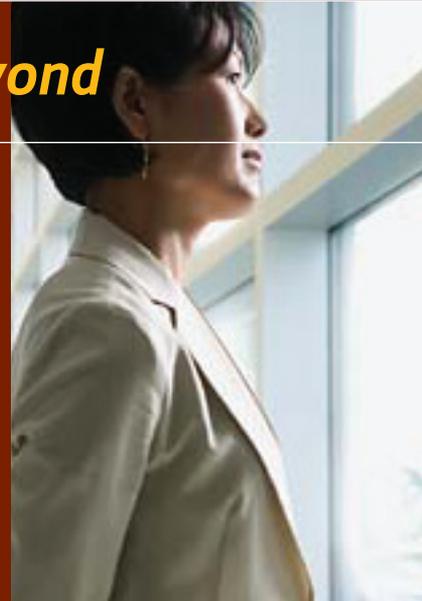




The search and *beyond*



**#1 IN MARKET SHARE** GLOBAL AND U.S. LEADER

**\$523 MILLION** GLOBAL FEE REVENUE IN FY06

**16% INCREASE** GLOBAL FEE REVENUE FROM FY05

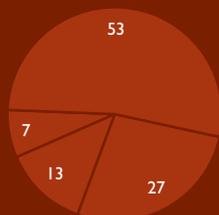
**47% INCREASE** EPS FROM FY05

**72** OFFICES WORLDWIDE

**9,608** SEARCHES IN FY06

**4.6 MILLION** CANDIDATES IN DATABASE

All figures above include Futurestep



**REVENUE BY REGION**  
GLOBAL FEE REVENUE IN FY06

- 53% North America
- 27% EMEA
- 13% Asia Pacific
- 7% South America\*

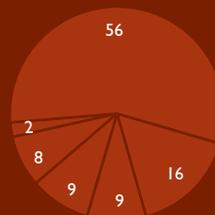
\*Includes unconsolidated Mexican subsidiaries



**REVENUE BY INDUSTRY**  
GLOBAL FEE REVENUE IN FY06

- 23% Industrial
- 21% Financial Services
- 18% Consumer
- 15% Technology
- 11% Life Sciences
- 6% Healthcare Provider
- 6% Education/Not-for-Profit

Excludes Futurestep



**ENGAGEMENTS BY FUNCTION**  
GLOBAL ASSIGNMENTS IN FY06

- 56% C-Level/Senior Management/Board
- 16% Marketing
- 9% Human Resources
- 9% Manufacturing/Research & Development/Technology
- 8% Finance
- 2% Information Systems

Excludes Futurestep



## Delivering leadership

By every conceivable measure, Korn/Ferry delivered leadership in Fiscal Year 2006.

During the past 12 months, we led the industry by taking market share and maintaining our stature as the largest and most profitable firm. We also continued to make steady progress toward our vision of being the premier global provider of human capital solutions—a position that distinguishes us from the competition and allows us to develop more profound, multifaceted and valuable client relationships.

We have moved beyond the traditional parameters of an executive search firm to identify, deploy, develop, retain and reward the best leadership talent possible for our clients. Leaders who make the difference between keeping up with the pack and guiding it.

Our experience, global readiness and, most importantly, our 1,800 professionals enable Korn/Ferry to deliver what others cannot: the power of leadership.

**DEAR SHAREHOLDER:**

It gives me great pleasure to report that Fiscal Year 2006 was the most profitable in Korn/Ferry's 37-year history. Our revenue for the year was \$522.9 million, up 16% from FY05, and we recorded \$76.2 million in operating earnings. With EPS of \$1.09 (excluding one-time benefits), we achieved a 21% improvement in profitability over last year, and attained the highest level of net profit since Korn/Ferry's inception.

These results were generated by a steady adherence to a consistent and long-term vision. This vision is to deliver an array of solutions that help clients identify, deploy, develop, retain and reward their pool of executive talent. At Korn/Ferry, we are fortunate to have one of the most recognized and admired brands in the executive search business. In addition, we have developed a suite of complementary human resources consulting services that enable us to provide even greater value to our clients. Our market strategy calls for us to leverage our role as trusted advisors in the industry and help clients grapple with today's increasingly difficult talent management challenges.

Last year we experienced growth in all of our product lines, and in every global region. In executive search, our fee revenue increased 14% from the previous year, and our operating margin improved to 22%. With heavy demand for talent in manufacturing, energy and defense, our Industrial Market showed the strongest industry sector growth with an increase of 29% over FY05. Financial Services was also strong, up 23% over the prior year, and fueled primarily by demand for senior executives in commercial and investment banking, asset and wealth management, and insurance and risk management.

Globally, we conducted more than 6,200 executive search assignments last year, and experienced growth across every major region. North America was up 15%, Asia Pacific increased 13%, Europe, Middle East & Africa grew 9%, and South America posted an amazing 45% year-over-year improvement.

Futurestep, which offers outsourced recruiting solutions for the mid-management market, continued its rapid growth by generating fee revenue of \$70.2 million, an increase of 30% over FY05. Futurestep's operating margin fell this past year, due primarily to our continued investment in the business to keep up with rapid growth. In FY06 we rolled out a new, high-performance technology platform called FutureSearch, and we hired more than 125 new Futurestep employees.

We also invested heavily last year in our Leadership Development Solutions business, which helps organizations maximize their leadership talent and enables Korn/Ferry to develop richer, more consultative relationships with our clients. In FY06, we hired 13 new consultants with highly specialized backgrounds in organizational development, executive compensation and HR consulting.

As we look ahead, we are decidedly optimistic about our prospects for the future. In December, we received approval from our board of directors on our three-year strategic plan, which we call K/F One. This plan centers on the following four strategic pillars:

- #1 Market Share — driving revenue growth
- Client Excellence — delivering quality service
- Solutions-Driven Growth — offering multiple products to clients
- Partnership — instilling a culture of teaming

At Korn/Ferry we have stayed true to our founders' vision and created a corporate culture that attracts the best and the brightest people in the industry. Our goal is to maintain an environment of collaboration, personal freedom and entrepreneurial spirit that allows our consultants to approach every client assignment with the best possible team and the greatest chance for success.

As I write this letter, the U.S. economy has just closed its 33rd straight month of job growth, with unemployment down to 4.6%. China and India are maintaining GDP growth of 10% and 8% respectively, and the demand for executive talent in these markets is unprecedented. In the EU, as the workforce ages in France, Germany and the United Kingdom, the ranks of available managerial talent are shrinking, which correspondingly creates a rising demand for our services.

**Our vision is to deliver an array of solutions that help clients identify, deploy, develop, retain and reward their pool of executive talent.**

These market conditions give us confidence to invest in our brand and our people. We closed FY06 with \$278.2 million in cash on our balance sheet, and we plan to deploy this capital strategically and with an eye toward long-term growth and market dominance.

We have worked hard to create the right strategy, in the right industry at the right time. Driven by demographics, technological innovation and globalization, the war for executive talent should stay robust for the next several decades. In our conversations with CEOs around the globe, the one issue that recurs again and again as a major concern is the acquisition, development and retention of talent. Stated quite simply, no other company is better positioned to deliver leadership from a global perspective.

As always, I want to take this opportunity to thank my colleagues around the globe for their tireless focus on clients and candidates, our clients for their partnership and loyalty, and our board of directors for their continued stewardship and governance. It has been a rewarding and successful year, and I am proud to be part of the Korn/Ferry team.



Sincerely,

A handwritten signature in black ink that reads "Paul C. Reilly". The signature is written in a cursive, flowing style.

Paul C. Reilly  
Chairman and Chief Executive Officer



## Integrating leadership possibilities



## THE SEARCH AND BEYOND

We know that today, clients seek trusted advisors who can manage multiple business needs on a global scale. Executive search will always be a central focus of our business—but not the only focus. Our comprehensive suite of services exemplifies our commitment to staying ahead of the market's talent management demands.

### EXECUTIVE SEARCH

Since 1969, Korn/Ferry has worked with candidates and clients to fill more than 100,000 executive-level positions, such as board director, chief executive officer, chief financial officer, chief operating officer, chief information officer and other senior executive officers. Today, our consultants operate in a highly specialized global network of more than 30 market sectors and functional areas of expertise. Their industry experience, local knowledge and unparalleled professional contacts ensure the highest levels of service—and most effective solutions—for Korn/Ferry clients worldwide.

Organizations that retain Korn/Ferry's executive search services experience the benefits of our proprietary, cutting-edge technology assets such as Search Assessment,<sup>SM</sup> an online assessment methodology that measures a candidate's fit to a specific position and culture, and Searcher,<sup>SM</sup> our best-in-class database of candidate, company and engagement information.

### LEADERSHIP DEVELOPMENT SOLUTIONS

Our comprehensive blend of leadership services assists clients with the ongoing assessment and development of their leadership teams.

**Talent Management Platform** Allows clients to integrate aspects of talent management through a Web-based system, Executive Center,<sup>SM</sup> which includes appraisals, succession planning, employee background and preference data, developmental opportunities and compensation management

**Strategic Management Assessment** Assesses the skills, behaviors, values and emotional competencies of individual managers and management teams

**Executive Development and Coaching** Develops future leaders through individual and team-based executive coaching

**Executive Compensation and Benefits** Serves as a strategic advisor about pay philosophy, programs and governance issues

### FUTURESTEP

Futurestep, our outsourced recruiting subsidiary, offers a suite of customizable, highly-scalable recruitment solutions that analyze and address clients' unique middle market needs—regardless of the number of positions, geographic requirements or industry specialization.

**Recruitment Process Outsourcing (RPO)** A fully integrated, measurable, single-source solution, often including on-site Futurestep consultants managing part or all of the client's recruitment function

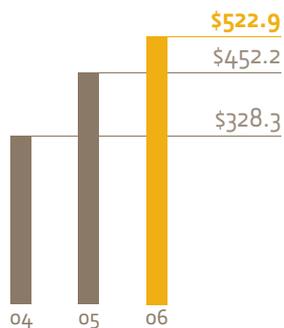
**Project Recruitment** Delivers multiple hires with built-in timeline and metrics

**Interim Solutions** Solves the need for temporary, flexible mid-management professionals

**Mid-Level Search** Addresses an organization's need for key mid-level talent by leveraging multiple sourcing channels and a global database of more than one million pre-screened professionals to provide a diverse set of candidates

# Executing the strategy

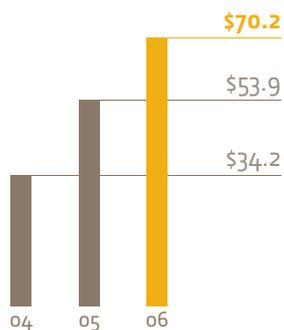
A steady adherence to our long-term strategy of building broader and deeper relationships with clients fueled our outstanding financial results in Fiscal Year 2006.



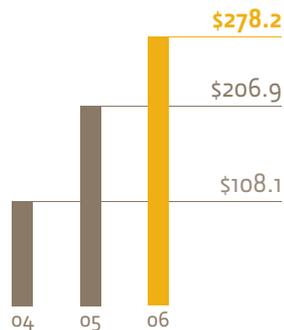
**TOTAL FEE REVENUE**  
IN MILLIONS, FISCAL YEAR



**EARNINGS PER SHARE**  
IN DOLLARS, FISCAL YEAR



**FUTURESTEP FEE REVENUE**  
IN MILLIONS, FISCAL YEAR



**ENDING CASH BALANCE**  
IN MILLIONS, FISCAL YEAR

## BOARD OF DIRECTORS

**Paul C. Reilly**  
Chairman and Chief Executive Officer  
Korn/Ferry International

**James E. Barlett**  
Vice Chairman  
TeleTech

**Frank V. Cahouet**  
Retired Chairman, President  
and Chief Executive Officer  
Mellon Financial Corporation

**Sakie T. Fukushima**  
Senior Client Partner and Director  
Korn/Ferry International

**Patti S. Hart**  
Former Chairman and  
Chief Executive Officer  
Pinnacle Systems, Inc.

**David L. Lowe**  
Vice Chairman  
Friedman Fleischer & Lowe

**Edward D. Miller**  
Former President and  
Chief Executive Officer  
AXA Financial, Inc.

**Ihno Schneevoigt**  
Former Management Board Member  
and Human Resources Director  
Allianz Versicherungs AG and  
Allianz Lebensversicherung AG

**Gerhard Schulmeyer**  
Managing Director  
Gerhard, LLC

**Ken Whipple**  
Chairman  
CMS Energy Corporation

**Harry You**  
Chief Executive Officer  
BearingPoint Inc.

## SENIOR MANAGEMENT

**Gary D. Burnison**  
Executive Vice President,  
Chief Operating Officer and  
Chief Financial Officer

**Robert A. Damon**  
President, North America

**Dan A. Demeter**  
Chief Information Officer

**Peter L. Dunn**  
General Counsel

**Gary C. Hourihan**  
Executive Vice President and President,  
Global Leadership Development

**Robert McNabb**  
Chief Executive Officer, Futurestep  
and Executive Vice President,  
Korn/Ferry International

**Chris van Someren**  
President, Europe, Middle East & Africa

**Don Spetner**  
Chief Marketing Officer

**Charles Tseng**  
President, Asia Pacific

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Shareholder Services  
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International: +1 201 329 8660  
[www.melloninvestor.com](http://www.melloninvestor.com)

**Annual Meeting**  
September 19, 2006, 10:00 a.m.  
Park Hyatt Los Angeles  
2151 Avenue of the Stars  
Los Angeles, California 90067

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## OUR OFFICES WORLDWIDE

### **The Americas**

Atlanta  
Bogota  
Boston  
Buenos Aires  
Calgary  
Caracas  
Chicago  
Dallas  
Houston  
Irvine  
Lima  
Los Angeles  
Mexico City\*

Miami  
Minneapolis  
Monterrey\*  
Montreal  
New York  
Northern Virginia  
Philadelphia  
Princeton  
Quito\*  
Rio de Janeiro  
San Francisco  
Santiago  
São Paulo  
Seattle

Silicon Valley  
Stamford  
Toronto  
Vancouver  
Washington DC

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Hong Kong  
Jakarta  
Kuala Lumpur  
Melbourne

Mumbai  
New Delhi  
Seoul  
Shanghai  
Singapore  
Sydney  
Tokyo  
Wellington

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Middle East  
& Africa**

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Athens

Barcelona  
Brussels  
Bucharest\*\*  
Budapest  
Dubai  
Frankfurt  
Geneva  
Helsinki  
Istanbul\*\*  
Johannesburg\*\*  
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Lyon  
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Oslo  
Paris  
Prague  
Rome  
Stockholm  
Strasbourg  
Vienna  
Warsaw  
Zurich

\* Satellite Office

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