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 August 4, 2001

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 ___

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.

The number of shares of Common Stock outstanding of each of the issuers as of September 4, 2001:

J. CREW GROUP, INC.
11,743,265 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.

Part I - Financial Information

Item I. Financial Statements

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	August 4, 2001	February 3, 2001
	(unaudited) (in thousands)	
Current assets:		
Cash and cash equivalents	$ 14,377	$ 32,930
Merchandise inventories	153,629	140,667
Prepaid expenses and other current assets	21,981	23,740
Federal and state income taxes	1,010	--
Total current assets	190,997	197,337
Property and equipment - at cost	279,990	251,322
Less accumulated depreciation and amortization	(99,311)	(85,746)
	180,679	165,576
Deferred income tax assets	14,362	14,362
Other assets	13,310	12,586
Total assets	$ 399,348	$ 389,861
Liabilities and Stockholders' Deficit		
Current liabilities		
Notes payable - bank	$ 44,000	$ --
Accounts payable and other current liabilities	116,880	124,873
Federal and state income taxes	--	17,581
Deferred income tax liabilities	5,401	5,401
Total current liabilities	166,281	147,855
Long-term debt	271,772	264,292
Deferred credits and other long-term liabilities	57,200	56,043
Redeemable preferred stock	214,744	200,018
Stockholders'deficit	(310,649)	(278,347)
Total liabilities and stockholders' deficit	$ 399,348	$ 389,861

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Twenty-six weeks ended August 4, 2001	July 29, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 319,418	$ 320,240
Other	16.328	16,795
	335,746	337,035
Cost of goods sold including buying and occupancy costs	206,956	193,202
Selling, general and administrative expenses	141,049	142,983
Income/(loss) from operations	(12,259)	850
Interest expense - net	(17,847)	(18,020)
Loss before income taxes	(30,106)	(17,170)
Income tax benefit	12,200	6,900
Net loss	$ (17,906)	$ (10,270)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended August 4, 2001	Thirteen weeks ended July 29, 2000
	(unaudited) (in thousands)	
Revenues:		
Net Sales	$ 160,455	$ 162,208
Other	7,445	7,986
	167,900	170,194
Cost of goods sold including buying and occupancy costs	107,366	99,691
Selling, general and administrative expenses	65,564	69,821
Income/(loss) from operations	(5,030)	682
Interest expense - net	(9,396)	(9,182)
Loss before income taxes	(14,426)	(8,500)
Income tax benefit	5,860	3,430
Net loss	$ (8,566)	$ (5,070)

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Twenty-six weeks ended August 4, 2001	Twenty-six weeks ended July 29, 2000
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (17,906)	$ (10,270)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,896	10,505
Amortization of deferred financing costs	1,000	1,100
Non cash compensation expense	963	330
Non cash interest expense	7,480	6,588
Changes in operating assets and liabilities:		
Merchandise inventories	(12,962)	(15,189)
Prepaid expenses and other current assets	1,759	5,678
Other assets	(1,814)	(352)
Net assets held for disposal	--	3,487
Accounts payable and other liabilities	(8,638)	7,399
Federal and state income taxes	(18,591)	(11,134)
Net cash used in operating activities	(34,813)	(1,858)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(33,288)	(24,422)
Proceeds from construction allowances	5,548	3,517
Net cash used in investing activities	(27,740)	(20,905)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	44,000	1,000
Repayment of long-term debt	--	(4,000)
Net cash provided by/(used in) financing activities	44,000	(3,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(18,553)	(25,763)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	32,930	38,693
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,377	$ 12,930
NON-CASH FINANCING ACTIVITIES:		
Dividends on preferred stock	$ 14,726	$ 12,775

See notes to unaudited condensed consolidated financial statements.

J. CREW GROUP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and twenty-six weeks ended August 4, 2001 and July 29, 2000

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

The condensed consolidated balance sheet as of August 4, 2001, the condensed consolidated statements of operations for the thirteen and twenty-six week periods ended August 4, 2001 and July 29, 2000 and the condensed consolidated statement of cash flows for the twenty-six week periods ended August 4, 2001 and July 29, 2000 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 3, 2001.

The results of operations for the twenty-six week period ended August 4, 2001 are not necessarily indicative of the operating results for the full fiscal year.

2. Reclassification

Prior year amounts, as previously reported in the statement of operations, have been restated for the reclassification of shipping and handling fees and related handling costs. Shipping and handling fees were reclassified from cost of goods sold to other revenues and handling costs were reclassified from general and administrative expenses to cost of goods sold.

3. Recent Accounting Pronouncements

Statements of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" and No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", were effective at the beginning of fiscal year 2001. There was no material effect on the consolidated financial statements from the adoption of these accounting standards.

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 eliminates 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 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements will have no 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, 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. J. CREW GROUP, INC. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THIRTEEN WEEKS ENDED AUGUST 4, 2001 VERSUS THIRTEEN WEEKS ENDED JULY 29, 2000.

Consolidated revenues decreased from $170.2 million in the thirteen weeks ended July 29, 2000 to $167.9 million for the thirteen weeks ended August 4, 2001, a decrease of 1.4%.

The revenues of J. Crew Retail increased from $87.2 million in the second quarter of 2000 to $91.2 million in the second quarter of 2001. This increase was due primarily to the sales from new stores opened for less than a full year. Comparable store sales in the second quarter of 2001 decreased by 12.1%. The number of stores open at August 4, 2001 increased to 113 from 88 at July 29, 2000.

The revenues of J. Crew Direct (which includes the catalog and Internet operations) decreased from $50.7 million in the second quarter of 2000 to $45.2 million in the second quarter of 2001. Revenues from jcrew.com increased to $21.0 million in second quarter of 2001 from $17.5 million in the second quarter of 2000. Catalog revenues in the second quarter of 2001 decreased to $24.2 million from $33.2 million in the second quarter of 2000, as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

The revenues of J. Crew Factory decreased from $24.3 million in the second quarter of 2000 to $24.1 million in the second quarter of 2001. These were 41 stores open in the second quarter of 2001 compared to 42 stores in the second quarter of 2000.

Other revenues decreased from $8.0 million in the second quarter of 2000 to $7.4 million in the second quarter of 2001, 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 63.9% in the second quarter of 2001 from 58.6% in the second quarter of 2000. This increase is due to additional markdowns and an increase in buying and occupancy costs as a percentage of revenues in the second quarter of 2001 compared to the second quarter of 2000.

Selling, general and administrative expenses decreased from $69.8 million in the second quarter of 2000 to $65.6 million in the second quarter of 2001. This decrease resulted from a decrease in selling expense of $2.3 million and a decrease in general and administrative expenses of $1.9 million. The decrease in selling expense resulted from a shift in the mailings of catalog editions between the first and second quarters of 2001 compared to the prior year. The decrease in general and administrative expenses was due primarily to a decrease in the bonus provision and the effects of the cost reduction initiatives adopted in the first quarter of 2001 offset by higher expenses as a result of the increase in the number of retail stores in operation and severance payments during the second quarter of 2001. As a percentage of revenues, selling, general and administrative expenses decreased from 41.0% in the second quarter of 2000 to 39.0% of revenues in the second quarter of 2001.

The increase in interest expense from $9.2 million in the second quarter of 2000 to $9.4 million in the second quarter of 2001 resulted primarily from an increase in average borrowings under revolving credit arrangements from $7.9 million in the second quarter of 2000 to $41.6 million in the second quarter of 2001 offset by the repayment of the term loan in the fourth quarter of fiscal year 2000. Non-cash interest expense increased to $4.4 million in the second quarter of 2001 from $3.9 million in the second quarter of 2000.

RESULTS OF OPERATIONS - TWENTY-SIX WEEKS ENDED AUGUST 4, 2001 VERSUS TWENTY-SIX WEEKS ENDED JULY 29, 2000.

Consolidated revenues for the twenty-six weeks ended August 4, 2001 decreased to $335.7 million from $337.0 million in the twenty-six weeks ended July 29, 2000.

Revenues of J. Crew Retail increased from $165.9 million in the twenty-six weeks ended July 29, 2000 to $176.0 million in the twenty-six weeks ended August 4, 2001. This increase was due primarily to sales from the stores opened for less than a full year. Comparable store sales in the twenty-six weeks ended August 4, 2001 decreased by 11.6%. The number of stores open at August 4, 2001 increased to 113 from 88 at July 29, 2000.

Revenues of J. Crew Direct (which includes the catalog and Internet operations) decreased from $110.9 million in the twenty-six weeks ended July 29, 2000 to $100.9 million in the twenty-six weeks ended August 4, 2001. Revenues from jcrew.com increased to $46.3 million in the twenty-six weeks ended August 4, 2001 from $36.9 million in the twenty-six weeks ended July 29, 2000. Catalog revenues decreased from $74.0 million in the twenty-six weeks ended July 29, 2000 to $54.6 million in the twenty-six weeks ended August 4, 2001 as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

Revenues of J. Crew Factory decreased from $43.4 million in the twenty-six weeks ended July 29, 2000 to $42.5 million in the twenty-six weeks ended August 4, 2001. There were 41 stores open during the twenty-six weeks ended August 4, 2001 compared to 42 stores in the comparable period last year.

Other revenues decreased from $16.8 million in the twenty-six weeks ended July 29, 2000 to $16.3 million in the twenty-six weeks ended August 4, 2001 due to a decrease in shipping and handling fees.

Costs of goods sold, including buying and occupancy costs, increased as a percentage of revenues from 57.3% in the twenty-six weeks ended July 29, 2000 to 61.6% in the twenty-six weeks ended August 4, 2001. This increase resulted primarily from an increase in markdowns and an increase in buying and occupancy costs as a percentage of revenues in the first six months of 2001 compared to the first six months of 2000.

Selling, general and administrative expenses decreased from $143.0 million in the twenty-six weeks ended July 29, 2000 to $141.0 million in the twenty-six weeks ended August 4, 2001. This decrease resulted from a decrease in general and administrative expenses due primarily to a decrease in the bonus provision in the twenty-six weeks ended August 4, 2001 and the effects of cost reduction initiatives adopted in the first quarter of 2001 offset by higher store expenses due to an increase in the number of retail stores in operation in 2001 and severance payments in the second quarter of 2001.

Selling expenses were $28.3 million for the twenty-six weeks ended August 4, 2001 compared to $28.0 million for the twenty-six weeks ended July 29, 2000. As a percentage of revenues, selling, general and administrative expense decreased to 42.0% of revenues in the twenty-six weeks ended August 4, 2001 from 42.4% in the six months ended July 29, 2000.

The decrease in interest expense from $18.0 million in the twenty-six weeks ended July 29, 2000 to $17.8 million in the twenty-six weeks ended August 4, 2001 resulted primarily from the pay down of the term loan in the fourth quarter of fiscal year 2000 offset by an increase in average borrowings from $4.8 million in the six months ended July 29, 2000 to $26.1 million in the twenty-six weeks ended August 4, 2001. Non cash interest expense increased to $8.5 million in the twenty-six weeks ended August 4, 2001 from $7.7 million in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations decreased from a use of $1.9 million in the twenty-six weeks ended July 29, 2000 to a use of $34.8 million in the twenty-six weeks ended August 4, 2001. This increase in cash used in operations resulted primarily from the increase in working capital requirements in the first half of fiscal 2001 compared to the comparable period last year.

Capital expenditures, net of construction allowances, were $27.7 million in the twenty-six weeks ended August 4, 2001 compared to $20.9 million in the same period last year. These expenditures were incurred primarily in connection with the construction of new stores and information systems enhancements.

Borrowings under the revolving credit line increased from $1.0 million at July 29, 2000 to $44.0 million at August 4, 2001. This increase was used to fund capital expenditures and for working capital purposes.

Management believes that cash flow from operations and availability under the revolving credit facility will provide adequate funds for the Company's forseeable 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 convenants 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 2000 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

J. Crew Group'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 $26.1 million during the first six months of 2001.

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 August 4, 2001 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 August 4, 2001 were approximately $66.0 million.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

Assets	August 4, 2001	February 3, 2001
	(unaudited) (in thousands)	
Current assets:		
Cash and cash equivalents	$ 14,377	$ 32,930
Merchandise inventories	153,629	140,667
Prepaid expenses and other current assets	21,981	23,740
Total current assets	189,987	197,337
Property and equipment - at cost	279,990	251,322
Less accumulated depreciation and amortization	(99,311)	(85,746)
	180,679	165,576
Other assets	11,676	10,839
Total assets	$ 382,342	$ 373,752

Liabilities and Stockholder's Equity	August 4, 2001	February 3, 2001
Current liabilities:		
Notes payable - bank	$ 44,000	$ --
Accounts payable and other current liabilities	116,880	124,873
Federal and state income taxes	3,458	18,850
Deferred income tax liabilities	3,731	3,731
Total current liabilities	168,069	147,454
Long-term debt	150,000	150,000
Deferred credits and other long-term liabilities	57,200	56,043
Due to J. Crew Group, Inc.	1,047	1,047
Stockholder's equity	6,026	19,208
Total liabilities and stockholder's equity	$ 382,342	$ 373,752

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Twenty-six weeks ended August 4, 2001	July 29, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 319,418	$ 320,240
Other	16,328	16,795
	335,746	337,035
Cost of goods sold including buying and occupancy costs	206,956	193,202
Selling, general and administrative expenses	140,712	142,653
Income/(loss) from operations	(11,922)	1,180
Interest expense - net	(10,260)	(11,314)
Loss before income taxes	(22,182)	(10,134)
Income tax benefit	9,000	4,100
Net loss	$ (13,182)	$ (6,034)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Thirteen weeks ended August 4, 2001	Thirteen weeks ended July 29, 2000
	(unaudited) (in thousands)	
Revenues:		
Net sales	$ 160,455	$ 162,208
Other	7,445	7,986
	167,900	170,194
Cost of goods sold including buying and occupancy costs	107,366	99,691
Selling, general and administrative expenses	65,392	69,656
Income/(loss)from operations	(4,858)	847
Interest expense - net	(5,505)	(5,741)
Loss before income taxes	(10,363)	(4,894)
Income tax benefit	4,250	2,000
Net loss	$ (6,113)	$ (2,894)

See notes to unaudited condensed consolidated financial statements.

J. CREW OPERATING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

	Twenty-six weeks ended	
	August 4, 2001	July 29, 2000
	(unaudited) (in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	$ (13,182)	$ (6,034)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,896	10,505
Amortization of deferred financing costs	886	982
Non cash compensation expense	633	--
Changes in operating assets and liabilities:		
Merchandise inventories	(12,962)	(15,189)
Prepaid expenses and other current assets	1,759	5,678
Other assets	(1,814)	(352)
Net assets held for disposal	--	3,487
Accounts payable and other liabilities	(8,638)	7,399
Federal and state income taxes	(15,391)	(8,334)
Net cash used in operating activities	(34,813)	(1,858)
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(33,288)	(24,422)
Proceeds from construction allowances	5,548	3,517
Net cash used in investing activities	(27,740)	(20,905)
CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in notes payable, bank	44,000	1,000
Repayment of long-term debt	--	(4,000)
Net cash provided by/(used in) financing activities	44,000	(3,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(18,553)	(25,763)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	32,930	38,693
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,377	$ 12,930

See notes to unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Thirteen and twenty-six weeks ended August 4, 2001 and July 29, 2000

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

The condensed consolidated balance sheet as of August 4, 2001, the condensed consolidated statements of operations for the thirteen and twenty-six week periods ended August 4, 2001 and July 29, 2000 and the condensed consolidated statement of cash flows for the twenty-six week periods ended August 4, 2001 and July 29, 2000 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.

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The results of operations for the twenty-six week period ended August 4, 2001 are not necessarily indicative of the operating results for the full fiscal year.

2. Reclassification

Prior year amounts, as previously reported in the statement of operations, have been restated for the reclassification of shipping and handling fees and related handling costs. Shipping and handling fees were reclassified from cost of goods sold to other revenues and handling costs were reclassified from general and administrative expenses to cost of goods sold.

3. Recent Accounting Pronouncements

Statements of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" and No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", were effective at the beginning of fiscal year 2001. There was no material effect on the consolidated financial statements from the adoption of these accounting standards.

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 eliminates 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 will apply to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date of January 1, 2002. These statements will have no effect on the Company's financial statements.

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

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Consolidated revenues decreased from $170.2 million in the thirteen weeks ended July 29, 2000 to $167.9 million for the thirteen weeks ended August 4, 2001, a decrease of 1.4%.

The revenues of J. Crew Retail increased from $87.2 million in the second quarter of 2000 to $91.2 million in the second quarter of 2001. This increase was due primarily to the sales from new stores opened for less than a full year. Comparable store sales in the second quarter of 2001 decreased by 12.1%. The number of stores open at August 4, 2001 increased to 113 from 88 at July 29, 2000.

The revenues of J. Crew Direct (which included the catalog and Internet operations) decreased from $50.7 million in the second quarter of 2000 to $45.2 million in the second quarter of 2001. Revenues from jcrew.com increased to $21.0 million in second quarter of 2001 from $17.5 million in the second quarter of 2000. Catalog revenues in the second quarter of 2001 decreased to $24.2 million form $33.2 million in the second quarter of 2000, as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

The revenues of J. Crew Factory decreased from $24.3 million in the second quarter of 2000 to $24.1 million in the second quarter of 2001. There were 41 stores open in the second quarter of 2001 compared to 42 stores in the second quarter of 2000.

Other revenues decreased from $8.0 million in the second quarter of 2000 to $7.4 million in the second quarter of 2001, 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 63.9% in the second quarter of 2001 from 58.6% in the second quarter of 2000. This increase is due to additional markdowns and an increase in buying and occupancy costs as a percentage of revenues in the second quarter of 2001 compared to the second quarter of 2000.

Selling, general and administrative expenses decreased from $69.7 million in the second quarter of 2000 to $65.4 million in the second quarter of 2001. This decrease resulted from a decrease in selling expense of $2.3 million and a decrease in general and administrative expenses of $2.0 million. The decrease in selling expense resulted from a shift in the mailings of catalog editions between the first and second quarters of 2001 compared to the prior year. The decrease in general and administrative expenses was due primarily to a decrease in the bonus provision and the effects of the cost reduction initiatives adopted in the first quarter of 2001 offset by higher expenses as a result of the increase in the number of retail stores in operation and severance payments during the second quarter of 2001. As a percentage of revenues, selling, general and administrative expenses decreased from 40.9% in the second quarter of 2000 to 38.9% of revenues in the second quarter of 2001.

The decrease in interest expense from $5.7 million in the second quarter of 2000 to $5.5 million in the second quarter of 2001 resulted primarily from the repayment of the term loan in the fourth quarter of fiscal year 2000 offset by an increase in average borrowings under revolving credit arrangements from $7.9 million in the second quarter of 2000 to $41.6 million in the second quarter of 2001.

RESULTS OF OPERATIONS - TWENTY-SIX WEEKS ENDED AUGSUT 4, 2001 VERSUS TWENTY-SIX WEEKS ENDED JULY 29, 2000.

Consolidated revenues for the twenty-six weeks ended August 4, 2001 decreased to $335.7 million from $337.0 million in the twenty-six weeks ended July 29, 2000.

Revenues of J. Crew Retail increased from $165.9 million in the twenty-six weeks ended July 29, 2000 to $176.0 million in the twenty-six weeks ended August 4, 2001. This increase was due primarily to sales from the stores opened for less than a full year. Comparable store sales in the twenty-six weeks ended August 4, 2001 decreased by 11.6%. The number of stores open at August 4, 2001 increased to 113 from 88 at July 29, 2000.

Revenues of J. Crew Direct (which includes the catalog and Internet operations) decreased from $110.9 million in the twenty-six weeks ended July 29, 2000 to $100.9 million in the twenty-six weeks ended August 4, 2001. Revenues from jcrew.com increased to $46.3 million in the twenty-six week ended August 4, 2001 from $36.9 million in the twenty-six weeks ended July 29, 2000. Catalog revenues decreased from $74.0 million in the twenty-six weeks ended July 29, 2000 to $54.6 million in the twenty-six weeks ended August 4, 2001 as the Company continued to migrate customers to the Internet. Pages circulated were approximately the same in both periods.

Revenues of J. Crew Factory decreased from $43.4 million in the twenty-six weeks ended July 29, 2000 to $42.5 million in the twenty-six weeks ended August 4, 2001. There were 41 stores open during the twenty-six weeks ended August 4, 2001 compared to 42 stores in the comparable period last year.

Other revenues decreased from $16.8 million in the twenty-six weeks ended July 29, 2000 to $16.3 million in the twenty-six weeks ended August 4, 2001 due to a decrease in shipping and handling fees.

Cost of good sold, including buying and occupancy costs, increased as a percentage of revenues from 57.3% in the twenty-six weeks ended July 29, 2000 to 61.6% in the twenty-six weeks ended August 4, 2001. This increase resulted primarily from an increase in markdowns and an increase in buying and occupancy costs as a percentage of revenues in the first six months of 2001 compared to the first six months of 2000.

Selling, general and administrative expenses decreased from $142.7 million in the twenty-six weeks ended July 29, 2000 to $140.7 million in the twenty-six weeks ended August 4, 2001. This decrease resulted from a decrease in general and administrative expenses due primarily to a decrease in the bonus provision in the twenty-six weeks ended August 4, 2001 and the effects of cost reduction initiatives adopted in the first quarter of 2001 offset by higher store expenses due to an increase in the number of retail stores in operation in 2001 and severance payments in the second quarter of 2001.

Selling expenses were $28.3 million for the twenty-six weeks ended August 4, 2001 compared to $28.0 million for the twenty-six weeks ended July 29, 2000. As a percentage of revenues, selling, general and administrative expense decreased to 41.9% of revenues in the twenty-six weeks ended August 4, 2001 from 42.3% in the twenty-six weeks ended July 29, 2000.

The decrease in interest expense from $11.3 million in the twenty-six weeks ended July 29, 2000 to $10.3 million in the twenty-six weeks ended August 4, 2001 resulted primarily from the pay down of the term loan in fourth quarter of fiscal year 2000 offset by an increase in average borrowings from $4.8 million in the twenty-six weeks ended July 29, 2000 to $26.1 million in the twenty-six weeks ended August 4, 2001.

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. - None
J. Crew Operating Corp. - None

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: September 17, 2001	By: /s/ Mark Sarvary Mark Sarvary Chief Executive Officer
Date: September 17, 2001	By: /s/ Scott M. Rosen Scott M. Rosen Chief Financial Officer

J. CREW OPERATING CORP.
(Registrant)

Date: September 17, 2001	By: /s/ Mark Sarvary Mark Sarvary Chief Executive Officer
Date: September 17, 2001	By: /s/ Scott M. Rosen Scott M. Rosen Chief Financial Officer