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 November 2, 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 November 20, 2002

J. Crew Group, Inc.
11,853,789 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 Quarterly Report on Form 10-Q is a combined report being filed by two different registrants: J. Crew Group, Inc. ("Holdings") and J. Crew Operating Corp., a wholly owned subsidiary of Holdings ("Operating Corp."). Except where the content clearly indicates otherwise, any references in this report to the "Company" or "J.Crew" include all subsidiaries of Holdings, including Operating Corp. Operating Corp. makes no representation as to the information contained in this report in relation to Holdings and its subsidiaries other than Operating Corp.

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	November 2, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 14,970	$ 16,201
Merchandise inventories	164,390	138,918
Prepaid expenses and other current assets	29,447	27,026
Federal and state income taxes	2,380	--
Total current assets	211,187	182,145
Property and equipment - at cost	315,362	293,700
Less accumulated depreciation and amortization	(135,185)	(106,427)
	180,177	187,273
Deferred income tax assets	18,071	18,071
Other assets	14,274	13,831
Total assets	$ 423,709	$ 401,320
Liabilities and Stockholders' Deficit		
Current liabilities:		
Notes payable - bank	$ 55,000	$ --
Accounts payable and other current liabilities	111,309	128,491
Federal and state income taxes	--	8,840
Deferred income tax liabilities	5,650	5,650
Total current liabilities	171,959	142,981
Deferred credits and other long-term liabilities	67,682	67,235
Long-term debt	292,000	279,687
Redeemable preferred stock	256,398	230,460
Stockholders' deficit	(364,330)	(319,043)
Total liabilities and stockholders' deficit	$ 423,709	$ 401,320

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended November 2, 2002	Thirteen weeks ended November 3, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 181,852	$ 187,116
Other	8,006	8,470
	189,858	195,586
Cost of goods sold including buying and occupancy costs	113,970	113,137
Selling, general and administrative expenses (Note 2)	67,132	72,430
Income from operations	8,756	10,019
Interest expense - net	(9,761)	(9,603)
Income/(loss) before income taxes	(1,005)	416
Income taxes	350	(160)
Net income/(loss)	$ (655)	$ 256

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirty-nine weeks ended November 2, 2002	November 3, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 500,681	$ 506,534
Other	23,862	24,798
	524,543	531,332
Cost of goods sold including buying and occupancy costs	320,670	320,093
Selling, general and administrative expenses (Note 2)	205,557	213,479
Loss from operations	(1,684)	(2,240)
Interest expense - net	(28,894)	(27,450)
Loss before income taxes	(30,578)	(29,690)
Income tax benefit	10,700	12,040
Net loss	$ (19,878)	$ (17,650)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirty-nine weeks ended November 2, 2002	November 3, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (19,878)	$ (17,650)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,039	22,707
Amortization of deferred financing costs	1,898	1,498
Non cash compensation expense	(594)	1,268
Non cash interest expense	12,313	11,354
Changes in operating assets and liabilities:		
Merchandise inventories	(25,472)	(32,782)
Prepaid expenses and other current assets	(2,421)	(13,278)
Other assets	(2,465)	(2,838)
Accounts payable and other liabilities	(15,472)	(6,391)
Federal and state income taxes	(11,220)	(18,431)
Net cash used in operating activities	(38,272)	(54,543)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(24,420)	(53,746)
Proceeds from construction allowances	6,461	15,346
Net cash used in investing activities	(17,959)	(38,400)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	55,000	95,000
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,231)	2,057
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,970	$ 34,987
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 25,938	$ 22,486

See notes to unaudited condensed consolidated financial statements.

Thirteen and thirty-nine weeks ended November 2, 2002 and November 3, 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 November 2, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen and thirty-nine week periods ended November 2, 2002 and November 3, 2001 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting only of 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 thirty-nine week period ended November 2, 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 approximately $3.8 million has been paid through the end of the third quarter.

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 or 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 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	November 2, 2002 (unaudited)	February 2, 2002
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 14,970	$ 16,201
Merchandise inventories	164,390	138,918
Prepaid expenses and other current assets	29,447	27,026
Total current assets	208,807	182,145
Property and equipment - at cost	315,362	293,700
Less accumulated depreciation and amortization	(135,185)	(106,427)
	180,177	187,273
Other assets	12,924	12,310
Total assets	$ 401,908	$ 381,728
Liabilities and Stockholder's Equity		
Current liabilities:		
Notes payable - bank	$ 55,000	$ --
Accounts payable and other current liabilities	110,749	128,491
Federal and state income taxes	3,619	10,109
Deferred income tax liabilities	5,604	5,604
Total current liabilities	174,972	144,204
Deferred credits and other long-term liabilities	67,682	67,235
Long-term debt	150,000	150,000
Due to J.Crew Group, Inc.	1,212	1,142
Stockholder's equity	8,042	19,147
Total liabilities and stockholder's equity	$ 401,908	$ 381,728

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended November 2, 2002	Thirteen weeks ended November 3, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 181,852	$ 187,116
Other	8,006	8,470
	189,858	195,586
Cost of goods sold including buying and occupancy costs	113,970	113,137
Selling, general and administrative expenses (Note 2)	67,132	72,275
Income from operations	8,756	10,174
Interest expense - net	(5,451)	(5,667)
Income before income taxes	3,305	4,507
Income taxes	(1,160)	(1,860)
Net income	$ 2,145	$ 2,647

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirty-nine weeks ended November 2, 2002	November 3, 2001
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 500,681	$ 506,534
Other	23,862	24,798
	524,543	531,332
Cost of goods sold including buying and occupancy costs	320,670	320,093
Selling, general and administrative expenses (Note 2)	205,098	212,987
Loss from operations	(1,225)	(1,748)
Interest expense - net	(15,850)	(15,927)
Loss before income taxes	(17,075)	(17,675)
Income tax benefit	5,970	7,140
Net loss	$ (11,105)	$ (10,535)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Thirty-nine weeks ended November 2, 2002	November 3, 2001
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (11,105)	$ (10,535)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,039	22,707
Amortization of deferred financing costs	1,728	1,328
Non cash compensation expense	(1,053)	772
Changes in operating assets and liabilities:		
Merchandise inventories	(25,472)	(32,782)
Prepaid expenses and other current assets	(2,421)	(13,278)
Other assets	(2,465)	(2,838)
Accounts payable and other liabilities	(16,033)	(6,391)
Federal and state income taxes	(6,490)	(13,526)
Net cash used in operating activities	(38,272)	(54,543)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(24,420)	(53,746)
Proceeds from construction allowances	6,461	15,346
Net cash used in investing activities	(17,959)	(38,400)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	55,000	95,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,231)	2,057
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,201	32,930
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,970	$ 34,987

See notes to unaudited condensed consolidated financial statements.

J.CREW OPERATING CORP. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and thirty-nine weeks ended November 2, 2002 and November 3, 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 November 2, 2002 and the condensed consolidated statements of operations and cash flows for the thirteen and thirty-nine week periods ended November 2, 2002 and November 3, 2001 have been prepared by the Company and have not been audited. In the opinion of management all adjustments, consisting only of 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 thirty-nine week period ended November 2, 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 approximately $3.8 million has been paid through the end of the third quarter.

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 nine months 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.

Management's discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires estimates and judgements that effect the reported amounts of assets, liabilities, revenues and expenses. The Company bases its estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions.

The following critical accounting policies reflect the more significant estimates and judgements used in the preparation of the consolidated financial statements.

(a) Inventory Valuation

Merchandise inventories are carried at the lower of cost or market. Cost is determined on a first-in first-out basis. We evaluate all of our inventories to determine excess inventories based on estimated future sales. Excess inventories may be disposed of through outlet stores, clearance catalogs, Internet clearance sales and other liquidations. Based on the historical results experienced by the Company through the various methods of disposition the Company writes down the carrying value of inventories which are not expected to be sold at or above cost.

(b) Deferred catalog costs

The costs associated with direct response advertising, which consists primarily of catalog production and mailing costs, are capitalized and amortized over the expected future revenue stream of the catalog mailings, which approximates four months. The expected future revenue stream is determined based on historical revenue trends developed over an extended period of time. If the current revenue streams were to diverge from the expected trend, the future revenue streams would be adjusted accordingly.

(c) Asset impairment

The Company is exposed to potential impairment if the book value of its assets exceeds their future cash flows. The major component of our long lived assets represents store fixtures and leasehold improvements. The impairment of unamortized costs is measured at the store level and the unamortized cost is reduced to fair value if it is determined that the sum of expected future net cash flows is less than net book value.

(d) Sales returns

The Company must make estimates of future sales returns related to current period sales. Management analyzes historical returns, current economic trends and changes in customer acceptance of its products when evaluating the adequacy of the reserve for sales returns.

(e) Income taxes

Deferred tax assets are carried at the amount that the Company believes is more likely that not to be realized. The Company has considered future taxable income and prudent and feasible tax strategies in assessing the need for a valuation allowance. However, the continuance of declining trends and operating losses in the near term may cause the Company to reassess the need for a valuation allowance. If the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED NOVEMBER 2, 2002 VERSUS THIRTEEN WEEKS ENDED NOVEMBER 3, 2001.

Consolidated revenues decreased from $195.6 million in the thirteen weeks ended November 3, 2001 to $189.9 million for the thirteen weeks ended November 2, 2002.

The revenues of J.Crew Retail increased from $96.7 million in the third quarter of 2001 to $100.7 million in the third quarter of 2002. This increase was due to the sales from new stores opened for less than a full year. Comparable store sales in the third quarter of 2002 decreased by 11.0%. The number of stores open at November 2, 2002 increased to 152 from 130 at November 3, 2001.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $65.8 million in the third quarter of 2001 to $60.0 million in the third quarter of 2002. Revenues from jcrew.com increased from $32.1 million in third quarter of 2001 to $35.1 million in the third quarter of 2002. Catalog revenues in the third quarter of 2002 decreased to $24.9 million from $33.7 million in the third quarter of 2001, as the Company continued to migrate customers to the Internet.

The revenues of J.Crew Factory decreased from $24.6 million in the third quarter of 2001 to $21.2 million in the third quarter of 2002. There were 43 stores open in the third quarter of 2002 compared to 41 stores in the third quarter of 2001.

Other revenues decreased from $8.5 million in the third quarter of 2001 to $8.0 million in the third quarter of 2002, primarily as a result of a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues to 60.0% in the third quarter of 2002 from 57.8% in the third quarter of 2001. This increase is due to a decrease in merchandising margins of 30 basis points due to higher markdowns in the third quarter of 2002 and an increase in buying and occupancy costs as a percentage of revenues of 190 basis points resulting from negative leverage due to the decline in comparable store sales.

Selling, general and administrative expenses decreased from $72.4 million in the third quarter of 2001 to $67.1 million in the third quarter of 2002. This decrease resulted from a decrease in selling expense of $.8 million and a decrease in general and administrative expenses of $4.5 million. The decrease in selling expense resulted primarily from a decrease in printing and paper costs in the third quarter of 2002 compared to the third quarter of 2001. The decrease in general and administrative expenses was due primarily to the positive effect of the cost reduction initiatives adopted in the first quarter of 2002 offset by higher expenses as a result of the increase in the number of retail stores in operation during the third quarter of 2002. The third quarter of 2002 included severance charges of $.9 million and an insurance recovery of $.6 million. As a percentage of revenues, selling, general and administrative expenses decreased from 37.0% in the third quarter of 2001 to 35.4% of revenues in the third quarter of 2002.

Interest expense increased from $9.6 million in the third quarter of 2001 to $9.8 million in the third quarter of 2002. Additional interest accreted on the subordinated debentures was partially offset by a decrease in interest related to short-term borrowings. Average short-term borrowings during the third quarter of 2002 were $52.9 million compared to $75.0 million in the third quarter of 2001. Non-cash interest converted to cash pay effective October 15, 2002 with the first payment of $9.3 million due in April 2003.

The effective tax rate decreased from (38.5%) in the third quarter of 2001 to (35.5%) in the third quarter of 2002 due to a decrease in assumed state tax benefits.

RESULTS OF OPERATIONS - THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2002 VERSUS THIRTY-NINE WEEKS ENDED NOVEMBER 3, 2001.

Consolidated revenues for the thirty-nine weeks ended November 2, 2002 decreased to $524.6 million from $531.3 million in the thirty-nine weeks ended November 3, 2001.

Revenues of J.Crew Retail increased from $272.7 million in the thirty-nine weeks ended November 3, 2001 to $280.5 million in the thirty-nine weeks ended November 2, 2002. This increase was due to sales from the stores opened for less than a full year. Comparable store sales in the thirty-nine weeks ended November 2, 2002 decreased by 11.7%. The number of retail stores open at November 2, 2002 increased to 152 from 130 at November 3, 2001.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $166.6 million in the thirty-nine weeks ended November 3, 2001 to $162.1 million in the thirty-nine weeks ended November 2, 2002. Revenues from jcrew.com increased to $91.5 million in the thirty-nine weeks ended November 2, 2002 from $78.3 million in the thirty-nine weeks ended November 3, 2001. Catalog revenues decreased from $88.3 million in the thirty-nine weeks ended November 3, 2001 to $70.6 million in the thirty-nine weeks ended November 2, 2002 as the Company continued to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $67.1 million in the thirty-nine weeks ended November 3, 2001 to $58.1 million in the thirty-nine weeks ended November 2, 2002. There were 43 factory stores open at November 2, 2002 compared to 41 stores at November 3, 2001.

Other revenues decreased from $24.9 million in the thirty-nine weeks ended November 3, 2001 to $23.9 million in the thirty-nine weeks ended November 2, 2002 due to a decrease in licensing income and shipping and handling fees.

Costs of good sold, including buying and occupancy costs, increased as a percentage of revenues from 60.2% in the thirty-nine weeks ended November 3, 2001 to 61.1% in the thirty-nine weeks ended November 2, 2002. This increase resulted primarily from an increase in buying and occupancy costs as a percentage of revenues of 140 basis points resulting from negative leverage due to the decline in comparable store stores offset by an increase in merchandising margins of 50 basis points due primarily to a higher initial markup.

Selling, general and administrative expenses decreased from $213.5 million in the thirty-nine weeks ended November 3, 2001 to $205.6 million in the thirty-nine weeks ended November 2, 2002. This decrease resulted from a decrease in selling expense of $6.2 million from $42.7 million in the nine months ended November 3, 2001 to $36.5 million in the nine months ended November 2, 2002, and a decrease in general and administrative expenses of $1.7 million from $170.8 million in the nine months ended November 3, 2001 to $169.0 million in the nine months ended November 2, 2002. The decrease in selling expense was due primarily to a decrease in paper and printing costs in fiscal 2002 and the mailing of several test editions in the first quarter of 2001. The decrease in general and administrative expenses resulted from the effects of cost reduction initiatives adopted in the first quarter of 2002 partially offset by $5.7 million in severance costs in the first nine months of 2002 and higher store operating expenses due to the increase in the number of retail stores in 2002. The nine month period in 2001 was adversely effected by severance payments of $2.7 million. As a percentage of revenues, selling, general and administrative expense decreased to 39.2% of revenues in the thirty-nine weeks ended November 2, 2002 from 40.2% in the thirty-nine weeks ended November 3, 2001.

The increase in interest expense from $27.4 million in the thirty-nine weeks ended November 3, 2001 to $28.9 million in the thirty-nine weeks ended November 2, 2002 resulted primarily from an increase in non-cash interest expense to $14.2 million in the first nine months of 2002 from $12.9 million in the same period last year. Non-cash interest converted to cash-pay effective October 15, 2002 with the first payment of $9.3 million due in April 2003. Average short-term borrowings during the first nine months of 2002 were $45.4 million compared to $42.4 million in the first nine months of 2001. The effect of this increase in average borrowings was offset by a decrease in interest rates during 2002.

The effective tax rate decreased from (40.6%) in the thirty-nine weeks ended November 3, 2001 to (35.0%) in the thirty-nine weeks ended November 2, 2002 due to a decrease in assumed state tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations decreased from a use $54.5 million in the thirty-nine weeks ended November 3, 2001 to a use of $38.3 million in the thirty-nine weeks ended November 2, 2002. The decrease in working capital requirements in the first nine months of fiscal 2002 resulted primarily from the decrease in inventories, prepaid expenses and other current assets and federal tax payments offset by the decrease in accounts payable and other liabilities.

Capital expenditures, net of construction allowances, were $18.0 million in the thirty-nine weeks ended November 2, 2002 compared to $38.4 million in the same period last year. Capital expenditures were incurred primarily for the construction of new stores in fiscal 2002 and for the construction of new stores and information systems enhancements in 2001. 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 decreased from $75.0 million (net of $20.0 million in invested funds) at November 3, 2001 to $55.0 million at November 2, 2002 primarily as a result of the reduction of $20.0 million in capital expenditures in 2002.

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 NOVEMBER 2, 2002 VERSUS THIRTEEN WEEKS ENDED NOVEMBER 3, 2001.

Consolidated revenues decreased from $195.6 million in the thirteen weeks ended November 3, 2001 to $189.9 million for the thirteen weeks ended November 2, 2002.

The revenues of J.Crew Retail increased from $96.7 million in the third quarter of 2001 to $100.7 million in the third quarter of 2002. This increase was due to the sales from new stores opened for less than a full year. Comparable store sales in the third quarter of 2002 decreased by 11.0%. The number of stores open at November 2, 2002 increased to 152 from 130 at November 3, 2001.

The revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $65.8 million in the third quarter of 2001 to $60.0 million in the third quarter of 2002. Revenues from jcrew.com increased from $32.1 million in third quarter of 2001 to $35.1 million in the third quarter of 2002. Catalog revenues in the third quarter of 2002 decreased to $24.9 million from $33.7 million in the third quarter of 2001, as the Company continued to migrate customers to the Internet.

The revenues of J.Crew Factory decreased from $24.6 million in the third quarter of 2001 to $21.2 million in the third quarter of 2002. There were 43 stores open in the third quarter of 2002 compared to 41 stores in the third quarter of 2001.

Other revenues decreased from $8.5 million in the third quarter of 2001 to $8.0 million in the third quarter of 2002, primarily as a result of a decrease in shipping and handling fees.

Cost of goods sold, including buying and occupancy costs, increased as a percentage of revenues to 60.0% in the third quarter of 2002 from 57.8% in the third quarter of 2001. This increase is due to a decrease in merchandising margins of 30 basis points due to higher markdowns in the third quarter of 2002 and an increase in buying and occupancy costs as a percentage of revenues of 190 basis points resulting from negative leverage due to the decline in comparable store sales.

Selling, general and administrative expenses decreased from $72.3 million in the third quarter of 2001 to $67.1 million in the third quarter of 2002. This decrease resulted from a decrease in selling expense of $.8 million and a decrease in general and administrative expenses of $4.4 million. The decrease in selling expense resulted primarily from a decrease in printing and paper costs in the third quarter of 2002 compared to the third quarter of 2001. The decrease in general and administrative expenses was due primarily to the positive effect in the cost reduction initiatives adopted in the first quarter of 2002 offset by higher expenses as a result of the increase in the number of retail stores in operation during the third quarter of 2002. The third quarter of 2002 included severance charges of $.9 million and an insurance recovery of $.6 million. As a percentage of revenues, selling, general and administrative expenses decreased from 37.0% in the third quarter of 2001 to 35.4% of revenues in the third quarter of 2002.

Interest expense decreased from $5.7 million in the third quarter of 2001 to $5.5 million in the third quarter of 2002. This decrease resulted primarily from a decrease in average short-term borrowings which were $52.9 million during the third quarter of 2002 compared to $75.0 million in the third quarter of 2001.

The effective tax rate decreased from (41.3%) in the third quarter of 2001 to (35.1%) in the third quarter of 2002 due to a decrease in assumed state tax benefits.

RESULTS OF OPERATIONS - THIRTY-NINE WEEKS ENDED NOVEMBER 2, 2002 VERSUS THIRTY-NINE WEEKS ENDED NOVEMBER 3, 2001.

Consolidated revenues for the thirty-nine weeks ended November 2, 2002 decreased to $524.6 million from $531.3 million in the thirty-nine weeks ended November 3, 2001.

Revenues of J.Crew Retail increased from $272.7 million in the thirty-nine weeks ended November 3, 2001 to $280.5 million in the thirty-nine weeks ended November 2, 2002. This increase was due to sales from the stores opened for less than a full year. Comparable store sales in the thirty-nine weeks ended November 2, 2002 decreased by 11.7%. The number of retail stores open at November 2, 2002 increased to 152 from 130 at November 3, 2001.

Revenues of J.Crew Direct (which includes the catalog and Internet operations) decreased from $166.6 million in the thirty-nine weeks ended November 3, 2001 to $162.1 million in the thirty-nine weeks ended November 2, 2002. Revenues from jcrew.com increased to $91.5 million in the thirty-nine weeks ended November 2, 2002 from $78.3 million in the thirty-nine weeks ended November 3, 2001. Catalog revenues decreased from $88.3 million in the thirty-nine weeks ended November 3, 2001 to $70.6 million in the thirty-nine weeks ended November 2, 2002 as the Company continued to migrate customers to the Internet.

Revenues of J.Crew Factory decreased from $67.1 million in the thirty-nine weeks ended November 3, 2001 to $58.1 million in the thirty-nine weeks ended November 2, 2002. There were 43 factory stores open at November 2, 2002 compared to 41 stores at November 3, 2001.

Other revenues decreased from $24.9 million in the thirty-nine weeks ended November 3, 2001 to $23.9 million in the thirty-nine weeks ended November 2, 2002 due to a decrease in licensing income and shipping and handling fees.

Costs of good sold, including buying and occupancy costs, increased as a percentage of revenues from 60.2% in the thirty-nine weeks ended November 3, 2001 to 61.1% in the thirty-nine weeks ended November 2, 2002. This increase resulted primarily from an increase in buying and occupancy costs as a percentage of revenues of 140 basis points resulting from negative leverage due to the decline in comparable store stores offset by an increase in merchandising margins of 50 basis points due primarily to a higher initial markup.

Selling, general and administrative expenses decreased from $213.0 million in the thirty-nine weeks ended November 3, 2001 to $205.1 million in the thirty-nine weeks ended November 2, 2002. This decrease resulted from a decrease in selling expense of $6.2 million from $42.7 million in the nine months ended November 3, 2001 to $36.5 million in the nine months ended November 2, 2002, and a decrease in general and administrative expenses of $1.7 million from $170.3 million in the nine months ended November 3, 2001 to $168.6 million in the nine months ended November 2, 2002. The decrease in selling expense was due primarily to a decrease in paper and printing costs in fiscal 2002 and the mailing of several test editions in the first quarter of 2001. The decrease in general and administrative expenses resulted from the effects of cost reduction initiatives adopted in the first quarter of 2002 partially offset by $5.7 million in severance pay in the first nine months of 2002 and higher store operating expenses due to the increase in the number of retail stores in 2002. The nine month period in fiscal 2001 was adversely effected by severance payments of $2.7 million. As a percentage of revenues, selling, general and administrative expense decreased to 39.1% of revenues in the thirty-nine weeks ended November 2, 2002 from 40.1% in the thirty-nine weeks ended November 3, 2001.

Interest expense was $15.9 million in the thirty-nine weeks ended November 2, 2002 and November 3, 2001. Average short-term borrowings during the first nine months of 2002 were $45.4 million compared to $42.4 million in the first nine months of 2001. The effect of this increase in average borrowings was offset by a decrease in interest rates during 2002.

The effective tax rate decreased from (40.4%) in the thirty-nine weeks ended November 3, 2001 to (35.0%) in the thirty-nine weeks ended November 2, 2002 due to a decrease in assumed state tax benefits.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk relates to interest rate sensitivity, which is the risk that future changes in interest rates will reduce net income or the net assets of the Company. The Company's variable rate debt consists of borrowings under the Revolving Credit Facility which averaged $45.4 million during the first nine months of 2002.

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 November 2, 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 November 2, 2002 were $48.5 million.

PART II - OTHER INFORMATION

ITEM 4.

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 known 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

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.

J.Crew Group, Inc. and J.Crew Operating Corp. filed a report with the Securities and Exchange Commission on Form 8-K dated August 26, 2002 with respect to the appointment of Kenneth S. Pilot as Chief Executive Officer.

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: December 5, 2002

By: /s/ Kenneth S. Pilot
Kenneth S. Pilot
Chief Executive Officer

By: /s/ Scott M. Rosen
Scott M. Rosen
Executive Vice President and
Chief Financial Officer

J. CREW OPERATING CORP.
(Registrant)

Date: December 5, 2002

By: /s/ Kenneth S. Pilot
Kenneth S. Pilot
Chief Executive Officer

By: /s/ Scott M. Rosen
Scott M. Rosen
Executive Vice President and
Chief Financial Officer

CERTIFICATION

I, Kenneth S. Pilot, 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 Report"); 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.

December 5, 2002

/s/ Kenneth S. Pilot

Kenneth S. Pilot
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 Report"); 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: December 5, 2002

/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") of Form 10-Q for the period ending November 2, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth S. Pilot, 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/ Kenneth S. Pilot

Kenneth S. Pilot
Chief Executive Officer
December 5, 2002

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") of Form 10-Q for the period ending November 2, 2002 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
December 5, 2002