first quarter 2003 compared to the first quarter of 2002.

Capital expenditures, net of construction allowances, were $1.5 million for the first quarter of 2003 compared to $9.9 million in the first quarter of 2002. Capital expenditures for fiscal year 2003 are expected to be approximately $10 million compared to $20.4 million in fiscal year 2002. Four new stores are planned to open in fiscal 2003 compared to 16 in fiscal 2002.

There were no short-term borrowings under the short term credit facility at May 3, 2003 compared to $55.0 million at May 4, 2002. Long-term indebtedness increased by $25.8 million during the quarter consisting of $20.0 million of notes payable due in 2008 and $5.8 million under the Congress Credit Facility repayable over a period of 60 months commencing June 1, 2003.

On May 6, 2003, the Company (through its wholly-owned subsidiary, J. Crew Intermediate LLC ("Intermediate")) completed an offer to exchange 16% Senior Discount Contingent Principal Notes due 2008 of Intermediate for its outstanding 13 1/8% Senior Discount Debentures due 2008. Approximately 85% of the outstanding debentures were tendered for exchange. The effect of the exchange offer on interest expense in fiscal 2003 will be to increase total interest expense by $2.6 million but decrease cash interest by $15.8 million.

Management believes that cash flow from operations and availability under the Congress Credit Facility will provide adequate funds for the Company's foreseeable working capital needs, planned capital expenditures and debt service obligations. The Company's ability to fund its operations and make planned capital expenditures, to make scheduled debt payments, to refinance indebtedness and to remain in compliance with the financial covenants under its debt agreements depends on its future operating performance and cash flow, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond its control.

SEASONALITY

The Company experiences two distinct selling seasons, spring and fall. The spring season is comprised of the first and second quarters and the fall season is comprised of the third and fourth quarters. Net sales are usually substantially higher in the fall season and selling, general and administrative expenses as a percentage of net sales are usually higher in the spring season. Approximately 32% of annual net sales in fiscal year 2002 occurred in the fourth quarter. The Company's working capital requirements also fluctuate throughout the year, increasing substantially in September and October in anticipation of the holiday season inventory requirements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - J.CREW OPERATING CORP.

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED MAY 3, 2003 COMPARED TO THIRTEEN WEEKS ENDED MAY 4, 2002.

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Revenues of J.Crew Retail decreased from $85.7 million in the first quarter of 2002 to $81.8 million in the first quarter of 2003. This decrease was due to a decline of 11.1% in comparable store sales in the first quarter of 2003, offset by sales from stores not open for a full fiscal year. The number of stores open at May 3, 2003 increased to 154 from 143 at May 4, 2002.

Revenues of J.Crew Direct (which consists of the Internet and catalog operations) decreased from $56.2 million in the first quarter of 2002 to $55.0 million in the first quarter of 2003. Revenues from jcrew.com increased to $36.6 million in the first quarter of 2003 from $31.2 million in the first quarter of 2002. Catalog revenues in the first quarter of 2003 decreased to $18.4 million from $25.0 million in the first quarter of 2002, as the Company continues to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $16.0 million in the first quarter of 2002 to $15.8 million in the first quarter of 2003. There were 42 stores open May 3, 2003 compared to 41 stores at May 4, 2002.

Other revenues, which consist of shipping and handling fees and royalties, decreased to $8.9 million in the first quarter of 2003 from $9.2 million in the first quarter of 2002 due to a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 59.9% in the first quarter of 2002 to 65.4% in the first quarter of 2003. This increase is attributable primarily to a decrease of 440 basis points in merchandise margin. The decrease in merchandise margin resulted from higher sales of prior season's merchandise (at discounted prices) in the first quarter of 2003 compared to the first quarter of 2002 and higher markdowns related to the sale of Spring 2003 merchandise. These results reflect management's new strategy of disposing of slow moving merchandise in season and reducing the amount of merchandise held in its Factory division for disposition in future seasons. Inventories at May 3, 2003 were down 30% from May 4, 2002, despite an additional 11 stores. Comparable retail store inventories were down 10%. Management expects that this current trend in merchandise margins will continue through the second quarter.

Selling, general and administrative expenses decreased to $65.8 million in the thirteen weeks ended May 3, 2003 from $75.8 million in the thirteen weeks ended May 4, 2002. This decrease of $10.0 million resulted from a decrease in general and administrative expenses of $8.0 million and a decrease of $2.0 million in selling expense. The decrease in general and administrative expenses resulted from (a) $5.0 million of severance charges relating to headcount reductions and the departure of a former Chief Executive Officer in the first quarter of 2002 compared to $.9 million of severance charges in 2003 and (b) the effect of the cost reduction initiatives implemented in the first quarter of 2002. The reduction in selling expense was due primarily to a decrease in the number of catalog pages circulated in the first quarter of 2003. As a percentage of revenues, selling, general and administrative expenses decreased to 40.7% of revenues in the first quarter of 2003 from 45.4% in the first quarter of 2002.

The decrease in interest expense from $5.3 million in the first quarter of 2002 to $5.1 million in the first quarter of 2003 resulted primarily from a decrease in the amortization of deferred financing costs and the reduction in average short-term borrowings in the first quarter of 2003. There were no borrowings under our short-term credit facility in the first quarter of 2003 compared to average borrowings of $35.6 million in the first quarter of 2002.

No tax benefit was attributed to the pre-tax loss in the first quarter of 2003 compared to a 35% benefit in the first quarter of 2002. The Company does not expect to recognize any tax benefits in future results of operations until an appropriate level of profitability is sustained.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company has a licensing agreement in Japan which provides for royalty payments based on sales of J.Crew merchandise as denominated in yen. The Company has entered into forward foreign exchange contracts from time to time in order to minimize this risk. At May 3, 2003, there were no forward foreign exchange contracts outstanding.

The Company enters into letters of credit to facilitate the international purchase of merchandise. The letters of credit are primarily denominated in U.S. dollars. Outstanding letters of credit at May 3, 2003 were approximately $32.2 million.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this Quarterly Report on Form 10-Q, the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of disclosure controls and procedures as provided in Rule 13a - 14 under the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report has been made know to them in a timely fashion. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

4.1 Stockholders' Agreement, dated as of January 24, 2003, among the Company, TPG Partners II, L.P. and Millard S. Drexler. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 3, 2003.

4.2 Letter Agreement, dated February 3, 2003, among the Company, TPG Partners II, L.P. and Emily Woods. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 7, 2003.

4.3 Stockholders' Agreement, dated February 12, 2003, among the Company, TPG Partners II, L.P. and Scott Gilbertson. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 14, 2003.

4.4 Stockholders' Agreement, dated February 20, 2003, among the Company, TPG Partners II, L.P. and Jeffrey A. Pfeifle. Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 26, 2003.

10.1 Credit Agreement, dated as of February 4, 2003, among the Company, certain subsidiaries thereof and TPG-MD Investment, LLC. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 7, 2003.

10.2 Amendment No. 1, dated February 7, 2003, to Loan and Security Agreement among the Company, certain subsidiaries thereof and Congress Financial Corporation. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 14, 2003.

10.3 Amendment No. 2, dated April 4, 2003, to Loan and Security Agreement among the Company, certain subsidiaries thereof and Congress Financial Corporation. Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on April 8, 2003.

99.1 Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

99.2 Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

(b) Reports on Form 8-K.

The Company filed the following reports on Form 8-K, pursuant to which various documents and agreements were filed by the Company as identified therein during the quarter ended May 3, 2003:

Date of Report	Item(s) Reported
Feb. 3, 2003	Item 5
Feb. 7, 2003	Item 5
Feb. 14, 2003	Item 5
Feb. 26, 2003	Item 5
April 4, 2003	Item 5
April 8, 2003	Item 5
May 2, 2003	Item 5

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company.

J. CREW GROUP, INC.
(Registrant)

Date: June 4, 2003 By: /s/ Millard S.Drexler

Millard S. Drexler
Chairman of the Board and
Chief Executive Officer

Date: June 4, 2003 By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice-President and
Chief Financial Officer

J. CREW OPERATING CORP.
(Registrant)

Date: June 4, 2003 By: /s/ Millard S.Drexler

Millard S. Drexler
Chairman of the Board and
Chief Executive Officer

Date: June 4, 2003 By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice-President and
Chief Financial Officer

CERTIFICATION

I, Millard S. Drexler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. Crew Group, Inc. and J. Crew Operating Corp.;

2. Based on my knowledge, this quarterly 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 quarterly report;

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

4. Each registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for such registrant and we have:

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

   b) evaluated the effectiveness of such registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. Each registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to such registrant's auditors and the audit committee of such registrant's board of directors (or persons performing the equivalent function);

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect such registrant's ability to record, process, summarize and report financial data and have identified for such registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in such registrant's internal controls; and

6. Each registrant's other certifying officers and I have indicated in this quarterly report whether or not there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 4, 2003

/s/ Millard S. Drexler

Millard S. Drexler
Chief Executive Officer

CERTIFICATION

I, Scott M. Rosen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of J. Crew Group, Inc. and J. Crew Operating Corp.;

2. Based on my knowledge, this quarterly 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 quarterly report;

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

4. Each registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for such registrant and we have:

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

   b) evaluated the effectiveness of such registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. Each registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to such registrant's auditors and the audit committee of such registrant's board of directors (or persons performing the equivalent function);

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect such registrant's ability to record, process, summarize and report financial data and have identified for such registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in such registrant's internal controls; and

6. Each registrant's other certifying officers and I have indicated in this quarterly report whether or not there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 4, 2003

/s/ Scott M. Rosen

Scott M. Rosen
Executive Vice President and
Chief Financial Officer

Exhibit 99.1

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

In connection with the Quarterly Report of J. Crew Group, Inc. and J. Crew Operating Corp. (collectively, the "Company") on Form 10-Q for the period ending May 3, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Millard S. Drexler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

By: /s/ Millard S. Drexler

Millard S. Drexler
Chief Executive Officer

June 4, 2003

Exhibit 99.2

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

In connection with the Quarterly Report of J. Crew Group, Inc. and J. Crew Operating Corp. (collectively, the "Company") on Form 10-Q for the period ending May 3, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott M. Rosen, Executive Vice - President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

By: /s/ Scott M. Rosen

Scott M. Rosen
Executive Vice - President and
Chief Financial Officer

June 4, 2003