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 4, 2002

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 17, 2002

J. CREW GROUP, INC.
11,748,789 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 4, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 15,306	$ 16,201
Merchandise inventories	143,405	138,918
Prepaid expenses and other current assets	24,968	27,026
Total current assets	183,679	182,145
Property and equipment - at cost	302,992	293,700
Less accumulated depreciation and amortization	(114,289)	(106,427)
	188,703	187,273
Deferred income tax assets	18,071	18,071
Other assets	14,304	13,831
Total assets	$ 404,757	$ 401,320

Liabilities and Stockholders' Deficit	May 4, 2002	February 2, 2002
Current liabilities:		
Notes payable - bank	$ 55,000	$ --
Accounts payable and other current liabilities	91,285	128,491
Federal and state income taxes	1,945	8,840
Deferred income tax liabilities	5,650	5,650
Total current liabilities	153,880	142,981
Deferred credits and other long-term liabilities	67,416	67,235
Long-term debt	283,954	279,687
Redeemable preferred stock	238,816	230,460
Stockholders' deficit	(339,309)	(319,043)
Total liabilities and stockholders' deficit	$ 404,757	$ 401,320

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended May 4, 2002	Thirteen weeks ended May 5, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$157,883	$158,963
Other	9,169	8,883
	167,052	167,846
Cost of goods sold including buying and occupancy costs	100,087	99,590
Selling, general and administrative expenses	75,947	75,485
Loss from operations	(8,982)	(7,229)
Interest expense - net	(9,593)	(8,451)
Loss before income taxes	(18,575)	(15,680)
Income tax benefit	6,500	6,340
Net loss	$(12,075)	$ (9,340)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended May 4, 2002	Thirteen weeks ended May 5, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (12,075)	$ (9,340)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,224	6,651
Amortization of deferred financing costs	793	500
Non cash compensation expense	305	728
Non cash interest expense	4,267	3,639
Changes in operating assets and liabilities:		
Merchandise inventories	(4,487)	(7,411)
Prepaid expenses and other current assets	2,058	3,342
Other assets	(1,307)	(1,002)
Accounts payable and other liabilities	(36,901)	(28,200)
Federal and state income taxes	(6,895)	(12,743)
Net cash used in operating activities	(46,018)	(43,836)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(12,067)	(15,019)
Proceeds from construction allowances	2,190	4,315
Net cash used in investing activities	(9,877)	(10,704)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	55,000	37,000
DECREASE IN CASH AND CASH EQUIVALENTS	(895)	(17,540)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 15,306	$ 15,390
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 8,356	$ 7,234

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen weeks ended May 4, 2002 and May 5, 2001

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, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of May 4, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended May 4, 2002 and May 5, 2001 have been prepared by the Company 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 the Company, 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 Company's consolidated financial statements for the fiscal year ended February 2, 2002.

The results of operations for the thirteen week period ended May 4, 2002 are not necessarily indicative of the operating results for the full fiscal year.

2. Staff Reductions

During the first quarter of 2002 the Company recorded a pretax charge of $4.6 million related to severance costs for approximately 120 employees and the departure of the former Chief Executive Officer. The staff reductions occurred in the first quarter and the related payments will be incurred primarily in the second quarter of fiscal 2002.

3. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. The Company also records a corresponding asset which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS No. 143 will have a significant impact on the Company's financial statements.

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminated the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 applies to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of

January 1, 2002. The adoption of these statements in fiscal 2002 did not have any effect on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment of disposal of long-lived assets and requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a significant effect on the Company's financial statements in the first quarter of fiscal 2002.

EITF Issue No. 01-9 "Accounting for Consideration Given to a Customer or a Reseller of the Vendor's Products" (formerly EITF Issue 00-14) was effective in the first quarter of fiscal year 2002. This EITF addresses the accounting for and classification of consideration given to a customer from a vendor in connection with the purchase or promotion of the vendor's product. The adoption of this EITF did not have any effect on the Company's financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	May 4, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 15,306	$ 16,201
Merchandise inventories	143,405	138,918
Prepaid expenses and other current assets	24,968	27,026
Total current assets	183,679	182,145
Property and equipment - at cost	302,992	293,700
Less accumulated depreciation and amortization	(114,289)	(106,427)
	188,703	187,273
Other assets	12,839	12,310
Total assets	$ 385,221	$ 381,728

Liabilities and Stockholder's Equity	May 4, 2002	February 2, 2002
Current liabilities:		
Notes payable - bank	$ 55,000	$ --
Accounts payable and other current liabilities	91,285	128,491
Federal and state income taxes	4,814	10,109
Deferred income tax liabilities	5,604	5,604
Total current liabilities	156,703	144,204
Deferred credits and other long-term liabilities	67,416	67,235
Long-term debt	150,000	150,000
Due to J.Crew Group, Inc.	1,142	1,142
Stockholder's equity	9,960	19,147
Total liabilities and stockholder's equity	$ 385,221	$ 381,728

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended May 4, 2002	Thirteen weeks ended May 5, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 157,883	$ 158,963
Other	9,169	8,883
	167,052	167,846
Cost of goods sold including buying and occupancy costs	100,087	99,590
Selling, general and administrative expenses	75,782	75,320
Loss from operations	(8,817)	(7,064)
Interest expense - net	(5,270)	(4,755)
Loss before income taxes	(14,087)	(11,819)
Income tax benefit	4,900	4,750
Net loss	$ (9,187)	$ (7,069)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirteen weeks ended May 4, 2002	Thirteen weeks ended May 5, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (9,187)	$ (7,069)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,224	6,651
Amortization of deferred financing costs	737	443
Non cash compensation expense	140	563
Changes in operating assets and liabilities:		
Merchandise inventories	(4,487)	(7,411)
Prepaid expenses and other current assets	2,058	3,342
Other assets	(1,307)	(1,002)
Accounts payable and other liabilities	(36,901)	(28,200)
Federal and state income taxes	(5,295)	(11,153)
Net cash used in operating activities	(46,018)	(43,836)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(12,067)	(15,019)
Proceeds from construction allowances	2,190	4,315
Net cash used in investing activities	(9,877)	(10,704)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	55,000	37,000
DECREASE IN CASH AND CASH EQUIVALENTS	(895)	(17,540)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 15,306	$ 15,390

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen Weeks Ended May 4, 2002 and May 5, 2001

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, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of May 4, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen week periods ended May 4, 2002 and May 5, 2001 have been prepared by the Company 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 the Company, 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 Company's consolidated financial statements for the fiscal year ended February 2, 2002.

The results of operations for the thirteen week period ended May 4, 2002 are not necessarily indicative of the operating results for the full fiscal year.

2. Staff Reductions

During the first quarter of 2002 the Company recorded a pretax charge of $4.6 million related to severance costs for approximately 120 employees and the departure of the former Chief Executive Officer. The staff reductions occurred in the first quarter and the related payments will be incurred primarily in the second quarter of fiscal 2002.

3. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. The Company also records a corresponding asset which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Management does not believe that the adoption of SFAS No. 143 will have a significant impact on the Company's financial statements.

In July 2001, the FASB issued Statement of Financial Standards No. 141, "Business Combinations" and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and modifies the application of the purchase accounting method effective for transactions that are completed after June 30, 2001. SFAS 142 eliminated the requirement to amortize goodwill and intangible assets having indefinite useful lives but requires testing at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives. SFAS 142 applies to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of

January 1, 2002. The adoption of these statements in fiscal 2002 did not have any effect on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment of disposal of long-lived assets and requires companies to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a significant effect on the Company's financial statements in the first quarter of fiscal 2002.

EITF Issue No. 01-9 "Accounting for Consideration Given to a Customer or a Reseller of the Vendor's Products" (formerly EITF Issue 00-14) was effective in the first quarter of fiscal year 2002. This EITF addresses the accounting for and classification of consideration given to a customer from a vendor in connection with the purchase or promotion of the vendor's product. The adoption of this EITF did not have any effect on the Company's financial statements.

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 4, 2002 COMPARED TO THIRTEEN WEEKS ENDED MAY 5, 2001.

Revenues for the thirteen weeks ended May 4, 2002 decreased to $167.1 million from $167.8 million in the thirteen weeks ended May 5, 2001.

Revenues of J.Crew Retail increased from $84.8 million in the first quarter of 2001 to $85.7 million in the first quarter of 2002. This increase was due to the sales from stores opened for less than a full year. Comparable store sales in the first quarter of 2002 decreased by 13.0%. The number of stores open at May 4, 2002 increased to 143 from 112 at May 5, 2001.

Revenues of J.Crew Direct increased from $55.7 million in the first quarter of 2001 to $56.2 million in the first quarter of 2002. Revenues from jcrew.com (which are included in J.Crew Direct revenues) increased to $31.2 million in the first quarter of 2002 from $25.3 million in the first quarter of 2001. Catalog revenues in the first quarter of 2002 decreased to $25.0 million from $30.4 million in the first quarter of 2001, as the Company continues to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $18.4 million in the first quarter of 2001 to $16.0 million in the first quarter of 2002. There were 41 stores open during both periods.

Other revenues, which consist of shipping and handling fees and royalties, were $9.2 million in the first quarter of 2002 and $8.9 million in the first quarter of 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 59.3% in the first quarter of 2001 to 59.9% in the first quarter of 2002. This increase is attributable primarily to an increase in buying and occupancy costs as a percentage of revenue in the first quarter of 2002 compared to the first quarter of 2001 of 180 basis points resulting from negative leverage due to the decline in comparable store sales. This increase was partially offset by an increase of 120 basis points in merchandise margin due primarily to a higher initial markup in the first quarter of 2002.

Selling, general and administrative expenses increased to $75.9 million in the thirteen weeks ended May 4, 2002 from $75.5 million in the thirteen weeks ended May 5, 2001. This increase of $.4 million was attributed to an increase in general and administrative expenses of $5.0 million and a decrease of $4.6 million in selling expense. The increase in general and administrative expenses resulted from additional retail stores in operation during the first quarter of 2002 and $4.6 million of severance charges relating to headcount reductions and the departure of the former Chief Executive Officer. These increases were somewhat offset by cost reduction initiatives implemented in fiscal 2001. The reduction in selling expense was due to a shift in the timing of catalog circulation between the first quarter and subsequent quarters in fiscal 2002, the mailing of several test editions in the first quarter of 2001, and a decrease in printing and paper costs. As a percentage of revenues, selling, general and administrative expenses increased to 45.5% in the first quarter of 2002 from 45.0% of revenues in the first quarter of 2001.

The increase in interest expense from $8.5 million in the first quarter of 2001 to $9.6 million in the first quarter of 2002 resulted primarily from increases in non-cash interest. Non-cash interest expense increased to $5.1 million in the first quarter of 2002 from $4.1 million in the first quarter of 2001. Non-cash interest will convert to cash pay effective October 15, 2002 with the first payment of $9.3 million due in April 2003. Average borrowings under revolving credit arrangements were $35.6 million in the first quarter of 2002 compared to $10.5 million in the first quarter of 2001.

The effective income tax benefit decreased to (35.0%) in the first quarter of 2002 from (40.4%) in the first quarter of 2001 due to a decrease in assumed state tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows used in operations increased from $43.8 million in the first quarter of 2001 to $46.0 million in the first quarter of 2002. This increase in cash used in operations resulted primarily from the increase in working capital requirements in the first quarter 2002 compared to the first quarter of 2001.

Capital expenditures, net of construction allowances, were $9.9 million for the first quarter of 2002 compared to $10.7 million in the first quarter of 2001. Capital expenditures in the first quarter of 2002 were incurred for the construction of new stores. In the first quarter of 2001, capital expenditures were incurred for the construction of new stores and system enhancements. Capital expenditures for fiscal year 2002 are expected to be approximately $20 million compared to $42.6 million in fiscal year 2001.

Borrowings under the revolving credit line were $55.0 million at May 4, 2002 compared to $37.0 million at May 5, 2001. The increase in borrowings was due primarily to the lower level of invested cash at the beginning of fiscal year 2002 compared to last year.

Management believes that cash flow from operations and availability under the revolving 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 all of 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 35% of annual net sales in fiscal year 2001 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 4, 2002 COMPARED TO THIRTEEN WEEKS ENDED MAY 5, 2001.

Revenues for the thirteen weeks ended May 4, 2002 decreased to $167.1 million from $167.8 million in the thirteen weeks ended May 5, 2001.

Revenues of J.Crew Retail increased from $84.8 million in the first quarter of 2001 to $85.7 million in the first quarter of 2002. This increase was due to the sales from stores opened for less than a full year. Comparable store sales in the first quarter of 2002 decreased by 13.0%. The number of stores open at May 4, 2002 increased to 143 from 112 at May 5, 2001.

Revenues of J.Crew Direct increased from $55.7 million in the first quarter of 2001 to $56.2 million in the first quarter of 2002. Revenues from jcrew.com (which are included in J.Crew Direct revenues) increased to $31.2 million in the first quarter of 2002 from $25.3 million in the first quarter of 2001. Catalog revenues in the first quarter of 2002 decreased to $25.0 million from $30.4 million in the first quarter of 2001, as the Company continues to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $18.4 million in the first quarter of 2001 to $16.0 million in the first quarter of 2002. There were 41 stores open during both periods.

Other revenues, which consist of shipping and handling fees and royalties, were $9.2 million in the first quarter of 2002 and $8.9 in the first quarter of 2001.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 59.3% in the first quarter of 2001 to 59.9% in the first quarter of 2002. This increase is attributable primarily to an increase in buying and occupancy costs as a percentage of revenue in the first quarter of 2002 compared to the first quarter of 2001 of 180 basis points resulting from negative leverage due to the decline in comparable store sales. This increase was partially offset by an increase of 120 basis points in merchandise margin due primarily to a higher initial markup in the first quarter of 2002.

Selling, general and administrative expenses increased to $75.8 million in the thirteen weeks ended May 4, 2002 from $75.3 million in the thirteen weeks ended May 5, 2001. This increase of $.5 million was attributed to an increase in general and administrative expenses of $5.1 million, and a decrease of $4.6 million in selling expense. The increase in general and administrative expenses resulted from additional retail stores in operation during the first quarter of 2002 and $4.6 million of severance charges relating to headcount reductions and the departure of the former Chief Executive Officer. These increases were somewhat offset by the cost reduction initiatives implemented in fiscal 2001. The reduction in selling expense was due primarily to a shift in the timing of catalog circulation between the first quarter and subsequent quarters in fiscal 2002, the mailing of several test editions in the first quarter of 2001, and a decrease in printing and paper costs. As a percentage of revenues, selling, general and administrative expenses increased to 45.4% in the first quarter of 2002 from 44.9% of revenues in the first quarter of 2001.

The increase in interest expense from $4.8 million in the first quarter of 2001 to $5.3 million in the first quarter of 2002 resulted primarily from additional amortization of deferred financing costs and an increase in average borrowings. Average borrowings under revolving credit arrangements were $35.6 million in the first quarter of 2002 compared to $10.5 million in the first quarter of 2001.

The effective income tax benefit decreased to (34.8%) in the first quarter of 2002 from (40.2%) in the first quarter of 2001 due to a decrease in assumed state tax benefits.

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 4, 2002 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 4, 2002 were approximately $42.0 million.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None

(b) Reports on Form 8-K.

J.Crew Group, Inc. and J.Crew Operating Corp. filed a report with the Securities and Exchange Commission on Form 8-K dated May 1, 2002 with respect to the departure of Mark Sarvary as Chief Executive Officer and a member of the Board of Directors.

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 7, 2002

By: /s/ Scott M. Rosen

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

J. CREW OPERATING CORP.
(Registrant)

Date: June 7, 2002

By: /s/ Scott M. Rosen

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