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PART I.

Item 1. Business
Business Overview

Korn/Ferry International, or KFY, is the world's preeminent recruitment firm with the broadest global presence in the recruitment industry. In 2001, we were named the "World's Largest Executive Search Firm" by Executive Recruiter News and the "Number One Executive Search Firm in the U.S. and Worldwide" by Hunt-Scanlon Corporation. Since 1969 when we opened our first office in Los Angeles, we have grown to 79 cities across 41 countries. In 1998, we extended our market reach into the middle-management recruitment market with the introduction of Futurestep, our technology based recruitment service. In 2000, we expanded our technology based services to enter the college recruitment and recruitment software markets. As of April 30, 2001, we have over 2,700 employees, including 574 executive recruitment and 102 Futurestep consultants who are primarily responsible for client services. Our clients include many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. We have established strong client loyalty; more than 81% of the executive recruitment assignments we performed in fiscal 2001 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

We provide the following recruitment services:

Executive Recruitment: Executive recruitment, our core business, focuses on board level, chief executive and other senior executive positions for clients predominantly in the advanced technology, consumer goods, industrial, financial services, healthcare and professional services industries. The relationships that we develop through this business are valuable for introducing our other service offerings to clients.

Middle-Management Recruitment: Futurestep, our leading on-line middle-management recruitment business, leverages technology, assessment tools, our brand name and search expertise combined with the reach of the Internet to provide a wide range of technology based recruitment services. At April 30, 2001, the Futurestep database contained over 970,000 candidates.

Other Technology Based Services: We continue to invest in technology to extend our market position and bring a broader set of capabilities and services to new and existing clients.

- . In May 2000, we invested in Jungle Interactive Media, a company that provides Internet based information, entertainment, products and services to targeted groups within higher education, such as graduate school candidates, in order to facilitate student interaction with schools, recruiters, advertisers and other students.
- . In July 2000, we acquired JobDirect, a leading on-line college recruitment company that provides technology outsourcing tools to our clients that enable them to track college graduates throughout the entire recruitment process.
- . In August 2000, we made a strategic investment in Webhire, a leading business services and technology solutions provider in the Internet recruitment marketplace.

Industry Overview

We have historically operated in the executive search market and have aggressively used technology to expand our presence into the middle-management search and college recruitment markets.

Executive Recruitment: The executive recruitment market concentrates on searches for positions with annual compensation of \$150,000 or more, which generally involve board level, chief executive and other senior executive positions. The industry is comprised of retained and contingency search firms. Retained firms typically charge a fee

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for their services equal to approximately one-third of the annual cash compensation for the position being filled and bill for their services in three installments, irrespective of whether a position has been filled. Contingency firms generally work on a non-exclusive basis and are compensated only upon successfully placing a recommended candidate.

Middle-Management Recruitment: The middle-management recruitment market focuses on searches for middle and lower management positions with annual compensation of \$75,000 to \$150,000. Firms in this market usually operate on a contingency basis. This market has undergone a fundamental transformation over the past two years towards a technology based environment. Technology and the Internet have made identifying, targeting and reaching potential candidates much quicker. This market also benefits from the efficiencies of maintaining large databases of qualified candidates, employing advanced assessment software, and reducing placement times. As a result, technology enabled on-line recruiting services are becoming more important.

College Recruitment: The college recruitment market focuses on placing undergraduate and graduate students in entry-level positions with employers. Most of this market is characterized by the hiring of large numbers, often hundreds or thousands, of students by Fortune 3000 corporations and other large organizations. Communicating with students, coordinating with career offices and managing the process are critical to successful recruitment in this market.

In addition to the executive, middle-management and college recruitment markets, we believe that technology based recruitment and human resource management software tools address a significant and largely undeveloped market. As the labor markets continue to evolve, we believe that companies will increasingly use technology to become more effective in recruiting and hiring employees and in lowering their overall recruitment costs.

Industry Trends

There are and will be times, such as the present, when the recruitment industry is adversely affected by the worldwide economic conditions. However, we believe that a number of favorable trends will contribute to the long-term growth of the recruitment industry:

One-Stop Shopping of Multiple Service Offerings--In choosing their recruitment and human resource service providers, companies are increasingly looking to those companies who can address all of their recruitment needs, from high-end executive search to college and intern recruiting. Clients, therefore, expect a broader range of service offerings to be performed by fewer providers, or by a one-stop service provider of multiple service offerings to achieve lower cost through economies of scale. Since companies view human capital as a key element of their success, we believe they will seek to partner with companies who not only find and assess candidates and employees but also manage the movement of this strategic resource.

Increased Use of Advanced Technology--The emphasis of the recruitment business is shifting from candidate identification to candidate assessment and placement. The emphasis on assessment and placement is being driven by enhancements in technology as it has become easier to identify candidates in on-line and off-line databases. In addition, information technology and the Internet are creating efficient ways to manage the recruitment process and identify, recruit and assess candidates. At the same time, new barriers to entry into the executive recruitment industry are being created as investments in information technology become critical to serve clients' needs globally.

Increased Outsourcing of Recruitment Functions--Recent economic factors are requiring companies to focus on core competencies and to outsource recruitment functions to providers who can efficiently provide high quality recruitment services. The current shortage of qualified management-level candidates has made identifying and recruiting exceptional candidates more difficult. Companies increasingly rely on experienced global executive recruitment firms to address their management recruitment needs. By hiring global executive recruitment firms, companies can expect to:

- . Access a diverse and highly qualified field of candidates on an as-needed basis
- . Reduce the costs required to maintain and train a recruiting department in a rapidly changing industry
- . Benefit from the most updated industry and specific geographic market information

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- . Access leading search technology software
- . Maintain management focus on strategic business issues

Globalization of Business--As the world markets continue to integrate into one global economy, more companies are required to supplement internal talent with experienced senior executives who can operate effectively in a global economy. The rapidly changing competitive environment increasingly challenges multinational and local companies to identify qualified executives with the right combination of skills, experience and cultural compatibility. Clients are increasingly turning only to those firms that have the necessary proven expertise and intimate knowledge of key industries and local markets that enables them to address their clients' global recruitment needs.

Other Industry Trends--In addition to the industry trends mentioned above, we believe the following trends will also contribute to the growth of the recruitment industry:

- . Increasing demand for managers with broader qualifications
- . Increasing desire by candidates to more actively manage their careers
- . Aging baby-boom generation resulting in a smaller pool of available candidates
- . Shortening executive management tenures and more frequent job changes

Growth Strategy

Our objective is to expand our position as the preeminent global recruitment firm. The principal elements of our strategy include:

Expanding Our Market Reach and Presence Through Technology and Assessment Solutions

An advanced technology infrastructure has become a critical element of the recruitment business. We continue to invest in Futurestep and have invested in other recruitment technology solutions addressing the college and recruitment software markets. In the executive recruitment market, we have invested approximately \$55 million over the past three fiscal years to develop a state-of-the-art technology infrastructure, including a worldwide network and Searcher, our proprietary executive recruitment software. In June 2000, we introduced e-Korn/Ferry, our executive search Internet tool that allows executives to submit relevant employment information to us. This feature

efficiently makes candidates accessible to our consultants, and over 57,000 candidates have participated in this program to date. We will continue to invest in technology, including our exclusive candidate assessment tools, in order to strengthen our relationships with our existing clients, attract new clients, expand into new markets and position ourselves to gain a competitive advantage in marketing complementary services.

Leveraging Our Leadership and Brand Name in Executive Recruitment

We believe that there are significant opportunities to extend our market share and develop new client relationships by aggressively marketing our proven global recruitment expertise. Our leadership in executive recruitment enables us to grow our business by increasing the number of recruitment assignments we handle for existing clients in all areas of recruitment. We also believe that our strong relationships and well-recognized brand name will enable us to introduce new services to our existing clients and potential new clients and that our brand name will allow us to build communities of candidates to directly market services, such as career management, to executives and other candidates who are actively seeking to manage their careers.

Pursuing Strategic Acquisitions and Investments

We view strategic acquisitions and investments as a key component of our long-term growth strategy and will actively pursue opportunities that enhance and expand our technology position, consultancy expertise and specialization, geographic presence, client relationships and databases.

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In fiscal 2001, we acquired Westgate Group and JobDirect and made investments in Webhire and Jungle Interactive Media. In fiscal 2000, we completed a total of ten acquisitions: in executive recruitment, we completed four acquisitions in the United States, three in Canada, one in Germany and one in Australia. We also significantly expanded the international footprint of Futurestep through the acquisition of a search and selection business in the United Kingdom, with a presence in 18 countries in Europe and Asia/Pacific.

Our Services and Organization

We address the global recruitment needs of our clients at all levels of management by offering the following services:

Executive Recruitment Services

Overview. Our executive recruitment services are typically used to fill executive-level positions, such as board of directors, chief executive officers, chief financial officers and other senior executive officers. Once we are retained by a client to conduct an assignment, we assemble a team comprised of consultants with geographic, industry and functional expertise. Our search consultants serve as management advisors and work closely with the client in identifying, assessing and placing a qualified candidate. In fiscal 2001, we performed over 8,600 executive recruitment assignments.

We use a search methodology that has been developed through many years of experience in conducting executive recruitment. We emphasize a close working relationship with the client and a comprehensive understanding of the client's business issues, strategy and culture, as well as an in-depth knowledge of the skills necessary to succeed within a client's organization. Initially, the search team consults with the client to better understand its history, culture, structure, expectations, challenges, future direction and operations. In these meetings, the team identifies the specific needs of the client and develops a profile of an ideal candidate for the position. Early in the process, the team also works with the client to develop the general parameters of a compensation package that will attract high quality candidates.

Once the position is defined, the research team identifies, through the use of our proprietary databases and a number of key technology based information resources, companies that are in related industries facing similar challenges and issues with operating characteristics similar to those of the client. In addition, the team consults with its established network of resources, and our databases that contain profiles of over 1,800,000 executives, including those obtained through e-Korn/Ferry, to help identify individuals with the right backgrounds and personal abilities. These sources are a critical element in assessing the marketplace. The original list of candidates is carefully screened through phone interviews, video conferences or in-person meetings. The client is then presented with up to five qualified candidates to interview. We conduct reference checks throughout the process, sometimes with the assistance of an independent third party.

Usually, the finalists for the position meet with the client for a second and possibly a third round of discussions. At this point, the compensation package for each will have been discussed in detail so that there is confidence that offers will be accepted. Generally, the search consultants

will participate in the negotiations until a final offer is made and accepted. Throughout the process, ongoing communication with the client is critical to keep client management apprised of progress.

Industry Specialization. Consultants in our ten specialty practice groups bring an in-depth understanding of the market conditions and strategic and management issues faced by clients within their specific industry. We plan to continue to expand our specialized expertise through internal development, strategic hiring in targeted growth areas and selected acquisitions. In fiscal 2000, the acquisition of Levy Kerson and Helstrom Turner significantly strengthened our retail practice and the acquisition of Pearson, Caldwell and Farnsworth enhanced our consistently strong financial services practice.

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Percentage of Fiscal 2001 Assignments by Industry Specialization

<TABLE>	
<S>	<C>
Advanced Technology.....	22%
Industrial.....	17%
Financial Services/Investments.....	17%
Consumer Goods.....	13%
Healthcare (Products and Providers).....	9%
Professional Services.....	7%
Entertainment & Media Practice.....	4%
Governmental and Not-for-profit.....	4%
Retail.....	4%
Energy & Utilities.....	3%

</TABLE>

Functional Expertise. We have organized executive recruitment centers of functional expertise, made up of consultants who have extensive backgrounds in placing executives in certain functions, such as board of directors, chief executive officers and other senior executive and financial officers. Our board services practice, for example, was first established in 1972 to help clients assemble an effective, knowledgeable and cohesive board of directors to meet the growing demands for accountability and more effective board performance. The shortage of experienced directors, the tightening of governance policies and the desire on the part of companies to broaden their board bases are raising the standards required to identify and recruit directors with the needed skills. We have established significant expertise in this area and have built a proprietary database with the names and backgrounds of all the Fortune 1000 directors, plus a significant number of middle-market and high-growth company board members, to help support board searches. In fiscal 2000, we acquired Crist Partners, a premier senior executive and board level recruitment firm, adding both a renown firm franchise and new key management to our board services practice. Members of functional groups are located throughout our regions and across our specialty practice groups.

Percentage of Fiscal 2001 Assignments by Functional Expertise

<TABLE>	
<S>	<C>
Board Level/CEO/CFO/Senior Executive and General Management.....	52%
Marketing and Sales.....	22%
Finance and Control.....	8%
Manufacturing/Engineering/Research and Development/Technology.....	7%
Human Resources and Administration.....	7%
Information Systems.....	4%

</TABLE>

Organization

North America--We opened our first office in Los Angeles in 1969, and currently have 25 offices throughout the United States and Canada. The North America region has grown from \$125.8 million in revenue in fiscal 1997 to \$343.1 million in fiscal 2001. We have been ranked first in worldwide revenue among Hunt-Scanlon's top executive recruitment firms based in North America in March 2001 and believe we currently generate the highest revenue of any executive recruitment firm. In fiscal 2001, we handled nearly 3,700 assignments in this region, with an average of 293 consultants.

Europe--We opened our first European office in London in 1972 and currently have 27 offices throughout 21 countries in the region. The region has grown from \$74.9 million in revenue in fiscal 1997 to \$135.3 million in fiscal 2001. We handled over 2,800 assignments in fiscal 2001 in this region, with an average of 167 consultants.

Asia/Pacific--We opened our first Asia/Pacific office in Tokyo in 1973, and have built a 14-office network throughout eleven countries in the region. The region has grown from \$33.5 million in revenue in fiscal 1997 to \$54.0 million in fiscal 2001. We handled over 1,000 assignments in fiscal 2001 in this region, with an average of

63 consultants. The latest Economist Intelligence Unit report on Executive Search in Asia and Australia describes us as the leading executive search firm in the region.

Latin America--We opened our first Latin American office in Brazil in 1974, expanded our practice to Mexico through the 1977 acquisition of a 49% interest in Hazzard & Associates, and currently conduct operations in Mexico through three subsidiaries in which we hold a controlling minority interest. As of April 30, 2001, we operated a network of nine offices in seven countries covering the entire region. The region has grown from \$24.9 million in revenue in fiscal 1997 to \$34.6 million in fiscal 2001. We handled over 1,000 assignments in fiscal 2001 in this region, with an average of 36 consultants.

Client Base. Our clients are many of the world's largest and most prestigious public and private companies, including nearly half of the Fortune 500 companies. In fiscal 2001, approximately 5.8% of our total revenue was derived from our top ten customers. We have established strong client loyalty; more than 81% of the executive recruitment assignments we performed in fiscal 2001 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

Competition. We are the preeminent global executive recruitment firm. Other multinational executive recruitment firms include Heidrick & Struggles International, Inc., and Spencer Stuart & Associates. Although these firms are our primary competitors, we also compete against smaller firms that specialize in specific regional, industry or functional searches. We believe our brand name, global network, prestigious client list, strong specialty practices and quality of service are recognized worldwide. We also believe that our equity based compensation scheme distinguishes us from many of our competitors and is important for retaining consultants.

Middle-Management Recruitment Services

Overview. Our Futurestep subsidiary combines our extensive executive recruitment expertise, our brand name, exclusive candidate assessment tools and the reach of the Internet to recruit candidates for middle-management positions. Futurestep is fundamentally different from other Internet-based job placement services, which do not employ Futurestep's sophisticated filtering process or permit recruitment professionals to interact with candidates and clients.

We recognize that the cost of lost productivity as a result of middle-management vacancies is significant. By pre-building an inventory of qualified candidates prior to receiving a client assignment and by keeping that inventory current through communication enabled by technology, we can quickly generate a select list of candidates, which significantly reduces search cycle time.

To register with Futurestep, candidates complete an on-line assessment profile that details their work history, management experience, preferred career path and management style. The assessment tools, which Futurestep has licensed on an exclusive basis, have been validated using a cross-section of senior managers over ten years. Our assessment tools give reliable feedback on decision-making style, communication style, cultural preferences and career and personal motivation. Clients complete a similar profile to determine company culture and the type of manager who will succeed in the open position. We believe that cultural compatibility is critical to the successful placement of a candidate and that these proprietary tools may have applicability to other areas of executive recruitment. To encourage candidates to register with Futurestep, we provide career management feedback on a candidate's salary potential, the industries and functions for which the candidate is most qualified and the most compatible corporate culture.

When we receive an assignment from a client, a preliminary list of candidates is selected from the Futurestep database and the most qualified are contacted by a Futurestep recruitment consultant for further evaluation. The consultant schedules a 45-minute to one-hour video or in-person interview with selected candidates. The consultant then identifies the top candidates and provides the client with excerpts of the video-taped interviews, a written report summarizing the candidates' credentials, the results of the assessment profile, and other background information for comparison. The Futurestep consultant typically organizes the client interviews with the candidate, and advises and consults throughout the negotiation process to structure the final offer package and position responsibilities.

Confidentiality for both candidates and clients is paramount. When candidates register with Futurestep, they do not know who the Futurestep clients are or which positions are available. Companies do not have access to candidate information until a candidate gives a Futurestep consultant explicit permission to release the information to the client.

In June 1998, we entered into a three-year exclusive contract with The Wall Street Journal, which provides Futurestep with reduced advertising rates, requires the purchase of a minimum amount of print and on-line advertising and permits the use of The Wall Street Journal name in connection with promotion of the Futurestep service. See "Notes to Consolidated Financial Statements, Note 12". The Wall Street Journal is obligated to use reasonable commercial efforts to offer each employer which advertises positions in The Wall Street Journal the option of retaining Futurestep's services. The contract with The Wall Street Journal had an initial term through June 2001 and we are currently operating under a month-to-month extension of this contract while renegotiating a new long-term alliance agreement.

In June 2000, we entered into an agreement with the Graduate Management Admission Council. Futurestep has created a website targeted at future and current MBA students, and those registering for the GMAT will be given the opportunity to register with Futurestep at the same time.

In June 2001, we entered into an agreement with Yahoo! Inc. Our goal is to build the dominant on-line career channel for executives, middle-management, technology and professional positions earning \$75,000 or more. Futurestep and Korn/Ferry International will be the exclusive sponsors of the executive center, co-branded with Yahoo!

Client Base. A majority of Futurestep's business is currently sourced through existing relationships that have been built during KFY's 30 years of experience in executive recruitment. We believe that this represents only a portion of the available market and continue to aggressively target and market prospective and current clients.

Organization. We opened our first Futurestep office in Los Angeles in May 1998. In January 2000, we acquired the ESS business of PA Consulting with operations in Europe and Asia/Pacific and by April 2000, we had substantially completed our worldwide rollout of Futurestep. At April 30, 2001, we had a worldwide network of 29 Futurestep offices: five in North America, 17 in Europe and seven in Asia/Pacific.

Competition. We believe that there is no competitor that currently competes directly with all of the services provided by Futurestep. Futurestep competes for assignments:

- . generally, with contingency firms who do not have the same pricing structure or provide all of the same services;
- . in the technology based middle-management recruitment industry, with firms such as TMP Worldwide; and
- . to a lesser extent, with recruitment technology services such as job boards.

Although technology oriented companies may be drawn to the recruitment business by their ability to leverage their existing technology, their lack of a recognized brand name, experienced consultants and global footprint act as significant barriers to entry.

Other Technology Based Services

College Recruitment Services. In July 2000, we completed the acquisition of JobDirect, which has allowed us to begin providing outsourced technology services to our clients for tracking and evaluating college candidates. JobDirect is an Internet based recruiting company that provides an entry-level recruiting solution to employers, college career offices and students to reduce the inefficiencies and costs of entry-level recruiting. JobDirect maintains contracts with over 400 corporate clients and has established several significant marketing relationships to develop co-branded and integrated websites that can be used to extend the Korn/Ferry brand to the student market. JobDirect has developed a software tool called Resume Exchange, which is given to college career offices to automate their

career placement service and create a link between those offices and JobDirect Internet applications. This proprietary software tool is currently used in over 400 college career offices.

In May 2000, we invested in Jungle Interactive Media, a company providing Internet based information, entertainment, products and services to groups within higher education. Their mission is to facilitate the efficient interaction of students with schools, recruiters, advertisers and other students. Jungle creates separate but co-branded websites that target undergraduate, business, law and medical students and Jungle branded magazines act as marketing vehicles that drive traffic to these sites. Under a strategic alliance agreement with Jungle, we are the only recruitment firm to sponsor Jungle's websites and we have exclusive access among our competitors to Jungle's resume database.

Recruitment Management Services. In August 2000, we made a strategic investment in Webhire, a leading business services and technology solutions provider in the Internet recruitment marketplace. This strategic investment was undertaken in recognition of the increasing importance to clients of the need for a corporate human resource application service provider and allows us to enhance and expand our Internet based services. Webhire designs, markets, implements and supports Internet and intranet based recruiting solutions to automate candidate sourcing, Internet job posting and recruitment management at corporations, organizations, Internet portals and on-line career sites. Webhire's Internet recruiting software tools, offered on an application service provider basis, are designed to help employers use the Internet quickly and cost-effectively to post job openings, collect incoming resumes into searchable databases, search through external resume pools for potential candidates and manage the hiring process.

Management Assessment. Our global management assessment practice is growing rapidly in Europe and we have expanded this service to cover North America and Latin America in fiscal 2001. This service is directed towards helping corporate leadership evaluate the individual and collective performance of their senior management team. This service, which further extends the range of leadership capital solutions we can offer to clients, is a valuable tool for the chief executive, board of directors and other senior officers to use to pursue organizational transformation and top leadership alignment in keeping with their strategic goals. This service is in direct response to our clients' needs for an assessment tool to meet the challenges of changing company relationships and global restructuring and, for venture capital investment firms, to evaluate the strengths of the leadership team in existing or prospective portfolio companies. The assessment is performed by consultants who have years of experience in interviewing and evaluating the most senior level executives and who understand the relevant business and industry challenges. With our global network and assessment technology, we are able to effectively evaluate a company's senior management team.

Technology

Our technology is designed to enhance the functionality, speed and quality of our information management. It also represents a long-term strategic initiative and is designed to create competitive advantages and sustained growth.

Central to our technology infrastructure is the maintenance of professionally-managed data storage facilities. We currently maintain two facilities for our executive search databases. The primary facility is located in Burbank, California and is managed by Qwest. We manage a second facility in Century City, California. We also maintain a separate data storage facility in El Segundo, California for Futurestep which is managed by Exodus. Our professionals use our information technology infrastructure to:

- . develop and manage company and candidate profiles
- . obtain information from and correspond with candidates
- . identify market needs and new business opportunities
- . coordinate and implement marketing, communication, financial and administrative functions throughout our global operations

We use in-house developers to develop much of our technology, including Searcher, our executive management databases that are accessible and searchable by all of our consultants. Our technology is designed to be scaleable and accommodate future growth in our current services, as well as the addition of new services. Following an acquisition, we either replace the acquired company's existing systems with ours or enable their systems to operate with ours.

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Organization

Our executive recruitment business is managed on a geographic basis through four regions: North America, Europe, Asia/Pacific and Latin America, including Mexico. Futurestep is managed on a worldwide basis with operations in North America, Europe and Asia/Pacific. JobDirect is managed domestically through college career offices from their Stamford, Connecticut headquarters.

Professional Staff and Employees

As of April 30, 2001, we had approximately 2,137 executive recruitment employees consisting of 350 vice presidents, 224 principals, 355 senior associates and associates, 345 researchers, 220 corporate professionals and 643 administrative and support staff. Futurestep had 524 employees at April 30, 2001 consisting of 102 consultants and 422 administrative and support staff. JobDirect employed 60 sales staff and 21 administrative and support staff at April 30, 2001. We have not been a party to a collective bargaining agreement and consider our relations with our employees to be good.

In executive search, senior associates, associates and researchers support the efforts of our vice presidents and principals with candidate sourcing and identification, but do not generally lead an assignment. We have training and professional development programs and a high rate of internal promotions. Promotion to vice president is based on a variety of factors, including demonstrated superior execution and business development skills, the ability to identify solutions to complex issues, personal and professional ethics, a thorough understanding of the market, how to retain clients and develop repeat business, and the ability to help build effective teams. In addition, we have a program of recruiting experienced professionals into our firm.

The following table provides information relating to each of our business segments for fiscal 2001:

<TABLE>
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	Revenue (in millions)	Operating Profit (Loss) (in millions)	Number of Offices as of April 30, 2001	Number of Consultants as of April 30, 2001
<S>	<C>	<C>	<C>	<C>
Executive Recruitment:				
North America.....	\$343.1	\$65.0	25	301
Europe.....	135.3	20.0	27	172
Asia/Pacific.....	54.0	6.6	14	65
Latin America.....	34.6	8.5	9	36
Futurestep.....	82.1	(26.0)	29	102
JobDirect.....	4.7	(11.2)	1	

See "Notes to the Consolidated Financial Statements, Note 10" for business segment and geographic area results for the past three fiscal years.

Item 2. Properties

Our corporate office is located in Los Angeles, California. We lease all 104 of our executive recruitment and Futurestep offices located in North America, Europe, Asia/Pacific and Latin America and our JobDirect North America office. As of April 30, 2001, we leased an aggregate of approximately 926,000 square feet of office space. The leases generally are for terms of one to ten years and contain customary terms and conditions. We believe that our facilities are adequate for our current needs and we do not anticipate any difficulty replacing such facilities or locating additional facilities to accommodate a future growth.

Item 3. Legal Proceedings

From time to time, we are involved in litigation both as plaintiff and defendant, relating to claims arising out of our operations. As of the date of this report, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the last quarter of fiscal 2001.

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Executive Officers as of April 30, 2001

<TABLE>
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Name	Age	Position
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<S>	<C>	<C>
Richard M. Ferry.....	63	Chair of the Board and Director
Windle B. Priem.....	63	Chief Executive Officer, President and Director
Peter L. Dunn.....	56	Vice Chair, General Counsel and Director
Elizabeth S.C.S.		
Murray.....	45	Chief Financial Officer, Treasurer and Executive Vice President
Gary C. Hourihan.....	52	Executive Vice President--Organizational Development
Michael D. Bekins.....	47	Chief Operating Officer and Executive Vice President

Our executive officers serve at the discretion of our Board of Directors. There is no family relationship between any executive officer or director. The following information sets forth the business experience for at least the past five years for each of our executive officers as of April 30, 2001.

Richard M. Ferry, founder of Korn/Ferry International, has been Chair of the Board since 1991 and is a member of the Office of the Chief Executive. Mr. Ferry served as Chief Executive Officer of Korn/Ferry International from May

1991 to April 1997.

Windle B. Priem has been Chief Executive Officer and President since December 1998 and is a member of the Office of the Chief Executive. He has been a Director of Korn/Ferry International since 1993. From July 1998 to December 1998, he was a Vice Chair and the Chief Operating Officer of Korn/Ferry International. From 1996 to 1998, he was President of the North America region. Mr. Priem joined Korn/Ferry International in 1976.

Peter L. Dunn has been Vice Chair since 1997 and is a member of the Office of the Chief Executive. He has been a Director of Korn/Ferry International since 1992 and serves as our General Counsel. Mr. Dunn joined Korn/Ferry International in 1980.

Elizabeth S.C.S. Murray has been the Executive Vice President, Chief Financial Officer and Treasurer since July 1998 and is a member of the Office of the Chief Executive. In January 1998, she joined Korn/Ferry International as Vice President, Chief Financial Officer and Treasurer. Prior to that, Ms. Murray served as Executive Vice President and Chief Financial Officer of Tycom Inc. from June 1997 to December 1997, and from 1994 to June 1997 she was the Chief Financial Officer and Vice President of Hughes Communications, Inc., a subsidiary of Hughes Electronics Corporation.

Gary C. Hourihan has been Executive Vice President--Organizational Development since January 1999 and is responsible for all human resource functions. Prior to joining Korn/Ferry International, he was the co-founder, Chairman, and Chief Executive Officer of SCA Consulting, L.L.C., one of the leading executive compensation consulting firms in the United States, where he was employed from November 1984 until joining Korn/Ferry International.

Michael D. Bekins has been the Chief Operating Officer and Executive Vice President since May 2000. Prior to that, he was the President of the European region and, previously served as President of the Asia/Pacific region. He joined Korn/Ferry International in September 1980 as a senior associate and was promoted to Vice President in May 1992.

Effective June 30, 2001, the Board of Directors elected Paul C. Reilly to the position of Chairman of the Board and Chief Executive Officer. Mr. Reilly joins Korn/Ferry International from KPMG International, where he was Chief Executive Officer. Mr. Reilly joined KPMG International in 1987. Upon the election of Mr. Reilly, Mr. Ferry remained a Director and was named Founder Chairman and Mr. Priem remained a Director.

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PART II.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol "KFY." The following table sets forth the high and low sales price per share of the common stock for the periods indicated, as reported on the New York Stock Exchange:

<TABLE>

<CAPTION>

Fiscal Year Ended April 30, 2001	High	Low
<S>	<C>	<C>
First Quarter.....	\$36.63	\$21.13
Second Quarter.....	\$40.44	\$29.69
Third Quarter.....	\$38.00	\$16.25
Fourth Quarter.....	\$20.60	\$14.90

<CAPTION>

Fiscal Year Ended April 30, 2000		
<S>	<C>	<C>
First Quarter.....	\$17.00	\$11.75
Second Quarter.....	\$25.25	\$12.50
Third Quarter.....	\$39.00	\$20.75
Fourth Quarter.....	\$44.13	\$21.38

<CAPTION>

Fiscal Year Ended April 30, 1999		
<S>	<C>	<C>
Fourth Quarter.....	\$14.63	\$11.00

</TABLE>

On July 26, 2001, the last reported sales price on the New York Stock Exchange for the common stock was \$15.69 per share and there were approximately 2,400 beneficial holders of the common stock.

Dividends

We have not paid any dividends since April 30, 1996 and do not intend to pay any cash dividends in the foreseeable future, but instead intend to retain future earnings to finance our operations and growth of the business. Future dividend policy will depend on our earnings, capital requirements, financial condition and other factors considered relevant by our board of directors. Our credit facility also contains provisions that may limit our ability to pay dividends.

Recent Sales of Unregistered Securities

We issued 133,929 shares of common stock in June 2000 to Westgate Group LLC in connection with the acquisition of the business of that entity. This issuance was exempt pursuant to Section 4(2) under the Securities Act.

We issued 20,994 shares of common stock in July 2000 to five individuals in connection with the acquisition of JobDirect.com. These issuances were exempt pursuant to Section 4(2) under the Securities Act.

We issued 30,800 shares of common stock in July 2000 to three individuals in Switzerland in connection with the acquisition of an executive recruitment firm in that country, which closed in fiscal 1999. These issuances were exempt pursuant to Regulation S under the Securities Act.

We issued 10,076 shares of common stock in February 2001 to four individuals in Australia in connection with the acquisition of the Australian business of Amrop International, which closed in fiscal 2000. These issuances were exempt pursuant to Regulation S under the Securities Act.

We issued 105,672 shares of common stock in April 2001 to three individuals in France in connection with the acquisition of an executive recruitment firm in that country, which closed in fiscal 1999. These issuances were exempt pursuant to Regulation S under the Securities Act.

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Item 6. Selected Financial Data

The following selected financial data are qualified by reference to, and should be read together with, our "Audited Consolidated Financial Statements and Related Notes" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K report. The selected statement of operations data set forth below for the fiscal years ended April 30, 2001, 2000 and 1999 and the selected balance sheet data as of April 30, 2001 and 2000 are derived from our consolidated financial statements, audited by Arthur Andersen LLP, appearing elsewhere in this Form 10-K report. The selected statement of operations data set forth below for the fiscal years ended April 30, 1998 and 1997 and the balance sheet data as of April 30, 1999, 1998 and 1997 are derived from consolidated financial statements and notes thereto, audited by Arthur Andersen LLP, which are not included in this Form 10-K report.

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,				
	2001	2000	1999	1998	1997
	(in thousands, except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
Selected Statement of Operations Data:					
Revenue.....	\$653,777	\$500,743	\$356,075	\$300,954	\$259,067
Compensation and benefits.....	387,776	298,908	226,568	197,790	166,854
General and administrative expenses.....	203,094	147,030	94,860	87,797	74,153
Non-recurring charges (1).....			89,202		
Operating profit (loss).....	62,907	54,805	(54,555)	15,367	18,060
Interest and other income (expense).....	(2,608)	2,966	(285)	(1,411)	(815)
Income (loss) before provision for income taxes and non-controlling shareholders' interest.....	60,299	57,771	(54,840)	13,956	17,245
Provision for income taxes....	25,326	24,126	9,026	6,687	6,658
Non-controlling shareholders' interest.....	3,960	2,834	2,560	2,025	1,588
Net income (loss).....	\$ 31,013	\$ 30,811	\$(66,426)	\$ 5,244	\$ 8,999
Net income (loss)per share:					

Basic.....	\$ 0.83	\$ 0.85	\$ (2.37)	\$ 0.24	\$ 0.42
Diluted.....	0.81	0.82	(2.37)	0.23	0.40
Weighted average common shares outstanding:					
Basic.....	37,266	36,086	28,086	21,885	21,382
Diluted.....	38,478	37,680	28,086	23,839	23,481
Other Data:					
Revenue by business segment:					
Executive recruitment:					
North America.....	\$343,095	\$271,313	\$185,525	\$154,903	\$125,767
Europe.....	135,278	112,045	101,515	81,543	74,891
Asia/Pacific.....	53,977	48,603	35,024	34,411	33,547
Latin America.....	34,662	30,488	29,673	30,097	24,862
Futurestep.....	82,082	38,294	4,338		
JobDirect.....	4,683				
Number of offices (at period end).....	105	104	71	71	66
Number of consultants (at period end).....	676	595	425	404	334
Number of assignments.....	11,706	9,089	6,771	5,879	4,774
Selected Balance Sheet Data:					
Cash and cash equivalents.....	\$ 88,463	\$ 86,975	\$113,741	\$ 32,358	\$ 25,298
Marketable securities, current.....	16,397	59,978	21,839		
Working capital.....	55,208	83,048	117,922	26,573	20,051
Total assets.....	500,329	475,994	304,124	176,371	148,405
Total long-term debt.....	11,842	16,916	2,360	6,151	3,206
Total shareholders' equity and mandatorily redeemable stock.....	270,166	231,224	172,686	58,754	50,812

</TABLE>

(1) We recognized a non-recurring compensation and benefits expense of \$89.2 million in fiscal 1999, at the completion of the initial public offering, comprised of (a) \$49.3 million representing the difference between the

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issuance price of the shares issued by us in the period beginning twelve months before the initial filing date of the Registration Statement relating to the initial public offering and the fair market value of the shares at the date of grant, (b) \$25.7 million from the completion of the redemption by us of certain shares of our capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement, and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and stock appreciation rights. We also recognized non-recurring charges of \$7.3 million related to costs, primarily severance and benefits expense, incurred to achieve operating efficiencies in fiscal 1999 and \$2.6 million related to the resignation of the former President and Chief Executive Officer.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Annual Report on Form 10-K may contain certain statements that we believe are, or may be considered to be, "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "foresee", "may", "will", "estimates", "potential", "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement. The principal risk factors that could cause actual performance and future actions to differ materially from the forward-looking statements include, but are not limited to, dependence on attracting and retaining qualified and experienced consultants, portability of client relationships, local political or economic developments in or affecting countries where we have operations, ability to manage growth and control expenses, restrictions imposed by off-limits agreements, competition, implementation of an acquisition strategy, integration of acquired businesses, risks related to the development and growth of Futurestep and JobDirect, reliance on information processing systems, and employment liability risk. Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

The following presentation of management's discussion and analysis of our

financial condition and results of operations should be read together with our consolidated financial statements included in this annual report on Form 10-K.

Overview

We are the world's preeminent recruitment firm with the broadest global presence in the recruitment industry. In 2001, we were named the "World's Largest Executive Search Firm" by Executive Recruiter News and the "Number One Executive Search Firm in the U.S. and Worldwide" by Hunt-Scanlon Corporation. Our services include executive recruitment, middle-management recruitment (through Futurestep), and other technology based services including services addressing the college recruitment market. We lead the industry with approximately 574 executive recruitment consultants and 102 Futurestep consultants based in 104 offices across 41 countries. Our clients are many of the world's largest and most prestigious public and private companies, middle-market and emerging growth companies as well as governmental and not-for-profit organizations. Over half of the executive recruitment searches we performed in fiscal 2001 were for board level, chief executive and other senior executive positions and our 5,236 clients included nearly half of the Fortune 500 companies. We have established strong client loyalty; more than 81% of the executive recruitment assignments we performed in fiscal 2001 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

Over the past three fiscal years, we completed twelve acquisitions in executive recruitment.

- . In fiscal 2001, we acquired Westgate, a leading executive recruitment firm specializing in financial services in the eastern United States.

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- . In fiscal 2000, we completed nine acquisitions. We acquired the Australian business of Amrop International and Hoffman Herbold & Partner, a leading German firm based in Frankfurt specializing in high-end executive recruitment, management audits and board consultancy. In the United States, we completed four acquisitions: Levy-Kerson, a leading recruitment firm specializing in the retail/fashion industry; Pearson, Caldwell and Farnsworth, a leading search firm focused on senior-level assignments for the financial services industry; Helstrom Turner & Associates, specializing in retail and e-commerce clients; and Crist Partners, specializing in board level recruitment assignments for Fortune 500 companies. In the fourth quarter of fiscal 2000, we completed three acquisitions in Canada: Illsley Bourbannais, Inc. which focuses on the high-end recruitment business with specialties in manufacturing and technology, O'Callaghan Honey McKay/Ray & Berndston, Inc. specializing in energy and manufacturing, and Pratzner & Partners, Inc. that was integrated with our existing office in Toronto, strengthening our technology and financial services practices and providing leadership to the Canadian operations.
- . In late fiscal 1999, we acquired two European firms significantly enhancing our presence in France and Switzerland.

We introduced Futurestep, our middle-management recruitment service, in May 1998. Futurestep combines our recruitment expertise with exclusive candidate assessment tools and the reach of the Internet to accelerate recruitment of candidates for middle-management positions and assess cultural compatibility. In January 2000, we completed the acquisition of the ESS business of PA Consulting, primarily to provide a European and Asia/Pacific footprint for Futurestep's international expansion. By April 30, 2000, we had completed the roll-out of Futurestep across the North America, Europe and Asia/Pacific regions. As of April 30, 2001, over 970,000 candidates worldwide had completed a detailed on-line profile.

In fiscal 2001, we expanded our technology based services to enter the college recruitment and recruitment software markets. We completed the acquisition of JobDirect, a leading on-line college recruitment company exclusively servicing clients' requirements for entry-level college graduates and we acquired a 16.8% interest in Jungle Interactive, a company providing Internet based information, entertainment, products and services to targeted groups within higher education. We also purchased a 16% equity investment in Webhire, the leading business services and technology solutions provider in the Internet recruitment marketplace.

Through executive recruitment, Futurestep and JobDirect, supported by our strategic investments in Webhire and Jungle Interactive, we are well positioned to execute our strategy to provide clients with end-to-end human capital management solutions.

Results of Operations

The following table summarizes the results of our operations for each of the past three fiscal years as a percentage of revenue:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Revenue.....	100%	100%	100%
Compensation and benefits.....	59	60	64
General and administrative expenses.....	31	29	27
Non-recurring charges.....			25
Operating profit (loss) (1).....	10	11	(15)
Net income (loss).....	5	6	(19)

</TABLE>

(1) For the fiscal years ended April 30, 2001, 2000 and 1999, operating profit as a percentage of revenue excluding Futurestep, JobDirect and non-recurring charges is 18%, 17% and 13%, respectively.

Revenue

We generate revenue from providing recruitment and related consulting services in three business segments: executive recruitment (in four geographic regions), middle-management (through Futurestep) and college recruitment (through JobDirect). We experienced growth in all of our business segments from fiscal 1999 through 2001. The following table summarizes our revenue by business segment for each of the past three fiscal years. We include executive recruitment revenue generated from our operations in Mexico with Latin America.

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,					
	2001		2000		1999	
	Dollars	%	Dollars	%	Dollars	%
	(dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue						
Executive recruitment:						
North America.....	\$343,095	52%	\$271,313	54%	\$185,525	52%
Europe.....	135,278	21	112,045	22	101,515	29
Asia/Pacific.....	53,977	8	48,603	10	35,024	10
Latin America.....	34,662	5	30,488	6	29,673	8
Futurestep.....	82,082	13	38,294	8	4,338	1
JobDirect.....	4,683	1				
Total revenue.....	\$653,777	100%	\$500,743	100%	\$356,075	100%

</TABLE>

Operating Profit (Loss)

In executive recruitment, compensation and benefits is the largest component of our operating expenses and consultant bonuses are the largest component of executive recruitment compensation. Consultant bonuses are primarily dependent upon revenue billed and collected. As a percentage of revenue, compensation and benefits has decreased over the past three years due primarily to benefits realized from the non-recurring charge in fiscal 1999, primarily in Europe, and a reduction in executive recruitment bonuses as a percentage of revenue in fiscal 2001.

General and administrative expenses consist of occupancy expenses associated with our leased premises, information and technology infrastructure, marketing and other general office expenses. These expenses have increased as a percentage of revenue over the past three fiscal years primarily due to increased office costs resulting from the acquisitions in executive recruitment, the international expansion of Futurestep and the acquisition of JobDirect.

The following table summarizes our operating profit (loss), excluding non-recurring items in fiscal 1999, by geographic region for each of the past three fiscal years. We include executive recruitment operating profit generated from our operations in Mexico with Latin America.

<TABLE>
<CAPTION>

Fiscal Year Ended April 30,		
2001	2000	1999

	Dollars	Margin	Dollars	Margin	Dollars	Margin
	-----	-----	-----	-----	-----	-----
	(dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating profit (loss) (excluding non-recurring charges (1))						
Executive recruitment:						
North America.....	\$ 65,080	19.0%	\$ 52,783	19.5%	\$ 27,435	14.8%
Europe.....	19,960	14.8	13,034	11.6	8,331	8.2
Asia/Pacific.....	6,632	12.3	5,174	10.6	3,543	10.1
Latin America.....	8,506	24.5	7,692	25.2	7,916	26.7
Futurestep.....	(26,022)		(23,878)		(12,578)	
JobDirect.....	(11,249)					
	-----	----	-----	----	-----	----
Total operating profit..	\$ 62,907	9.6%	\$ 54,805	10.9%	\$ 34,647	9.7%
	=====	====	=====	====	=====	====

</TABLE>

(1) Operating profit (loss) by geographic region in fiscal 1999 excludes non-recurring charges of: \$83,829 in North America, \$4,514 in Europe and \$859 in Asia/Pacific. See "Part II. Item 6. Selected Financial Data."

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Based on the current economic outlook for North America and Europe and preliminary results, we believe that executive recruitment revenue for the first quarter of fiscal 2002 will be less than the fourth quarter of fiscal 2001. The impact of the lower revenue on operating profit and operating margin is not currently determinable and may be impacted by our ability to manage and eliminate excess costs in the first quarter.

In the following comparative analysis, all percentages are calculated based on dollars in thousands.

Fiscal 2001 Compared to Fiscal 2000

Revenue

Revenue increased \$153.1 million, or 31%, to \$653.8 million for fiscal 2001 from \$500.7 million for fiscal 2000. The increase in revenue was primarily the result of an 11% increase in the number of executive recruitment engagements, an 11% increase in the average fee per executive recruitment engagement, executive recruitment acquisitions in fiscal 2000, an increase in revenue from Futurestep of \$43.8 million compared to the prior year and revenue of \$4.7 million from JobDirect in the current year.

Executive Recruitment--In North America, revenue increased \$71.8 million, or 26%, to \$343.1 million in fiscal 2001 from \$271.3 million in fiscal 2000. In Europe, revenue increased \$23.3 million, or 21%, to \$135.3 million in fiscal 2001 from \$112.0 million in the prior fiscal year. Excluding the negative effects of foreign currency translation into U.S. dollars, European revenue increased approximately 34% on a constant dollar basis. Revenue growth in North America and Europe, on a constant dollar basis, was primarily due to an increase in the number of engagements and the average fee per engagement. In North America and Europe, revenue from fiscal 2001 acquisitions accounted for approximately one-third of the percent increase in revenue in North America and two-thirds of the percent increase in revenue in Europe. The increase in revenue in Asia/Pacific of \$5.4 million, or 11%, to \$54.0 million in fiscal 2001 compared to \$48.6 million in fiscal 2000 was due primarily to an increase in the average fee which more than offset a decline in the number of engagements. In Latin America, revenue increased \$4.2 million, or 14%, to \$34.7 million in fiscal 2001 from \$30.5 million in fiscal 2000 due primarily to an increase in the average fee per engagement.

Futurestep--Revenue increased \$43.8 million to \$82.1 million in fiscal 2001 from \$38.3 million in fiscal 2000. The increase in revenue is primarily driven by the international expansion of Futurestep in late fiscal 2000. Of the total increase in revenue, Europe contributed \$29.8 million or 68% and Asia/Pacific contributed \$8.1 million or 19%.

JobDirect--Revenue of \$4.7 million reflects annual subscription fees from over 400 corporate clients at April 30, 2001. As of April 30, 2001, over 1.4 million students had registered on the database and over 400 college career offices were using their service. JobDirect charges corporate clients an annual fee, payable monthly based on the estimated number of students the client expects to interview.

Compensation and Benefits

Compensation and benefits expense increased \$88.9 million, or 30%, to \$387.8 million in fiscal 2001 from \$298.9 million in fiscal 2000, primarily due to an increase in the number of executive recruitment consultants, an increase of \$30.6 million related primarily to the international expansion of

Futurestep in late fiscal 2000 and \$6.4 million from the acquisition of JobDirect in the current fiscal year. Executive recruitment compensation and benefits costs increased \$51.9 million in the current fiscal year compared to the prior fiscal year. This increase reflects a 28% increase in the average number of consultants for fiscal 2001 over fiscal 2000 and a 10% reduction in our workforce in the last half of fiscal 2001 due primarily to a decline in revenue related to the slow down in the United States economy during this period. On a comparable basis, excluding Futurestep and JobDirect, compensation and benefits expense as a percentage of revenue decreased to 57.8% in fiscal 2001 from 59.6% in fiscal 2000 due primarily to a decrease in executive recruitment bonuses as a percentage of revenue.

General and Administrative Expenses

General and administrative expenses increased \$56.1 million, or 38%, including JobDirect expenses of \$9.5 million in the current fiscal year to \$203.1 million in fiscal 2001 from \$147.0 million in fiscal 2000. In executive

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recruitment, general and administrative expenses increased \$31.2 million or 29% due primarily to additional costs related to an increase in our leased premises resulting from acquisitions in North America and Europe. Futurestep general and administrative expenses increased \$15.3 million or 39%, mainly due to office costs and professional fees primarily related to the international expansion in late fiscal 2000. As a percentage of revenue, general and administrative expenses, excluding Futurestep and JobDirect related expenses, increased to 24.6% in fiscal 2001 from 23.4% in fiscal 2000 reflecting these additional costs.

Operating Profit

Operating profit increased \$8.1 million in the current fiscal year, to \$62.9 million, or 9.6% of revenue, from \$54.8 million, or 10.9% of revenue, in the prior fiscal year. Excluding the Futurestep losses of \$26.0 million and JobDirect losses of \$11.2 million in fiscal 2001 and Futurestep losses of \$23.9 million in fiscal 2000, operating profit for the current fiscal year increased \$21.5 million, or 27% to \$100.2 million compared to \$78.7 million in the prior fiscal year. Operating profit was 18% and 17% as a percentage of revenue for the fiscal years ended 2001 and 2000, respectively. The increased margin is driven primarily by our operations in Europe and Asia/Pacific and reflects the increase in revenue and a decline in general and administrative expense as a percentage of revenue relative to the prior fiscal year and a decline in compensation and benefits expense as a percentage of revenue in Europe compared to the prior fiscal year. The percentage of operating profit contributed by each region within executive recruitment remained relatively constant in fiscal 2001 compared to the last fiscal year.

Interest Income and Other Income, Net

Interest income and other income, net includes interest income of \$4.8 million and \$6.7 million for fiscal 2001 and 2000, respectively. The decrease in interest income of \$1.9 million is due primarily to lower average cash and marketable securities balances compared to the prior year. The decrease in other income is due to losses on the disposal of property of \$0.7 million in fiscal 2001.

Interest Expense

Interest expense increased \$3.0 million in the current fiscal year, to \$7.4 million from \$4.4 million in the prior fiscal year, primarily due to borrowings under the line of credit associated with acquisitions during the first quarter of fiscal 2001 and to an increase in notes payable to shareholders resulting from acquisitions in the fourth quarter of fiscal 2000.

Provision for Income Taxes

The provision for income taxes increased \$1.2 million to \$25.3 million in fiscal 2001 from \$24.1 million in fiscal 2000. The effective tax rate was 42% and 41.8% for fiscal 2001 and 2000, respectively.

Non-controlling Shareholders' Interest

Non-controlling shareholders' interest is comprised of the non-controlling shareholders' majority interest in our Mexico subsidiaries. Non-controlling shareholders' interest increased \$1.2 million to \$4.0 million in fiscal 2001 from \$2.8 million in fiscal 2000 and reflects the increase in net income generated by our Mexico subsidiaries in fiscal 2001.

Fiscal 2000 Compared to Fiscal 1999

Revenue

Revenue increased \$144.6 million, or 41%, to \$500.7 million for fiscal 2000 from \$356.1 million for fiscal 1999. The increase in revenue was primarily the

result of a 17% increase in the number of executive recruitment engagements, supported by a 10% increase in the average number of executive recruitment consultants; a 13% increase in the average fee per executive recruitment engagement; and revenue from Futurestep and acquisitions in fiscal 2000.

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Executive Recruitment--In North America, revenue increased \$85.8 million, or 46%, to \$271.3 million for fiscal 2000 from \$185.5 million for fiscal 1999. In Asia/Pacific, revenue increased \$13.6 million, or 39% to \$48.6 million for fiscal 2000 compared to \$35.0 million in the prior fiscal year. Revenue growth in North America and Asia/Pacific was attributable primarily to an increase in the number of engagements, supported by an increase in the average number of consultants. In North America, this revenue growth was also driven by an increase of 16% in the average fee per engagement compared to the prior fiscal year and revenue from acquisitions in fiscal 2000. In Europe, revenue increased \$10.5 million, or 10%, to \$112.0 million in fiscal 2000 from \$101.5 million in the prior fiscal year. Excluding the negative effects of foreign currency translation into the U.S. dollar, and the acquisition in Germany, revenue increased approximately 6% on a constant dollar basis primarily due to an increase in the number of engagements and average fee per engagement. In Latin America, total revenue increased approximately 3% in fiscal 2000 as compared to fiscal 1999. Excluding the negative effects of foreign currency translation into the U.S. dollar, revenue increased 9% on a constant dollar basis primarily due to an increase in the number of engagements.

Futurestep--Futurestep revenue of \$38.3 million for fiscal 2000, including \$7.3 million related to the acquisition of the ESS business of PA, is primarily attributable to an increase in the number of engagements in fiscal 2000 and reflects substantial completion of the worldwide roll-out of the business. Futurestep has increased its worldwide presence from one country, the United States, at April 30, 1999 to 20 countries at April 30, 2000.

Compensation and Benefits

Compensation and benefits increased \$72.3 million, or 32%, to \$298.9 million in fiscal 2000 from \$226.6 million in fiscal 1999, mainly due to an increase in the number of employees from the prior fiscal year. Excluding the increase in Futurestep expenses of \$17.6 million, compensation and benefits increased \$54.7 million in fiscal 2000 versus the prior fiscal year, primarily due to a 10% increase in the average number of executive recruitment consultants. On the same basis, excluding Futurestep related expenses, compensation and benefits as a percentage of revenue, decreased to 59.6% in fiscal 2000 from 60.1% in fiscal 1999.

General and Administrative Expenses

General and administrative expenses increased \$52.1 million, or 55%, to \$147.0 million in fiscal 2000 from \$94.9 million in fiscal 1999. This increase was attributable largely to an increase in Futurestep expenses of \$27.7 million, primarily related to advertising and business development in the fiscal 2000 and the cost of facilities to support the international expansion. As a percentage of revenue, general and administrative expenses, excluding Futurestep related expenses, declined to 23.4% in fiscal 2000 from 26.5% in fiscal 1999. The decrease primarily reflects a higher percentage increase in revenue in the current fiscal year.

Operating Profit

Operating profit was \$54.8 million, or 11% of revenue in fiscal 2000, compared to an operating loss of \$54.6 million in the prior fiscal year. Excluding the Futurestep operating losses of \$23.9 million and \$12.6 million in fiscal 2000 and 1999, respectively, and the one-time non-recurring items of \$89.2 million in fiscal 1999 ("comparable basis"), operating profit for fiscal 2000 increased \$31.5 million, or 67% to \$78.7 million compared to \$47.2 million in fiscal 1999. Operating profit, on a comparable basis, as a percentage of revenue excluding Futurestep revenue was 17% for the twelve months ended April 30, 2000 and 13% for the same period in 1999. For fiscal 2000, operating margins, on the same basis, increased in all regions except Latin America compared to fiscal 1999. The increase in North America was due primarily to the increase in revenue and the decline in general and administrative expense as a percentage of revenue. The increase in Europe was due primarily to the decline in general and administrative expense as a percentage of revenue.

The percentage of our operating profit, on a comparable basis, contributed by North America increased to 67% for fiscal 2000 from 58% in the prior fiscal year, driven primarily by the increase in revenue. The percentage of our operating profit contributed by the European and Asia/Pacific regions remained relatively flat at 17% and 7%, respectively, in both fiscal years. The Latin America region contribution decreased to 10% for fiscal 2000 from 17% in the prior fiscal year due primarily to the increased contribution of operating profit by North America in fiscal 2000.

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Interest Income and Other Income, Net

Interest income and other income, net includes interest income of \$6.7 million and \$3.8 million for fiscal 2000 and 1999, respectively. The increase in interest income of \$2.9 million is due primarily to interest income from the investment of proceeds received in the initial public offering in marketable securities, largely short term municipals.

Provision for Income Taxes

The provision for income taxes increased \$15.1 million to \$24.1 million in fiscal 2000 from \$9.0 million in fiscal 1999. The effective tax rate for fiscal 2000 remained relatively flat at 41.8%, compared to 42.0% in the prior fiscal year.

Non-controlling Shareholders' Interest

Non-controlling shareholders' interest is comprised of the non-controlling shareholders' majority interest in our Mexico subsidiaries. Non-controlling shareholders' interest increased \$0.2 million to \$2.8 million in fiscal 2000 from \$2.6 million in fiscal 1999 and primarily reflects a corresponding increase in net income generated by our Mexico subsidiaries in fiscal 2000.

Liquidity and Capital Resources

We finance operating expenditures primarily through cash flows from operations. To provide additional liquidity, we maintain a \$100 million credit facility with Bank of America. The credit facility is a revolving facility that matures on November 2, 2002 and includes a standby letter of credit subfacility. Borrowings under the line of credit bear interest on a sliding scale based on a leverage ratio. We have the option of borrowing using either LIBOR or the higher of the bank's prime lending rate or the Federal Funds rate plus 0.5%. The financial covenants include a minimum fixed charge coverage ratio, a maximum leverage ratio, a quick ratio and other customary events of default. As of April 30, 2001 and 2000, we had no outstanding borrowings under the revolving credit facility. In July 2001, we borrowed \$52.0 million on the line of credit to partially fund fiscal 2001 bonus payments, primarily in North America.

The following table presents selected financial information as of the end of the past three fiscal years:

<TABLE>
<CAPTION>

	As of April 30,		
	2001	2000	1999
	(in thousands)		
<S>	<C>	<C>	<C>
Cash and cash equivalents(1).....	\$88,463	\$86,975	\$113,741
Working capital(1).....	55,208	83,048	117,922
Total long-term debt, net of current maturities....	11,842	16,916	2,360
Borrowings under life insurance policies.....	47,925	44,928	42,655

</TABLE>

(1) In February 1999, we received \$124.3 million upon completion of our initial public offering. "See Item 5. Market for Registrant's Common Equity and Related Stockholder Matters."

The decrease in working capital of \$27.8 million, or 34%, in fiscal 2001 compared to the prior fiscal year is due primarily to the sale of marketable securities. The decrease in working capital of \$34.9 million, or 30%, in fiscal 2000 compared to fiscal 1999 reflects an increase in notes payable of \$14.8 million and accrued liabilities of \$78.7 million partially offset by an increase in accounts receivable of \$38.4 million and total cash and marketable securities of \$11.4 million.

Cash provided by operating activities was \$63.4 million, \$74.5 million and \$38.7 million for fiscal 2001, 2000 and 1999, respectively. Operating cash generated in fiscal 2001 compared to the prior fiscal year decreased \$11.1 million. The most significant change in operating cash flows was a decrease in cash provided by accounts payable and accrued liabilities of \$80.3 million in the current fiscal year. This decrease is due to bonus expense and the resulting accrued liabilities and reflects an increase in bonus expense of \$43 million, or 70%, in fiscal 2000 compared to fiscal 1999

while bonus expense in fiscal 2001 compared to fiscal 2000 remained fairly constant. This increase was offset by a decrease in cash used by accounts receivable and income taxes of \$38.4 million and \$6.2 million, respectively, and an increase in non-cash charges to income, primarily depreciation, amortization and bad debt expense of \$26.7 million compared to last year.

The \$35.8 million increase in operating cash flow in fiscal 2000 compared to fiscal 1999 was due primarily to an increase in net income of \$13.3 million excluding the non-recurring charges, and an increase in adjustments for non-cash expenses of \$18.2 million in the current fiscal year. Net cash provided by operating activities in fiscal 2000 also reflects an increase in cash used by accounts receivable of \$42.5 million offset by an increase in cash provided by accounts payable and accrued liabilities of \$50.2 million due primarily to an increase in bonus expense in fiscal 2000.

Cash used in investing activities was \$55.8 million, \$107.4 million and \$47.8 million for fiscal years ended April 30, 2001, 2000 and 1999, respectively. In the current year, cash used in investing activities included \$44.5 million for business acquisitions and \$12.6 million for the purchase of equity investments in Jungle Interactive and Webhire compared to \$42.9 million and \$1.3 million for business acquisitions in fiscal 2000 and 1999, respectively. Excluded from cash flows is a non-cash charge to other comprehensive income of \$3.0 million, representing the unrealized loss, net of tax, on our investment in Webhire. This unrealized loss was due to a temporary decline in the market price per share from the \$2.35 investment price to \$0.85 at April 30, 2001. Net sales of marketable securities were \$44.7 million in the current fiscal year compared to purchases of \$31.1 million in the prior year.

Capital expenditures totaled approximately \$34.0 million, \$22.9 million and \$8.1 million for fiscal 2001, 2000 and 1999, respectively. These expenditures consisted primarily of systems hardware and software costs, upgrades to information systems and leasehold improvements. The \$11.1 million increase in capital expenditures in fiscal 2001 over the prior fiscal year, primarily relates to increased fixed asset spending at Futurestep to support its worldwide infrastructure and to the installation of a new financial system in Europe. The \$14.8 million increase in capital expenditures from fiscal 1999 to fiscal 2000 primarily relates to the installation of a new financial system in the United States.

Cash flows from investing activities also includes premiums paid on corporate-owned life insurance, or COLI, contracts. We purchase COLI contracts to provide a funding vehicle for anticipated payments due under our deferred executive compensation programs. Premiums on these COLI contracts, net of benefits received, were \$9.5 million, \$10.6 million and \$12.4 million in fiscal 2001, 2000 and 1999, respectively. Generally, we borrow against the cash surrender value of the COLI contracts to partially fund the COLI premium payments to the extent interest expense on the borrowings is deductible for U.S. income tax purposes. The fluctuation in premium payments over the past three fiscal years is attributable to the timing of payments.

Cash (used in) or provided by financing activities was (\$2.3) million, \$8.7 million and \$92.9 million in fiscal 2001, 2000 and 1999, respectively. In the current fiscal year, we made payments of \$14.2 million on shareholder acquisition notes and received proceeds from the issuance of common stock of \$10.3 million, including proceeds from stock options exercised of \$5.9 million. During fiscal 2000, we borrowed \$3.3 million under COLI contracts and received proceeds from the issuance of common stock of \$8.4 million, including proceeds from stock options exercised of \$6.1 million, offset by \$1.5 million paid to repurchase common stock and make payments on the related notes.

During fiscal 1999, cash provided by financing activities of \$92.9 million, resulted primarily from net proceeds raised in the initial public offering of \$124.3 million and \$3.0 million from certain selling shareholders received in repayment of outstanding notes receivable; offset by \$14.4 million used to repay our term loan and all outstanding indebtedness under our prior credit facility, \$27.1 million to complete the redemption of shares of our capital stock, primarily shares owned by shareholders under the terms of a 1994 stock redemption agreement and the outstanding shares of Series A and B preferred stock and \$4.3 million to pay existing obligations to former holders of phantom units and stock appreciation rights, resulting in net proceeds available for investment of \$81.5 million. Prior to the initial public offering, we issued approximately 6.6 million shares of common stock to newly hired and promoted consultants for \$36.1 million of which \$16.7 million was received in cash and repurchased approximately 2.6 million

shares of common stock from terminated employees for \$21.9 million. In fiscal 1999, we also borrowed \$6.0 million under COLI contracts and repaid bank borrowings and other debt aggregating \$5.0 million.

Total outstanding borrowings under life insurance policies were \$47.9 million, \$44.9 million and \$42.7 million as of April 30, 2001, 2000 and 1999, respectively. Such borrowings are secured by the cash surrender value of the life insurance policies, do not require principal payments and bear interest at various variable rates.

We believe that cash on hand, investments in marketable securities, funds from operations and available borrowings under our credit facility will be

sufficient to meet our anticipated working capital, capital expenditures, and general corporate requirements for the foreseeable future.

Recent Events

In June 2001, we hired a new Chief Executive Officer, Paul Reilly. We entered into an employment agreement with Mr. Reilly with terms similar to our existing contracts with our five highest paid executive officers, including provisions requiring certain payments upon termination without cause. In addition, we issued 100,000 shares of restricted stock and 450,000 options with an exercise price of \$15.50 per share, of which 300,000 options vest in equal installments over three years and 150,000 options vest in installments based on the attainment of certain price levels for KFY stock, ranging from \$28 to \$38 per share.

Mr. Reilly is currently reviewing our business operations, investments and employees in light of current worldwide economic conditions and our financial results and evaluating our strategy and opportunities to eliminate excess costs going forward.

Also, in June 2001, we entered into a Service Integration and Promotion Agreement with Yahoo! Inc. We have joined forces to create a Yahoo!-Careers Executive Center with the goal of building the dominant on-line career channel for executives, middle-management, technology and professional positions earning \$75,000 or more. Korn/Ferry and Futurestep will be the exclusive sponsors of the executive center, co-branded with Yahoo! In connection with this agreement, we funded \$0.6 million at the effective date and committed to fund \$0.3 million quarterly beginning July 1, 2001 through January 1, 2003 to promote the executive center.

Quarterly Results

The following table sets forth certain unaudited statement of operations data for the quarters in fiscal 2000 and 2001. The unaudited quarterly information has been prepared on the same basis as the annual financial statements and, in management's opinion, includes all adjustments necessary to present fairly the information for the quarters presented. Results for the previous fiscal quarter are not necessarily indicative of results for the full fiscal year or for any future fiscal quarter.

<TABLE>
<CAPTION>

	Quarters Ended							
	Fiscal 2000				Fiscal 2001			
	July 31	Oct. 31	Jan. 31	April 30	July 31	Oct. 31	Jan. 31	April 30
	(in thousands, except per share amounts)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue.....	\$104,780	\$116,322	\$122,075	\$157,566	\$173,623	\$173,621	157,171	149,362
Operating profit.....	10,245	11,517	14,611	18,432	18,540	13,588	14,952	15,827
Net income.....	5,604	6,502	8,285	10,420	10,007	6,108	6,903	7,995
Net income per share								
Basic.....	0.16	0.18	0.23	0.29	0.27	0.16	0.18	0.21
Diluted.....	0.15	0.17	0.22	0.27	0.26	0.16	0.18	0.21

</TABLE>

Euro Conversion

As of January 1, 1999, several member countries of the European Union established fixed conversion rates among their existing local currencies, and adopted the Euro as their new common legal currency. The Euro trades on currency exchanges and the legacy currencies will remain legal tender in the participating countries for a transition period which expires January 1, 2002.

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Between January 1, 2002 and October 1, 2002, the participating countries will introduce Euro notes and coins and withdraw all legacy currencies so that they will no longer be available. During the transition period, cashless payments can be made in the Euro, and parties can elect to pay for goods and services and transact business using either the Euro or a legacy currency.

We have assessed our information technology systems and determined that they allow for transactions to take place in both the legacy currencies and the Euro and accommodate the eventual elimination of the legacy currencies. Our currency risk may be affected as the legacy currencies are converted to the Euro. Accounting, tax and governmental legal and regulatory guidance generally has not been provided in final form and we will continue to evaluate issues involving introduction of the Euro throughout the transition period. The conversion to the Euro has not had a significant impact on our operations to date.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") has finalized new accounting standards covering business combinations, goodwill and intangible assets. These new rules published in July 2001, will consist of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets". In conjunction with these new accounting standards the FASB has issued "Transition Provisions for New Business Combination Accounting Rules" ("Provisions") that allow non-calendar year-end companies to cease amortization of goodwill and adopt the new impairment approach as of the beginning of their fiscal year that starts during either 2001 or 2002. We are currently evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. While the ultimate impact of the new accounting standards has yet to be determined, we may elect to cease amortization of existing goodwill as early as the first quarter of fiscal 2002 in accordance with the Provisions. Amortization of goodwill was \$12.2 million, \$3.4 million and \$1.1 million in fiscal 2001, 2000 and 1999, respectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a result of its global operating activities, we are exposed to certain market risks, including foreign currency exchange fluctuations, fluctuations in interest rates and variability in interest rate spread relationships. We manage our exposure to these risks in the normal course of our business as described below. We have not utilized financial instruments for trading or other speculative purposes nor do we trade in derivative financial instruments.

Foreign Currency Risk

Generally, financial results of our foreign subsidiaries are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each year and revenue and expenses are translated at average rates of exchange during the year. Resulting translation adjustments are reported as a component of comprehensive income.

Financial results of foreign subsidiaries in countries with highly inflationary economies are measured in U.S. dollars. The financial statements of these subsidiaries are translated using a combination of current and historical rates of exchange and any translation adjustments are included in determining net income.

Historically, we have not realized any significant translation gains or losses on transactions involving U.S. dollars and other currencies. This is primarily due to natural hedges of revenue and expenses in the functional currencies of the countries in which our offices are located and investment of excess cash balances in U.S. dollar denominated accounts. In fiscal 2001, 2000 and 1999, we recognized foreign currency losses, after income taxes, of \$0.5 million, \$1.7 million and \$0.6 million, respectively, primarily related to our Europe and Asia/Pacific operations. Realization of translation gains or losses due to the translation of intercompany payables denominated in U.S. dollars is mitigated through the timing of repayment of these intercompany borrowings.

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Interest Rate Risk

We primarily manage our exposure to fluctuations in interest rates through our regular financing activities that generally are short term and provide for variable market rates. We have no outstanding balance on our revolving line of credit as of April 30, 2001. At April 30, 2001, we had \$47.9 million of borrowings against the cash surrender value of COLI contracts bearing interest at variable rates payable at least annually and \$23.7 million of notes payable, of which \$23.1 million is due to shareholders resulting from business acquisitions in fiscal 2000 and 2001, at rates ranging from 5.5% to 8.5%, of which \$11.9 million matures in 2002 and \$11.8 million matures in 2003. We have investments in interest bearing securities at market rates with original maturities ranging from May 1, 2001 through March 14, 2002 and an average maturity period of less than two months.

Item 8. Financial Statements and Supplementary Data

See Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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Item 10. Directors and Executive Officers of the Registrant

The information required by this Item will be included under the captions "The Board of Directors," "Nominees for Director--Class 2002," "Nominees for Director--Class 2003," and "Nominees for Directors--Class 2004" in our fiscal 2001 Proxy Statement, and is incorporated herein by reference. See also "Executive Officers of the Registrant" in Part I of this report.

Item 11. Executive Compensation

The information required by this Item will be included under the captions "Executive Compensation--Summary Compensation Table," "Executive Compensation--Option Grant Table," "Executive Compensation--Aggregated Option Exercises and Year-end Option Values" and "Employment Agreements" in our fiscal 2001 Proxy Statement, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item will be included under the caption "Security Ownership of Certain Beneficial Owners and Management" in our fiscal 2001 Proxy Statement, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information required by this Item will be included under the caption "Certain Relationships and Related Transactions" in our fiscal 2001 Proxy Statement, and is incorporated herein by reference.

PART IV.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) THE FOLLOWING DOCUMENTS ARE FILED AS A PART OF THIS REPORT.

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<CAPTION>

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1. Index to Financial Statements:	
See Consolidated Financial Statements included as part of this Form 10-K.....	F-1
2. Financial Statement Schedules:	
Report of Independent Public Accountants.....	F-24
Schedule II--Valuation and Qualifying Accounts.....	F-25

3. Exhibits:

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number -----	Description of Exhibit -----
<C>	<S>
3.1	Certificate of Incorporation of the Company. Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended October 31, 1999, and incorporated herein by reference.
3.2	Bylaws of the Company. Filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended October 31, 1999, and incorporated herein by reference.
4.1	Specimen Common Stock certificate. Filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-49286), and incorporated herein by reference.
10.1*	Form of Indemnification Agreement between the Company and each of its executive officers and directors. Filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.2*	Performance Award Plan. Filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.3*	Amendments to Performance Award Plan.
10.4*	Form of U.S. and International Worldwide Executive Benefit Retirement Plan. Filed as Exhibit 10.3 to the Company's Registration Statement of Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
10.5*	Form of U.S. and International Worldwide Executive Benefit Life Insurance Plan. Filed as Exhibit 10.4 to the Company's

- Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.6* Worldwide Executive Benefit Disability Plan (in the form of Long-Term Disability Insurance Policy). Filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
 - 10.7* Form of U.S. and International Enhanced Executive Benefit and Wealth Accumulation Plan. Filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
 - 10.8* Form of U.S. and International Senior Executive Incentive Plan. Filed as Exhibit 10.7 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
 - 10.9* Executive Salary Continuation Plan. Filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
 - 10.10* Form of Amended and Restated Stock Repurchase Agreement. Filed as Exhibit 10.10 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.

</TABLE>

27

<TABLE>

<CAPTION>

Exhibit
Number

Description of Exhibit

<C>

<S>

- 10.11* Form of Standard Employment Agreement. Filed as Exhibit 10.11 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.12* Form of U.S. and Foreign Executive Participation Program. Filed as Exhibit 10.27 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 10.13* Letter Agreement between the Company and Richard M. Ferry dated January 8, 2001. Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended January 31, 2001, and incorporated herein by reference.
- 10.14* Employment Agreement between the Company and Paul C. Reilly, dated May 24, 2001.
- 10.15* Employment Agreement between the Company and Peter L. Dunn effective April 29, 1999. Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K, for the fiscal year ended April 30, 1999, and incorporated herein by reference.
- 10.16* Employment Agreement between the Company and Elizabeth S.C.S. Murray effective April 29, 1999. Filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K, for the fiscal year ended April 30, 1999, and incorporated herein by reference.
- 10.17* Employment Agreement between the Company and Gary C. Hourihan effective March 6, 2000. Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K, for the fiscal year ended April 30, 2000, and incorporated herein by reference.
- 10.18* Employment Agreement between the Company and Michael Bekins, dated May 1, 2000. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended January 31, 2001, and incorporated herein by reference.
- 10.19* Korn/Ferry International Special Severance Pay Policy, dated January 1, 2000. Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended January 31, 2001, and incorporated herein by reference.
- 10.20 Loan Agreement dated as of October 31, 2000, by and among the Company, Bank of America, N.A. and other Lenders named therein. Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2000, and incorporated herein by reference.
- 10.21 Amendment I, dated as of January 30, 2001, to the Loan Agreement, dated as of October 31, 2000 by and among the Company, and Bank of America, N.A. and the other Lenders named therein. Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, for the fiscal quarter ended January 31, 2001, and incorporated herein by reference.
- 10.22 Trademark License and Promotion Agreement between Dow Jones & Company, the Company and Korn/Ferry International Futurestep, Inc. dated June 8, 1998. Filed as Exhibit 10.19 to the Company's Registration Statement on Form S-1 (No. 333-61697), effective February 10, 1999, and incorporated herein by reference.
- 21.1 Subsidiaries of Korn/Ferry International.
- 23.1 Consent of Independent Public Accountants.
- 24.1 Power of Attorney (contained on the signature page).

</TABLE>

* Management contract, compensatory plan or arrangement

(b) REPORTS ON FORM 8-K.

Current report event date May 24, 2001 (Item 5 and Item 7) was filed with the SEC on May 24, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KORN/FERRY INTERNATIONAL

/s/ Elizabeth S.C.S. Murray
By: _____
Elizabeth S.C.S. Murray
Chief Financial Officer, Treasurer
and
Executive Vice President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned officers and directors of the Registrant hereby constitutes and appoints Peter L. Dunn and Elizabeth S.C.S. Murray, and each of them, as lawful attorney-in-fact and agent for each of the undersigned (with full power of substitution and resubstitution, for and in the name, place and stead of each of the undersigned officers and directors), to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, any and all amendments, supplements and exhibits to this report and any and all other documents in connection therewith, hereby granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in order to effectuate the same as fully and to all intents and purposes as each of the undersigned might or could do if personally present, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or any of their substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ Paul C. Reilly ----- Paul C. Reilly	<C> Chairman of the Board and Chief Executive Officer	<C> July 27, 2001
/s/ Elizabeth S.C.S. Murray ----- Elizabeth S.C.S. Murray	Chief Financial Officer, Treasurer And Executive Vice President (Principal Financial Officer)	July 27, 2001
/s/ Donald E. Jordan ----- Donald E. Jordan	Senior Vice President of Finance (Principal Accounting Officer)	July 27, 2001
/s/ James E. Barlett ----- James E. Barlett	Director	July 27, 2001
/s/ Frank V. Cahouet ----- Frank V. Cahouet	Director	July 27, 2001
/s/ Peter L. Dunn ----- Peter L. Dunn	Director	July 27, 2001

</TABLE>

<TABLE>
<CAPTION>

Signature Title Date

-----	-----	-----
<S>	<C>	<C>
/s/ Richard M. Ferry	Director	July 27, 2001
<hr/>		
Richard M. Ferry		
/s/ Timothy K. Friar	Director	July 27, 2001
<hr/>		
Timothy K. Friar		
	Director	
<hr/>		
Sakie Fukushima		
/s/ Patti S. Hart	Director	July 27, 2001
<hr/>		
Patti S. Hart		
	Director	
<hr/>		
Scott E. Kingdom		
/s/ Charles D. Miller	Director	July 27, 2001
<hr/>		
Charles D. Miller		
/s/ Windle B. Priem	Director	July 27, 2001
<hr/>		
Windle B. Priem		
/s/ Gerhard Schulmeyer	Director	July 26, 2001
<hr/>		
Gerhard Schulmeyer		
	Director	
<hr/>		
Mark Thompson		

</TABLE>

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Consolidated Statements of Shareholders' Equity for the three years ended April 30, 2001.....	F-5
Consolidated Statements of Cash Flows for the three years ended April 30, 2001.....	F-6
Notes to Consolidated Financial Statements.....	F-7

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Korn/Ferry International:

We have audited the accompanying consolidated balance sheets of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES (the "Company"), a Delaware corporation, as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended April 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial

statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES as of April 30, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Los Angeles, California
June 11, 2001

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	April 30,	
	2000	1999
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents.....	\$ 88,463	\$ 86,975
Marketable securities.....	16,397	59,978
Receivables due from clients, net of allowance for doubtful accounts of \$13,319 and \$12,538.....	91,513	101,506
Other receivables.....	11,299	8,112
Deferred income taxes.....	8,821	3,814
Prepaid expenses.....	9,909	7,453
Total current assets.....	226,402	267,838
Property and equipment:		
Computer equipment and software.....	48,715	32,532
Furniture and fixtures.....	24,223	18,175
Leasehold improvements.....	23,814	15,304
Automobiles.....	1,889	1,793
	98,641	67,804
Less: Accumulated depreciation and amortization.....	(43,652)	(31,992)
Property and equipment, net.....	54,989	35,812
Cash surrender value of company owned life insurance policies, net of loans.....	54,361	50,632
Marketable securities and other investments.....	6,894	1,129
Deferred income taxes.....	24,942	17,790
Goodwill and other intangibles, net of accumulated amortization of \$20,872 and \$8,709.....	128,066	96,643
Other.....	4,675	6,150
Total assets.....	\$500,329	\$475,994

LIABILITIES AND SHAREHOLDERS' EQUITY

Notes payable and current maturities of long-term debt.....	\$ 11,881	\$ 16,147
Accounts payable.....	13,360	11,896
Income taxes payable.....	2,728	407
Compensation and related taxes.....	110,702	117,259
Other accrued liabilities.....	32,523	39,081
Total current liabilities.....	171,194	184,790
Deferred compensation.....	41,522	37,483
Long-term debt.....	11,842	16,916
Other.....	2,319	2,361
Total liabilities.....	226,877	241,550
Non-controlling shareholders' interest.....	3,286	3,220
Shareholders' equity:		

Common stock, \$0.01 par value, 150,000 shares authorized, 38,082 and 37,257 shares issued and 37,516 and 36,748 shares outstanding.....	296,069	283,277
Deficit.....	(4,602)	(35,615)
Accumulated other comprehensive loss.....	(16,598)	(7,300)
	-----	-----
Shareholders' equity.....	274,869	240,362
Less: Notes receivable from shareholders.....	(4,703)	(9,138)
	-----	-----
Total shareholders' equity.....	270,166	231,224
	-----	-----
Total liabilities and shareholders' equity.....	\$500,329	\$475,994
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue.....	\$653,777	\$500,743	\$356,075
Compensation and benefits.....	387,776	298,908	226,568
General and administrative expenses.....	203,094	147,030	94,860
Non-recurring charges.....			89,202
Interest income and other income, net.....	4,813	7,402	4,178
Interest expense.....	7,421	4,436	4,463
	-----	-----	-----
Income (loss) before provision for income taxes and non-controlling shareholders' interest.....	60,299	57,771	(54,840)
Provision for income taxes.....	25,326	24,126	9,026
Non-controlling shareholders' interest.....	3,960	2,834	2,560
	-----	-----	-----
Net income (loss).....	\$ 31,013	\$ 30,811	\$(66,426)
	=====	=====	=====
Basic earnings (loss) per common share.....	\$ 0.83	\$ 0.85	\$(2.37)
	=====	=====	=====
Basic weighted average common shares outstanding...	37,266	36,086	28,086
	=====	=====	=====
Diluted earnings (loss) per common share.....	\$ 0.81	\$ 0.82	\$(2.37)
	=====	=====	=====
Diluted weighted average common shares outstanding.....	38,478	37,680	28,086
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

<TABLE>
<CAPTION>

	Preferred Stock Series A&B	Common Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Allocation of Shareholders' Equity to Redeemable Stock	Shareholders' Equity	Comprehensive Income (Loss)
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance as of April 30, 1998.....	\$ 13	\$ 16,933	\$ 54,015	\$ (4,842)	\$ (63,526)	\$ 2,593	
Purchase of stock.....	(13)	(22,569)				(22,582)	
Issuance of stock.....		160,198				160,198	
Initial public offering related							

charge.....	49,286				49,286	
Release of book value restriction.....	49,173	(54,015)	4,842	63,526	63,526	
Comprehensive Loss:						
Net loss.....		(66,426)			(66,426)	\$ (66,426)
Foreign currency translation adjustments.....			(2,360)		(2,360)	(2,360)
Comprehensive loss.....						\$ (68,786)
Balance as of April 30, 1999.....	253,021	(66,426)	(2,360)		184,235	
Purchase of stock.....	(964)				(964)	
Issuance of stock.....	31,220				31,220	
Comprehensive Income:						
Net income.....		30,811			30,811	\$ 30,811
Foreign currency translation adjustments.....			(4,940)		(4,940)	(4,940)
Comprehensive income....						\$ 25,871
Balance as of April 30, 2000.....	283,277	(35,615)	(7,300)		240,362	
Purchase of stock.....	(118)				(118)	
Issuance of stock.....	12,910				12,910	
Comprehensive Income:						
Net income.....		31,013			31,013	\$ 31,013
Foreign currency translation adjustments.....			(6,336)		(6,336)	(6,336)
Unrealized loss on investment, net of tax benefit of \$2,145.....			(2,962)		(2,962)	(2,962)
Comprehensive income....						\$ 21,715
Balance as of April 30, 2001.....	\$296,069	\$ (4,602)	\$ (16,598)		\$274,869	

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Cash from operating activities:			
Net income (loss).....	\$ 31,013	\$ 30,811	\$ (66,426)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation.....	14,827	9,975	8,090
Amortization of goodwill and intangibles.....	12,163	3,358	1,169
Amortization of note payable discount.....	724	269	
Loss on disposition of property and equipment.....	651		
Provision for doubtful accounts.....	22,951	11,858	6,128
Cash surrender value (gains) losses and benefits in excess of premiums paid.....	2,270	(1,371)	(5,399)
Deferred income tax benefit.....	(4,220)	(1,463)	(2,998)
Tax benefit from exercise of stock options...	2,779	2,837	
Non-recurring initial public offering charges.....			79,300
Other non-recurring charges.....			5,344
Change in other assets and liabilities, net of acquisitions:			
Deferred compensation.....	4,039	5,400	4,560
Receivables.....	(15,492)	(53,859)	(11,349)
Prepaid expenses.....	(2,456)	(1,717)	529
Income taxes.....	2,306	(3,869)	(3,219)

Accounts payable and accrued liabilities.....	(8,809)	71,493	23,249
Non-controlling shareholders' interest and other, net.....	690	800	(316)
	-----	-----	-----
Net cash provided by operating activities..	63,436	74,522	38,662
	-----	-----	-----
Cash from investing activities:			
Purchase of property and equipment.....	(33,962)	(22,875)	(8,102)
Purchase of marketable securities.....	(16,397)	(31,050)	(30,057)
Sale of marketable securities.....	61,107		
Business acquisitions, net of cash acquired...	(44,488)	(42,882)	(1,323)
Premiums on life insurance, net of benefits received.....	(9,485)	(10,611)	(12,421)
Investment in businesses.....	(12,570)		
Redemption of guaranteed investment contracts.....			1,746
Sale of interest in affiliates.....			2,308
	-----	-----	-----
Net cash used in investing activities.....	(55,795)	(107,418)	(47,849)
	-----	-----	-----
Cash from financing activities:			
Payment of bank debt.....	(1,365)		(1,000)
Payment of shareholder acquisition notes.....	(14,200)	(1,555)	
Borrowings under life insurance policies.....	3,486	3,324	5,956
Net borrowings on credit line.....			(4,000)
Purchase of common and preferred stock and payment of related notes.....	(533)	(1,527)	(27,514)
Issuance of common stock and receipts on shareholders' notes.....	10,287	8,427	150,888
Initial public offering related non-recurring charges.....			(31,400)
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(2,325)	8,669	92,930
	-----	-----	-----
Effect of foreign currency exchange rate changes on cash flows.....	(3,828)	(2,539)	(2,360)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	1,488	(26,766)	81,383
Cash and cash equivalents at beginning of the period.....	86,975	113,741	32,358
	-----	-----	-----
Cash and cash equivalents at end of the period..	\$ 88,463	\$ 86,975	\$113,741
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2001

(dollars in thousands, except per share amounts)

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Korn/Ferry International, a Delaware corporation, and its subsidiaries are engaged in the business of providing executive recruitment, Internet-based middle-management recruitment, through Futurestep, and consulting and related services globally on a retained basis. In addition, college recruitment services are provided in North America through JobDirect.

Basis of Consolidation and Accounting for Investments

The consolidated financial statements include the accounts of Korn/Ferry International ("KFY"), all of its wholly and majority owned domestic and international subsidiaries, and affiliated companies in which KFY has effective control (collectively, the "Company"). All material intercompany accounts and transactions have been eliminated.

Investments in companies in which KFY does not have a controlling interest, or an ownership and voting interest so large as to exert significant influence, are accounted for at market value if the investment is publicly traded and there are no resale restrictions greater than one year, or if the investment is not publicly traded, then the investment is accounted for at cost. Unrealized gains and losses on investments accounted for at market value are reported net of tax as a component of accumulated other comprehensive income (loss) until the investment is sold, at which time the realized gain or loss is included in income. Dividends and other distributions of earnings from

both market-value and cost-method investments are included in income when declared.

Basis of Presentation

The accounting and reporting policies of the Company conform with accounting practices generally accepted in the United States and prevailing practice within the industry.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. As a result, actual results could differ from these estimates.

Reclassifications

Certain prior year reported amounts have been reclassified in order to conform to the current year consolidated financial statement presentation.

Revenue Recognition

Substantially all professional fee revenue is derived from fees for professional services related to executive recruitment, middle-management recruitment, consulting and related services. Fee revenue is recognized as services are substantially rendered, generally over a ninety day period commencing in the month of initial acceptance of a search engagement. The Company generally bills clients in three monthly installments over this period. Reimbursable

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

expenses included in revenue, represent specifically identified and allocated costs related to professional services that are billed to clients.

Translation of Foreign Currencies

Generally, financial results of the Company's foreign subsidiaries are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each year and revenue and expenses are translated at average rates of exchange during the year. Resulting translation adjustments are reported as a component of comprehensive income.

Gains and losses from foreign currency transactions of these subsidiaries and the translation of the financial results of subsidiaries operating in highly inflationary economies are included in general and administrative expenses. Net foreign currency transaction and translation losses, on an after tax basis, included in net income (loss), were \$505, \$1,710 and \$612 in fiscal 2001, 2000 and 1999, respectively.

Cash Flows

Cash equivalents consist of highly liquid investments with maturities of three months or less at the date of purchase.

Net cash from operating activities includes cash payments for interest of \$7,401, \$3,591 and \$4,339 in fiscal 2001, 2000 and 1999, respectively. Cash payments for income taxes, net of refunds, amounted to \$28,125, \$27,284 and \$14,989 in fiscal 2001, 2000 and 1999, respectively.

Marketable Securities

Management determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates this classification at each balance sheet date. The securities have original maturities ranging from May 1, 2001 through March 14, 2002 and are classified as available-for-sale. Upon maturity, the proceeds will be re-invested into similar short-term, available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a component of accumulated other comprehensive income (loss). At April 30, 2001, the estimated fair value of the investments approximated the amortized cost and, therefore, there were no significant unrealized gains or losses. Investments in marketable securities consisted of the following:

<TABLE>
<CAPTION>

	As of April 30, 2001	As of April 30, 2000	
	Current	Current	Long-term
<S>	<C>	<C>	<C>
U.S. Treasury and government securities.....		\$ 1,996	
Short term municipals.....	\$13,450	41,150	
Municipals auction preferred.....	2,000	5,000	
Corporate auction preferred.....		5,400	
Certificates of deposit.....	947	3,998	
Commercial paper.....		1,506	
Asset-backed securities.....		928	\$1,129
	-----	-----	-----
Marketable securities.....	\$16,397	\$59,978	\$1,129
	=====	=====	=====

</TABLE>

The certificates of deposit as of April 30, 2001 were purchased in November 2000 to serve as collateral for the letters of credit issued under the Company's former line of credit. The maturity dates of the certificates of deposit

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

correspond with the expiration dates of the letters of credit. The final certificate of deposit maturity date under this arrangement is March 2002. Certificates of deposit at April 30, 2000 were not related to letters of credit.

Fair Value of Financial Instruments

The carrying amount of cash, cash equivalents and accounts receivable approximates fair value due to the short maturity of these instruments. Notes payable and long-term debt bear interest at rates that approximate the current market interest rates for similar instruments and, accordingly the carrying value approximates fair value. The fair value of notes receivable from shareholders based on discounting the estimated future cash flows using a current market rate approximates the carrying value.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of receivables due from clients. Concentrations of credit risk with respect to receivables are limited due to the Company's large number of customers and their dispersion across many different industries and countries worldwide.

Cash Surrender Value of Life Insurance

The change in the cash surrender value ("CSV") of company owned life insurance ("COLI") contracts in excess of insurance premiums paid is reported in compensation and benefits expense. (See Note 7).

Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation. Leasehold improvements are amortized over the useful life of the asset, or the lease term, whichever is less, using the straight-line method. Software development costs are capitalized and, once placed in service, amortized using the straight-line method over the estimated useful life, generally five years. All other property and equipment is depreciated or amortized over the estimated useful lives of three to ten years, using the straight-line method.

Goodwill and Other Intangibles

Goodwill represents the excess of the acquisition cost over the net assets acquired in business combinations and is amortized primarily on a straight-line basis over the estimated useful life, currently five to fifteen years. Other intangibles arising from business acquisitions include contractual obligations contingent upon future performance and are amortized on a straight-line basis over the contractual period.

The Company re-evaluates goodwill and other intangibles based on undiscounted operating cash flows whenever significant events or changes occur

which might impair recovery of recorded costs, and writes down recorded costs of the assets to fair value (based on discounted cash flows or market values) when recorded costs, prior to impairment, are higher. The Company has not recorded any charges against income for impairment based on these evaluations.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has finalized new accounting standards covering business combinations, goodwill and intangible assets. These new rules published in July 2001, will consist of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

Other Intangible Assets". In conjunction with these new accounting standards the FASB has issued "Transition Provisions for New Business Combination Accounting Rules" ("Provisions") that allow non-calendar year-end companies to cease amortization of goodwill and adopt the new impairment approach as of the beginning of their fiscal year that starts during either 2001 or 2002. The Company is currently evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. While the ultimate impact of the new accounting standards has yet to be determined, the Company may elect to cease amortization of existing goodwill as early as the first quarter of fiscal 2002 in accordance with the Provisions. Amortization of goodwill was \$12,163, \$3,358 and \$1,169 in fiscal 2001, 2000 and 1999, respectively.

2. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per common share ("basic EPS") was computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common and common equivalent share ("diluted EPS") was determined by dividing the net income (loss) by the weighted average number of common shares outstanding and dilutive common equivalent shares. Following is a reconciliation of the numerator (income or loss) and denominator (shares in thousands) used in the computation of basic and diluted EPS:

<TABLE>

<CAPTION>

	Fiscal year ended April 30,									
	2001			2000			1999			
	Income	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount	(Loss)	Income	Weighted Average Shares	Per Share Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Basic EPS										
Income (loss) available to common shareholders.....	\$31,013	37,266	\$0.83	\$30,811	36,086	\$0.85	\$(66,426)	28,086		\$(2.37)
			=====			=====				=====
Effect of dilutive securities										
Shareholder common stock purchase commitments...		270			373					
Stock options.....		942			1,221					
	-----	-----		-----	-----		-----	-----		
Diluted EPS										
Income (loss) available to common shareholders plus assumed conversions.....	\$31,013	38,478	\$0.81	\$30,811	37,680	\$0.82	\$(66,426)	28,086		\$(2.37)
	=====	=====	=====	=====	=====	=====	=====	=====		=====

</TABLE>

There were no dilutive stock options or common stock purchase commitments at April 30, 1999 included in the computation of diluted EPS as the exercise prices were greater than the average market price of common shares outstanding during the period.

3. Stock Option Plans

In July 1998, the Company adopted the Performance Award Plan (the "Plan") to provide a means to attract, motivate, reward and retain talented and experienced officers, non-employee directors, other key employees and certain other eligible persons who may be granted awards from time to time by the

Board of Directors ("the Board") or the Compensation Committee, or, for non-employee directors, under a formula provided in the Plan. The maximum number of shares of common stock reserved for issuance is thirteen million, subject to adjustment for certain changes in the Company's capital structure and other extraordinary events. Shares subject to awards that are not paid for or exercised before they expire or are terminated are available for other grants under the Plan to the

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

extent permitted by law. The Plan is not exclusive. The Board may grant stock and performance incentives or other compensation, in stock or cash, under other plans or authority.

Awards under the Plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights ("SARs"), restricted stock, performance shares, stock bonuses or cash bonuses based on performance. The maximum term of options, SARs and other rights to acquire common stock under the Plan is ten years after the initial date of award, subject to provisions for further deferred payment in certain circumstances. Awards may be granted individually or in combination with other awards. No incentive stock option may be granted at a price that is less than the fair market value of the common stock (110% of fair market value of the common stock for certain participants) on the date of grant. Nonqualified stock options and other awards may be granted at prices below the fair market value of the common stock on the date of grant. Restricted stock awards can be issued for nominal or the minimum lawful consideration. Typically, the participant may vote restricted stock, but any dividend on restricted shares will be held in escrow subject to forfeiture until the shares have vested. No more than 350,000 shares will be available for restricted stock awards, subject to exceptions for restricted stock awards based on past service, deferred compensation and performance awards. No awards other than cash bonuses, stock options and SARs have been granted under the Plan in fiscal 1999, 2000 and 2001.

The maximum number of shares subject to awards (either performance or otherwise) that may be granted to an individual in the aggregate in any one calendar year is 1,050,000. A non-employee director may not receive awards of more than 50,000 shares in the aggregate in any one calendar year. With respect to cash-based performance awards, no more than \$2.5 million per year may be awarded to any one individual. No more than one performance cycle may begin in any one year with respect to cash-based performance awards.

Under the Plan, each director who is not an officer or employee (a "Non-Employee Director") is automatically granted a nonqualified stock option to purchase 2,500 shares of common stock when the person takes office and on the day of each annual shareholders meeting, at an exercise price equal to the market price of the common stock at the close of trading on that date. Non-Employee Directors may also be granted discretionary awards. All automatically granted Non-Employee Director stock options will have a ten-year term and will be immediately exercisable. If a Non-Employee Director's services are terminated for any reason, any automatically granted stock options held by such Non-Employee Director that are exercisable will remain exercisable for twelve months after such termination of service or until the expiration of the option term, whichever occurs first. In fiscal 2001, the Company granted 15,000 stock options to Non-Employee Directors.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

The status of the Company's stock option plans is summarized below:

<TABLE>
<CAPTION>

	Number of Shares (in thousands)	Weighted Average Exercise Price
<S>	<C>	<C>
Granted in fiscal 1999.....	3,574	\$13.76
Canceled/forfeited.....	(2)	14.00
	-----	-----
Outstanding at April 30, 1999.....	3,572	13.76
Granted.....	897	25.30

Exercised.....	(443)	13.89
Canceled/forfeited.....	(197)	14.81
	-----	-----
Outstanding at April 30, 2000.....	3,829	\$16.40
Granted.....	4,125	23.71
Exercised.....	(429)	13.65
Canceled/forfeited.....	(466)	20.47
	-----	-----
Outstanding at April 30, 2001.....	7,059	\$20.66
	=====	=====

</TABLE>

In June 2001, the Board approved the issuance of up to 1.5 million additional options under the Plan with respect to performance during the fiscal year ended April 30, 2001. These options have a grant date of June 27, 2001 and an exercise price per share equal to the closing market price on the date of the grant of \$16.04.

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations to account for its stock-based compensation arrangements. Under APB 25, no compensation expense is recognized for stock option awards granted at or above fair market value.

The following table presents pro forma information regarding net income and earnings per share determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123 "Accounting for Stock-Based Compensation".

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Net earnings (loss)			
As reported.....	\$31,013	\$30,811	\$(66,426)
Pro forma.....	10,484	22,849	(67,307)
Basic earnings (loss) per share			
As reported.....	0.83	0.85	(2.37)
Pro forma.....	0.28	0.63	(2.40)
Dilutive earnings (loss) per share			
As reported.....	0.81	0.82	(2.37)
Pro forma.....	0.27	0.61	(2.40)

</TABLE>

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
April 30, 2001

(dollars in thousands, except per share amounts)

The weighted average fair value of options granted in fiscal 2001, 2000 and 1999 was \$16.49, \$17.99 and \$9.67, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with a zero dividend rate and the following assumptions:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Expected stock volatility.....	64.5%	55.3%	62.4%
Risk-free interest rate.....	5.37%	6.33%	5.18%
Expected option life (in years).....	5 to 9	5 to 9	7 to 9

</TABLE>

Summary information about the Company's stock options outstanding at April 30, 2001 is presented in the following table:

<TABLE>
<CAPTION>

Options Outstanding			Options Exercisable		
Range of	Number	Weighted Average Remaining Contractual	Weighted Average Exercise	Number	Weighted Average Exercise
-----	-----	-----	-----	-----	-----

Exercise Price -----	Outstanding ----- (in thousands)	Life in years -----	Price -----	Exercisable ----- (in thousands)	Price -----
<S>	<C>	<C>	<C>	<C>	<C>
\$ 8.40 to					
\$12.60	8	7.9	\$11.75	6	\$11.79
12.60 to					
16.80	2,535	6.1	13.76	1,472	13.75
16.80 to					
21.00	70	9.5	18.13	5	17.69
21.00 to					
25.20	3,223	9.1	22.41	33	22.69
25.20 to					
29.40	531	8.4	28.01	51	28.11
29.40 to					
33.60	412	8.7	30.30	101	29.78
33.60 to					
37.80	259	8.8	35.25	48	35.25
37.80 to					
42.00	21	7.1	41.46	6	42.00
-----	-----	---	-----	-----	-----
\$ 8.40 to					
\$42.00	7,059	7.9	\$20.66	1,722	\$16.00
-----	-----	---	-----	-----	-----

</TABLE>

As of April 30, 2001, Futurestep has granted 2,467,459 options and SARs under its stock compensation plan. All awards have been granted at an estimate of the fair value on the date of the grant, as determined by the Futurestep Board of Directors. The maximum number of shares to be awarded under the Futurestep stock compensation plan is 3,500,000. If all options outstanding as of April 30, 2001 were exercised, the option holders would own approximately 10.9% of Futurestep.

4. One-time Non-recurring Charges

At the completion of the Company's initial public offering (the "IPO") in February 1999, the Company recognized a non-recurring compensation and benefits expense of \$79.3 million, comprised of (a) \$49.3 million representing the difference between the issuance price of the shares issued by the Company in the period beginning twelve months before the initial filing date of the Registration Statement relating to the IPO and the fair market value of the shares at the date of grant, (b) \$25.7 million from the completion of the redemption by the Company of certain shares of its capital stock, primarily the payment of additional redemption amounts to certain shareholders under the terms of a 1994 stock redemption agreement and (c) \$4.3 million from the payment of existing obligations to former holders of phantom units and SARs.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued) April 30, 2001 (dollars in thousands, except per share amounts)

Additionally, the Company completed an evaluation of its worldwide operations and revenue, compensation costs and other operating expenses for each of its offices and geographic locations in the fourth quarter of fiscal 1999. The Company conducted the evaluation in order to identify, and eventually eliminate, existing inefficiencies and excess costs and to better align and enhance the competitive position of the Company within each region. The Company assessed staff levels and office needs based on individual performance and the economic conditions and the outlook in each region. The Company identified 50 employees that were terminated and three underperforming European offices that were downsized or relocated to more efficient premises. As a result of this analysis, a non-recurring charge to earnings of \$7.0 million for severance and benefit costs related to staff downsizing was recognized in fiscal 1999. This expense is comprised of a \$3.2 million non-cash charge to earnings related to the release of existing book value stock repurchase requirements for nine of the terminated employees and \$3.8 million for severance and benefit payments for the terminated employees, of which \$3.1 million and \$0.7 million was paid in fiscal 1999 and 2000, respectively. The Company also recognized a non-recurring charge of \$0.3 million, of which \$0.2 million was paid as of April 30, 1999, for lease renegotiation and other relocation costs in fiscal 1999. There were no additional charges to earnings related to these items in fiscal 2000 and 2001.

In fiscal 1999, the Company also recognized a non-recurring charge of \$2.6 million in connection with the resignation of the former President and Chief Executive Officer. This charge was comprised of \$1.5 million for compensation and other amounts payable over the next seven months, of which \$0.8 million

and \$0.7 million was paid in fiscal 2000 and 1999, respectively, and a \$1.1 million non-cash charge to earnings representing the difference between the then current book value and the appraised value of 165,168 common shares he retained subsequent to his resignation.

5. Shareholders Agreements and Supplemental Information Regarding Book Value Per Share

From fiscal 1991 to 1999, eligible executives of Korn/Ferry International had the opportunity to purchase shares of common stock at book value and were required to sell their shares of common stock to the Company at book value upon termination of their employment under stock purchase and repurchase agreements collectively referred to as the Equity Participation Program ("EPP"). Shares subject to book value repurchase agreements were classified as mandatorily redeemable common stock in the consolidated balance sheets. For purposes of EPP purchases and sales, book value per share, adjusted for the four-to-one stock split, was \$2.79 at April 30, 1998. The EPP book value calculation excludes the effect of the Series A preferred stock and shareholder notes related to common stock purchases. On May 1, 1998, the Company issued 3,016,000 shares at the book value of \$2.79 per share. The Company repurchased a total of 2,646,000 shares in fiscal 1999 all at book value.

The Board approved the Supplemental Equity Participation Program (the "Supplemental EPP") in July 1998, effective May 2, 1998, that provides for the issuance and repurchase of shares of common stock at fair value. The Company issued 110,000 shares of common stock at the fair market value of \$10.98 per share, appraised as of June 30, 1998 and ceased enrollment of executives in the Supplemental EPP as of August 17, 1998. In November 1998, the Company adopted the Interim Equity Executive Participation Program (the "Interim EPP") in order to permit persons promoted to vice president and other persons hired as vice presidents of the Company between August 18, 1998 and December 30, 1998 to purchase shares of common stock at \$9.69 per share, the fair market value as of December 30, 1998. The Company issued 438,000 shares under the Interim EPP.

The repurchase agreements under the EPP, Supplemental EPP and Interim EPP were amended upon consummation of the IPO to permit employee shareholders to sell their shares in the public market, subject to a liquidity schedule that provides for releases over a four year period in the number of shares that can be sold. As a result, all shares classified as mandatorily redeemable at April 30, 1998, were reclassified to common stock in fiscal 1999.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

In fiscal 1999, the Company terminated its Phantom Stock Plan, established in 1988, and Stock Right Plan, established in 1992 ("these Plans"), in contemplation of the IPO. Based on the book value of a share of common stock at April 30, 1998 of \$2.79, the participants in these Plans could elect to receive a cash payment or shares of common stock in exchange for an aggregate of 276,000 phantom stock units and 114,000 stock rights outstanding as of June 30, 1998, the effective date of termination of these Plans. The Company issued 1,551,000 shares of common stock (reflecting a four-to-one stock split in July 1998) in connection with the termination of these Plans to all but one participant and recognized a non-recurring compensation and benefits expense of \$12,700 at completion of the IPO, representing the excess of the fair market value over the book value of the shares issued in the conversion.

In fiscal 1999, the final year of the stock purchase programs, the Company issued common stock in exchange for notes receivable from shareholders of \$9,262 under the EPP, supplemental EPP and interim EPP. The notes receivable are secured by the common stock purchased, bear interest at primarily 8% and require annual payments of principal and interest through 2004. As of April 30, 2001 and 2000, notes receivable from shareholders for common stock purchases were \$3,848 and \$7,221, respectively.

6. Employee Profit-Sharing and Benefit Plans

The Company has an Employee Tax Deferred Savings Plan that covers eligible employees in the United States. The discretionary accrued contribution to this plan was \$3,892, \$3,027 and \$2,622 for fiscal 2001, 2000 and 1999, respectively. Non-U.S. employees are covered by a variety of pension plans that are applicable to the countries in which they work. The contributions for these plans are determined in accordance with the legal requirements in each country and generally are based on the employees' annual compensation.

7. Deferred Compensation and Life Insurance Contracts

The Company has established several deferred compensation plans for vice-presidents that provide defined benefit payments to participants based on the deferral of current compensation subject to vesting and retirement or termination provisions.

The Enhanced Wealth Accumulation Plan ("EWAP") was established in fiscal 1994. Certain vice presidents elect to participate in a "deferral unit" that requires the contribution of current compensation for an eight year period in return for defined benefit payments from the Company over a fifteen year period generally at retirement at age 65 or later. Participants may acquire additional "deferral units" every five years.

The EWAP replaced the Wealth Accumulation Plan ("WAP") in fiscal 1994 and executives who did not choose to roll over their WAP units into the EWAP continue to be covered under the earlier version in which participants generally vest and commence receipt of benefit payments at retirement at age 65.

The Company also maintains a Senior Executive Incentive Plan ("SEIP") for participants elected by the Board. Generally, to be eligible, the vice president must be participating in the EWAP. Participation in the SEIP requires the vice presidents to contribute a portion of their compensation during a four-year period, or in some cases make an after tax contribution, in return for a defined benefit paid by the Company generally over a fifteen year period at age 65, or retirement.

The Worldwide Executive Benefit Plans ("WEB") are designed to integrate with government sponsored benefits and provide a monthly benefit to vice presidents and shareholders upon retirement from the Company. Each year a plan participant accrues and is fully vested in one-twentieth of the targeted benefits expressed as a percentage set by the Company for that year. Upon retirement, a participant receives a monthly benefit payment equal to the sum of

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

the percentages accrued over such participant's term of employment, up to a maximum of 20 years, multiplied by the participant's highest average monthly salary during any 36 consecutive months in the final 72 months of active full-time employment.

In fiscal 1998, certain employees elected to defer a portion of their compensation, amounting to approximately \$2.5 million, into a new deferred compensation plan established by the Company. This plan was terminated in fiscal 1999, and as required by the agreement, the employees received their deferred compensation plus interest at our average monthly bank borrowing rate, ranging from 6.4% to 8.0% at April 30, 1999 and 1998, respectively.

Certain current and former employees also have individual deferred compensation arrangements with the Company which provide for payment of defined amounts over certain periods commencing at specified dates or events.

For financial accounting purposes, the Company estimates the present value of the future benefits payable under these plans as of the estimated payment commencement date. The Company also estimates the remaining number of years a participant will be employed by the Company. Then, each year during the period of estimated employment, the Company accrues a liability and recognizes expense for a portion of the future benefit using the "benefit/years of service" attribution method for the SEIP, WAP and EWAP plans and the "projected unit credit" method for the WEB plan.

In calculating the accrual for future benefit payments, management has made assumptions regarding employee turnover, participant vesting and the discount rate. Management periodically reevaluates all assumptions. If assumptions change in future reporting periods, the changes may impact the measurement and recognition of benefit liabilities and related compensation expense.

As of April 30, 2001 and 2000, the Company had unrecognized losses related to these deferred compensation plans of \$5,815 and \$5,244 due to changes in assumptions of the discount rate used for calculating the accruals for future benefits. The Company amortizes unrecognized losses over the average remaining service period of active participants. The discount rate was 7.25% and 7.75% in fiscal 2001 and 2000, respectively.

Following is a reconciliation of the benefit obligation for the deferred compensation plans:

<TABLE>
<CAPTION>

Fiscal Year
Ended April 30,

	2001	2000
<S>	<C>	<C>
Benefit obligation at beginning of year.....	\$38,586	\$34,586
Service cost.....	4,061	3,177
Interest cost.....	619	927
Plan participants' contributions.....	3,093	2,071
Recognized loss due to change in assumption.....	325	436
Benefits paid.....	(3,823)	(2,611)
Benefit obligation at end of fiscal year.....	\$42,861	\$38,586
Less: current portion of benefit obligation.....	(1,339)	(1,103)
Long-term benefit obligation at end of year.....	\$41,522	\$37,483

</TABLE>

The Company purchased COLI contracts insuring participants and former participants. The gross CSV of these contracts of \$102,286 and \$95,560 is offset by outstanding policy loans of \$47,925 and \$44,928, on the accompanying consolidated balance sheets as of April 30, 2001 and 2000, respectively.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

Total death benefits payable under COLI contracts were \$248,460 and \$257,878 at April 30, 2001 and 2000, respectively. Management intends to use the future death benefits (if any) from these insurance contracts to fund the deferred compensation arrangements; however, there may not be a direct correlation between the timing of the future cash receipts and disbursements under these arrangements. In addition, certain policies are held in trusts to provide additional benefit security for deferred compensation plans. As of April 30, 2001, COLI contracts with a net cash surrender value of \$46,436 and death benefits payable of \$192,392 were held in trust for these purposes.

8. Notes Payable and Long-Term Debt

At April 30, 2001, the Company maintained a \$100.0 million credit facility with Bank of America. Borrowings under the line of credit bear interest on a sliding scale based on a leverage ratio and use, at management's discretion, either LIBOR or the higher of the bank's prime lending rate or the Federal Funds rate plus 0.5%, which were 7.5% and 5.0%, respectively, at April 30, 2001. The financial covenants include a minimum fixed charge coverage ratio, a maximum leverage ratio, a quick ratio and other customary events of default. There was no outstanding balance under the revolving line of credit as of April 30, 2001.

The Company's long-term debt consists of the following:

<TABLE>

<CAPTION>

	As of April 30,	
	2001	2000
<S>	<C>	<C>
Unsecured subordinated notes payable to shareholders due through 2004, bearing interest at various rates up to 8.75%.....	\$ 23,723	\$ 31,664
Term loan due to bank on December 31, 2000 bearing interest at various rates ranging from 3.9% to 5.2%.....		1,399
Total debt.....	23,723	33,063
Less: current maturities of long-term debt.....	(11,881)	(16,147)
Long-term debt.....	\$ 11,842	\$ 16,916

</TABLE>

The Company issued notes payable to shareholders of \$5,000 and \$30,439 related to the acquisition of businesses in fiscal 2001 and 2000, respectively.

Annual maturities of long-term debt subsequent to April 30, 2001 are: \$11,881 in 2002, \$11,760 in 2003 and \$82 in 2004.

The Company has outstanding borrowings against the CSV of COLI contracts of \$47,925 and \$44,928 at April 30, 2001 and 2000, respectively. These borrowings are secured by the CSV, principal payments are not scheduled and interest is payable at least annually, at various variable rates. (See Note 7).

9. Income Taxes

The provision for income taxes is based on reported income before income taxes. Deferred income tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes, as measured by applying the currently enacted tax laws.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
 April 30, 2001
 (dollars in thousands, except per share amounts)

The provision (benefit) for domestic and foreign income taxes is comprised of the following components:

<TABLE>
 <CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Current income taxes:			
Federal.....	\$10,499	\$12,419	\$ 1,474
State.....	3,618	4,583	407
Total.....	14,117	17,002	1,881
Deferred income taxes:			
Federal.....	(4,231)	(1,097)	(2,248)
State.....	11	(366)	(750)
Total.....	(4,220)	(1,463)	(2,998)
Foreign income taxes.....	15,429	8,587	10,143
Provision for income taxes.....	\$25,326	\$24,126	\$ 9,026

</TABLE>

The domestic and foreign components of income (loss) from continuing operations before domestic and foreign income and other taxes were as follows:

<TABLE>
 <CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Domestic.....	\$24,840	\$36,589	\$ (80,544)
Foreign.....	35,459	21,182	25,704
Income (loss) before provision for income taxes and minority interest.....	\$60,299	\$57,771	\$ (54,840)

</TABLE>

The Company has not provided for deferred income taxes on undistributed earnings of foreign subsidiaries considered permanently invested in these entities.

The income tax provision stated as a percentage of pretax income, excluding \$76,331 of non-recurring charges in fiscal 1999 that are not tax deductible, was different than the amount computed using the U.S. statutory federal income tax rate for the reasons set forth in the following table:

<TABLE>
 <CAPTION>

Fiscal Year
 Ended April
 30,

	2001	2000	1999
	----	----	----
<S>	<C>	<C>	<C>
U.S. federal statutory tax rate.....	35.0%	35.0%	35.0%
Foreign source dividend income.....	11.4	9.1	12.7
Foreign income tax credits utilized.....	(9.8)	(7.3)	(8.5)
Income subject to net higher foreign tax rates.....	4.7	2.1	5.3
COLI CSV decrease (increase), net.....	1.1	(3.0)	(7.0)
Nondeductible goodwill amortization.....	3.6	1.1	0.4
Other.....	(4.0)	4.8	4.1
	----	----	----
Effective tax rate.....	42.0%	41.8%	42.0%
	====	====	====

</TABLE>

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

The significant components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	As of April 30,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Deferred income tax assets (liabilities):		
Deferred compensation.....	\$15,490	\$15,519
Allowance for doubtful accounts.....	3,319	3,914
Other accrued liabilities.....	(472)	(694)
Property and equipment.....	2,101	1,332
Loss and credit carryforwards.....	9,217	
Other (foreign).....	4,108	1,533
	-----	-----
Deferred income tax asset.....	\$33,763	\$21,604
	=====	=====

</TABLE>

Realization of the deferred income tax asset is dependent on the Company generating sufficient taxable income in future years as the deferred income tax charges become currently deductible for tax reporting purposes. Management believes that all of the deferred income tax asset will be realizable. However, the amount of the deferred income tax asset considered realizable could be reduced if the estimates of amounts and/or the timing of future taxable income are revised.

At April 30, 2001, the Company has net operating tax loss carryforwards in the United States of approximately \$4,953 which will expire between 2011 and 2013. The Company also has foreign tax credit carryforwards of \$4,264 at April 30, 2001 to offset future tax liabilities in the United States that expire between 2002 and 2005. As of April 30, 2000, the Company had applied a valuation allowance to the foreign tax credit carryforwards. Management determined this valuation allowance was not required at April 30, 2001.

10. Business Segments

The Company operates in three business segments in the recruitment industry. In retained recruitment, the Company operates in two global business segments, executive recruitment and Futurestep. These segments are distinguished primarily by the method used to identify candidates and candidates' level of compensation. The executive recruitment business segment is managed by geographic regions led by a regional president and Futurestep's worldwide operations are managed by a chief executive officer. With the acquisition of JobDirect in fiscal 2001, the Company expanded into the related college recruitment market. JobDirect has operations throughout the United States and is managed by a chief executive officer. For purposes of the geographic information below, Mexico's operating results are included in Latin America.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

A summary of the Company's operations (excluding interest income and other income, and interest expense) by business segment follows:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Revenue:			
Executive recruitment:			
North America.....	\$343,095	\$271,313	\$185,525
Europe.....	135,278	112,045	101,515
Asia/Pacific.....	53,977	48,603	35,024
Latin America.....	34,662	30,488	29,673
Futurestep.....	82,082	38,294	4,338
JobDirect.....	4,683		
	-----	-----	-----
Total revenue.....	\$653,777	\$500,743	\$356,075
	=====	=====	=====

<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Operating profit (loss):			
Executive recruitment:			
North America.....	\$ 65,080	\$ 52,783	\$(56,394)
Europe.....	19,960	13,034	3,817
Asia/Pacific.....	6,632	5,174	2,684
Latin America.....	8,506	7,692	7,916
Futurestep.....	(26,022)	(23,878)	(12,578)
JobDirect.....	(11,249)		
	-----	-----	-----
Total operating profit (loss).....	\$ 62,907	\$ 54,805	\$(54,555)
	=====	=====	=====

Amortization expense included in operating profit (loss) by business segment in fiscal 2001 and 2000 was: \$5,673 and \$1,218 in North America, \$1,868 and \$1,184 in Europe, \$560 and \$294 in Asia/Pacific, \$2,391 and \$662 in Futurestep and \$1,671 in JobDirect. In fiscal 1999, amortization expense of \$1,169 was related to acquisitions in Europe.

<CAPTION>

	As of April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Identifiable assets:			
Executive recruitment:			
North America(1).....	\$258,408	\$285,474	\$208,627
Europe.....	93,736	91,790	54,910
Asia/Pacific.....	39,259	33,376	20,209
Latin America.....	18,110	18,631	17,104
Futurestep.....	53,021	46,723	3,274
JobDirect.....	37,795		
	-----	-----	-----
Total identifiable assets.....	\$500,329	\$475,994	\$304,124
	=====	=====	=====

</TABLE>

(1) The Corporate office identifiable assets of \$99,743, \$144,739 and \$144,771 in fiscal 2001, 2000 and 1999, respectively, are included in North America.

Goodwill, net included in identifiable assets by business segment in fiscal 2001 and 2000 was: \$58,934 and \$51,385 in North America, \$19,468 and \$21,270 in Europe, \$833 and \$1,252 in Asia/Pacific, \$17,821 and \$20,052 in Futurestep and \$28,951 in JobDirect. In fiscal 1999, goodwill, net of \$628 was included in Europe.

A summary of Futurestep's revenue and identifiable assets by geographic area follows:

<TABLE>
<CAPTION>

	Fiscal Year Ended April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Revenue:			
North America.....	\$26,507	\$20,595	\$4,338
Europe.....	45,196	15,445	
Asia/Pacific.....	10,379	2,254	
Total revenue.....	\$82,082	\$38,294	\$4,338

<CAPTION>

	As of April 30,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Identifiable assets:			
North America.....	\$11,139	\$ 9,856	\$3,274
Europe.....	37,572	33,548	
Asia/Pacific.....	4,310	3,319	
Total identifiable assets.....	\$53,021	\$46,723	\$3,274

</TABLE>

The Company's clients were not concentrated in any specific geographic region and no single client accounted for a significant amount of the Company's revenue during fiscal 2001, 2000 or 1999.

11. Acquisitions and Other Investments

During fiscal 2001, the Company completed two acquisitions: Westgate Group, a leading executive recruitment firm, specializing in financial services in the eastern United States and JobDirect, an on-line recruiting service focused on college graduates and entry-level professionals. The aggregate purchase price of these acquisitions was \$47.2 million, consisting of the Company's stock valued at \$3.6 million, notes payable of \$5.0 million and cash of \$38.6 million. These acquisitions were accounted for under the purchase method and resulted in \$42.5 million of goodwill. Operating results of these businesses have been included in the consolidated financial statements from their acquisition dates.

During fiscal 2000, the Company completed a total of ten acquisitions: seven executive recruitment firms in North America, including three in Canada; one in Europe; and one in Asia/Pacific. The aggregate purchase price of these acquisitions was \$84.5 million, consisting of the Company's stock valued at \$21.8 million, notes payable of \$31.8 million, cash of \$22.8 million and accrued liabilities of \$8.1 million. In addition, Futurestep completed the acquisition of the executive search and selection business of the PA Consulting Group with operations in Europe and Asia/Pacific for \$19.8 million payable in cash and \$1.7 million payable as deferred compensation over a three year period. These acquisitions were accounted for under the purchase method and resulted in \$98.1 million of intangible assets, primarily goodwill. The operating results of these entities, including executive recruitment and Futurestep revenue of \$24.2 million and \$7.3 million, respectively, have been included in the consolidated financial statements from their acquisition dates.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

The following selected unaudited pro forma information is provided to present a summary of the combined results of the Company and these acquisitions for fiscal years 2001 and 2000 as if the acquisitions had occurred as of the beginning of the respective periods, giving effect to these purchases. The pro forma data is presented for informational purposes only and may not necessarily reflect the results of operations of the Company had these companies operated as part of the Company for each of the periods presented, nor are they necessarily indicative of the results of future operations.

<TABLE>
<CAPTION>

Fiscal Year Ended
April 30,

2001 2000

<S>	<C>	<C>
Revenue.....	\$655,466	\$567,534
Net income.....	29,016	30,078
Earnings per share.....		
Basic.....	0.78	0.82
Diluted.....	0.75	0.79

</TABLE>

In fiscal 2001, the Company purchased equity investments in Webhire, Inc. (Webhire) and Jungle Interactive Media, Inc. (Jungle). The Company invested \$8.0 million for a 16% equity interest in Webhire, a leading business services and technology solutions provider in the Internet recruitment marketplace. The shares are publicly traded and a temporary decline in the market value of this investment to \$2.9 million at April 30, 2001 resulted in a \$3.0 million unrealized loss, net of tax, included as a component of other comprehensive income (loss) in shareholders' equity at April 30, 2001. The Company also invested \$4.0 million for a 16.8% interest in Jungle, a company providing Internet based information, entertainment, products and services to targeted groups within higher education. The shares are not publicly traded and the investment is reported at cost.

In connection with certain business acquisitions, the Company has guaranteed minimum annual cash bonuses of \$4,463 in fiscal 2002 and \$367 in fiscal 2003.

12. Commitments and Contingencies

The Company leases office premises and certain office equipment under leases expiring at various dates through 2015. Total rental expense for fiscal years 2001, 2000 and 1999 amounted to \$25,892, \$23,050 and \$13,026, respectively. At April 30, 2001, minimum future commitments under noncancelable operating leases with lease terms in excess of one year aggregated \$165,858 payable as follows: \$29,223 in 2002, \$24,222 in 2003, \$20,343 in 2004, \$17,910 in 2005, \$14,957 in 2006 and \$59,203 thereafter. As of April 30, 2001, the Company has outstanding standby letters of credit of \$6,929 in connection with office leases.

In connection with a three year contract effective June 1998, for an exclusive alliance with The Wall Street Journal, Futurestep purchased approximately \$4.5 million and \$3.9 million of advertising in fiscal 2001 and 2000, respectively. The Company is currently operating under a month-to-month extension of this contract while renegotiating a new long-term alliance agreement.

As of April 30, 2001, the Company has employment agreements with the five highest paid executive officers, with initial terms through April 30, 2002 for four executives and May 1, 2003 for one executive that provide certain benefits if these executives are terminated or resign under certain limited circumstances. The maximum amount payable under these agreements, in aggregate, is \$8.3 million and \$13.0 million prior to and following a change in control, respectively. In addition, all outstanding options will immediately vest and remain exercisable for periods ranging from three months to their original expiration date following termination of employment.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

April 30, 2001

(dollars in thousands, except per share amounts)

The Company has a policy of requiring all its vice presidents to enter into a standard form of employment agreement which provides for an annual base salary and discretionary and incentive bonus payments. In addition, the Company has a severance policy for all of its vice presidents that provides for minimum payments based on length of service. Upon termination without cause, the Company is required to pay the greater of the amount due under the employment contract or the severance policy. The Company also requires its vice presidents to agree in their employment contracts not to compete with the Company both during the term of their employment, and for a period of up to two years after their employment ends. For a period of two years after their employment with the Company, former vice presidents are prohibited from soliciting employees of the Company for employment outside of the Company.

From time to time the Company has been and is involved in litigation incidental to its business. The Company is currently not a party to any

litigation, which if resolved adversely against the Company, would in the opinion of the Company, have a material adverse effect on the Company's business, financial position or results of operations.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Korn/Ferry International:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Korn/Ferry International and Subsidiaries (the "Company") included in this Form 10-K report and have issued our report thereon dated June 11, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule II--Korn/Ferry International and Subsidiaries Valuation and Qualifying Accounts is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Los Angeles, California
June 11, 2001

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SCHEDULE II
KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

	Balance at Beginning of Year	Additions			Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts	Deductions	
	(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts					
Year Ended April 30, 2001.....	\$12,538	\$22,951		\$22,170	\$13,319
Year Ended April 30, 2000.....	7,847	11,858		7,167	12,538
Year Ended April 30, 1999.....	5,390	6,128		3,671	7,847
Reserve for Severance and Costs Under Corporate Restructuring Program					
Year Ended April 30, 2000.....	1,549			1,549	
Year Ended April 30, 1999.....		89,202		87,653	1,549
Reserve for Acquired Termination Costs					
Year Ended April 30, 2001.....	2,520			2,520	
Year Ended April 30, 2000.....		2,520			2,520

</TABLE>

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KORN/FERRY INTERNATIONAL
AMENDMENTS
TO
PERFORMANCE AWARD PLAN

The following sets forth the amendments and modifications to the Korn/Ferry International Performance Award Plan as of April 30, 2001. Terms used herein and not otherwise defined have the meaning set forth in the Plan. These amendments and modifications have been adopted by the Board and, as applicable, the shareholders of the Company.

Section 1.4.2 was amended to read in its entirety as follows:

1.4.2 Share Limits. The maximum number of shares of Common Stock that may be -----
delivered pursuant to Awards granted to Eligible Persons under this Plan will not exceed 13,000,000 shares (the "Share Limit"). The maximum number of shares subject to those options and Stock Appreciation Rights that are granted during any calendar year to any one individual will be limited to 700,000 shares covered by the Plan, and the maximum individual limit on the number of shares in the aggregate subject to all Awards that during any calendar year are granted under this Plan to any one individual will be 1,050,000 shares covered by the Plan. The maximum individual limit for any Non-Employee Director, including any Option granted or to be granted (assuming continued eligibility during the year of grant) pursuant to Section 8 of this Plan, will be 50,000 shares covered by the Plan during any twelve month period. Each of the foregoing numerical limits will be subject to adjustment as contemplated by this Section 1.4 and Section 6.2.

Section 1.4.3 was amended to read it its entirety as follows:

1.4.3 Share Reservation; Replenishment and Reissue of Unvested Awards. No -----
Award may be granted under this Plan unless, on the date of grant, the sum of (a) if vested or exercisable, the number of shares then issuable pursuant to such Award, plus (b) the number of shares that have previously been issued pursuant to Awards granted under this Plan, other than reacquired shares available for reissue consistent with any applicable legal limitations, plus (c) the number of shares that are then issuable pursuant to vested or exercisable Awards that are outstanding on such date, does not exceed the Share Limit. Shares that are subject to or underlie Awards that expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan, as well as reacquired shares, will again, except to the extent prohibited by law (including Section 162(m)), be available for subsequent Awards under the Plan. Except as limited by law (including Section 162(m)), if an Award is or may be

1

settled only in cash, such Award need not be counted against any of the limits under this Section 1.4.

Section 8.2.1 was amended by replacing the number "2,000" with the number "2,500."

Section 8.2.2 was amended by replacing the number "2,000" with the number "2,500."

Except as set forth above, the Plan remains in full force and effect.

2

EMPLOYMENT AGREEMENT

BETWEEN

KORN/FERRY INTERNATIONAL

AND

PAUL C. REILLY

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This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of May 24, 2001, by and between KORN/FERRY INTERNATIONAL, a Delaware corporation with its principal offices in Los Angeles, California (the "Company"), and PAUL C. REILLY, an individual (the "Executive").

1. Employment. The Company agrees to employ Executive and Executive agrees

to be employed by the Company upon the terms and conditions set forth in this Agreement.

2. Term of Employment. Executive's employment under this Agreement will

begin on June 30, 2001 and will continue for an initial term ending April 30, 2004. This Agreement will be automatically renewed for successive two-year periods thereafter, until the first April 30th following the date on which Executive reaches age 65, at which time the term will expire, provided, however, that either the Company or the Executive may terminate this Agreement at the end of the initial term or any subsequent two-year extension to the initial term by delivering to the other party at least 60 days' prior written notice its election not to renew this Agreement. (In this Agreement, the delivery of such a notice shall be referred to as a "failure to renew" the Agreement.)

3. Position, Duties and Responsibilities. Executive will serve as Chairman

and Chief Executive Officer of the Company with duties and responsibilities customary to such offices. The Company shall use its reasonable commercial efforts to cause Executive to be appointed and thereafter to be elected as a Director of the Company, and to be elected as the Chairman of the Board of Directors (the "Board") during the term of this Agreement as it may be extended from time to time. At the request of the Board, Executive will serve as an officer or director of the Company's subsidiaries and other affiliates without additional compensation. Executive will devote substantially all of Executive's business time and attention to the performance of Executive's obligations, duties and responsibilities under this Agreement. Subject to Company policies applicable to senior executives generally, Executive may engage in personal, charitable, professional and investment activities to the extent such activities do not conflict or interfere with Executive's obligations to, or Executive's ability to perform the normal duties and functions of Executive pursuant to this Agreement.

4. Equity Awards. Executive shall be awarded, subject to the approval of

the Board, equity incentives with respect to shares of the Company's common stock ("Shares"), which shall be granted under the Korn/Ferry International Performance Award Plan as set forth below. Each grant shall be effective on the later of Executive's initial date of employment with the Company or the date on which the Board approves the grant. All grants shall be evidenced by award agreements providing for the following terms and otherwise shall be subject to the terms and conditions provided under the Performance Award Plan.

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(a) Ten Year Option Award. A grant of non-qualified stock options with

respect to 300,000 Shares. Such options shall vest in three equal annual installments beginning on the first anniversary of the grant, and once vested shall remain exercisable until the tenth anniversary of the grant. The per share exercise price of such options shall be equal to the closing price of the Shares on the New York Stock Exchange on the date the grant is effective.

(b) Five Year Option Award. A grant of non-qualified stock options with

respect to 150,000 Shares. Such options shall vest as set forth below and, once vested, shall remain exercisable until the fifth anniversary of the grant.

(i) options to purchase 50,000 Shares shall vest on the date on which the closing price of the Shares on the principal national securities exchange where the stock is traded (the "Closing Price") equals or exceeds \$28.00 per share for ten consecutive trading days;

(ii) options to purchase 50,000 Shares shall vest on the date on which the Closing Price equals or exceeds \$33.00 per share for ten consecutive trading days;

(iii) options to purchase 50,000 Shares shall vest on the date on which the Closing Price equals or exceeds \$38.00 per share for ten consecutive trading days.

The per share exercise price of such options shall be equal to the closing price of the Shares on the New York Stock Exchange on the date the grant is effective. If such options have not vested as provided for above, such options shall vest on the day prior to the fifth anniversary of the effective grant date.

(c) Restricted Stock Award. A Restricted Stock Award (as defined in the

Performance Award Plan) of 100,000 shares (the "Restricted Shares"), which shall be forfeited if, prior to vesting, Executive is terminated by the Company for "Cause" or if Executive terminates his employment without "Good Reason" (except in the event of death or "Disability") as each such term is defined in Section 8(h) below. Such Restricted Shares shall vest in three equal annual installments beginning one year from their effective date of grant. Pursuant to the terms and conditions of the Performance Award Plan, Executive shall pay to the Company an amount equal to the Par Value of the Restricted Shares.

4. Annual Compensation. In consideration of Executive's services to the

Company pursuant to this Agreement, Executive's annual compensation shall be as follows:

(a) Base Salary. The Company will pay a base salary to Executive of

\$650,000 annually in accordance with its regular payroll practices (the "Base Salary"). The Board will review the level of Executive's Base Salary at least annually, beginning in June 2002. The Board, acting in its discretion, may increase (but may not decrease) the annual rate of Base Salary in effect for Executive at any time, unless the Board concludes that an across-the-board reduction in compensation is required for all executive officers of the Company, in which case Executive's compensation shall be ratably reduced .

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(b) Annual Cash Incentive Award. Executive will participate in the

Company's annual cash incentive plan established for senior executives with an annual target cash award equal to 150% of Base Salary, and a maximum cash award equal to 300% of Base Salary. Executive's annual cash incentive award will be payable at such time as annual cash incentive awards are paid to executive officers generally, but not later than 120 days after the end of the fiscal year for which such award is earned. Such annual cash incentive award shall be considered earned only if Executive is employed by the Company as of the last day of the fiscal year to which the award applies.

(c) Annual Stock Option Grant. Executive shall be eligible to receive an

annual grant of stock options, subject to the discretion of and approval by the Board, with a target grant value of \$1,250,000 and a maximum grant value of \$1,750,000. Grant value shall be determined by the Black-Scholes Option Pricing Model using the same assumptions the Board applies to determine annual option grants for the Company's other executive officers. Such annual stock option grant shall be awarded at the same time annual option grants are awarded to the Company's other executive officers, beginning with grants attributable to performance for the firm's 2002 fiscal year.

4. Relocation Benefits. The Company will reimburse Executive for all

reasonable costs associated with the relocation of Executive and his immediate family to the general area of the Company's corporate headquarters, including (i) real estate commission on the sale of Executive's primary residence, (ii) the cost of moving Executive's personal goods, (iii) points and fees associated with the acquisition of a new primary residence in the general area of the Company's corporate headquarters, and (iv) the reasonable cost of temporary living expenses in the general area of the Company's corporate headquarters through September 30, 2002. To the extent such reimbursements are taxable to Executive, such payments shall be adjusted to offset the related federal and state tax liability. In addition to the above, the Company will pay to Executive the sum of \$50,000 (gross) as a one-time relocation allowance. This payment shall be made within seven days following the permanent relocation of Executive to the general area of the Company's corporate headquarters.

5. Employee Benefit Programs and Perquisites.

(a) General. Executive will be entitled to participate in such retirement

or pension plans, group health, long term disability and group life insurance plans, and any other welfare and fringe benefit plans, arrangements, programs and perquisites sponsored or maintained by the Company from time to time for the benefit of its senior executives generally, including four weeks paid vacation. In addition, the Company will reimburse Executive for the cost of medical benefits for Executive and his immediate family provided through COBRA until such time as Executive is eligible to participate in the Company's medical insurance programs.

(b) Reimbursement of Business Expenses. Executive is authorized to incur

reasonable expenses in accordance with the Company's written policy in carrying out Executive's duties and responsibilities under this Agreement. The Company will promptly reimburse Executive for all such expenses that are so incurred

upon presentation of appropriate

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vouchers or receipts, subject to the Company's expense reimbursement policies applicable to senior executive officers generally.

(c) Conditions of Employment. Executive's place of employment during the

term of Executive's employment under this Agreement will be at the Company's corporate headquarters, subject to the need for reasonable business travel. The conditions of Executive's employment, including, without limitation, office space, office appointments, secretarial, administrative and other support, will be consistent with Executive's status as Chairman and Chief Executive Officer of the Company.

4. Termination of Employment.

(a) Death. If Executive's employment with the Company terminates before

the end of the term by reason of Executive's death, then as soon as practicable thereafter the Company will pay to Executive's estate an amount equal to Executive's "Accrued Compensation" (as defined in Section 8(h)), and all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's death will become fully vested (whether or not fully vested immediately prior to Executive's death) and shall remain exercisable until their originally scheduled expiration dates. Executive's covered dependent(s) will be entitled to continue to participate at the expense of the Company in the Company's group health plan(s) after Executive's death at the same benefit level and to the same extent and for the same contribution, if any, as such continued participation is available to other executive officers of the Company, and such participation may continue for such additional period as may be available under COBRA.

(b) Disability. If the Company terminates Executive's employment before

the end of the term by reason of Executive's Disability (as defined in Section 8(h)), then as soon as practicable thereafter the Company will pay to Executive an amount equal to Executive's Accrued Compensation, and all outstanding stock options and other equity-type incentives held by Executive at Executive's termination date will become fully vested and shall remain exercisable until their originally scheduled expiration dates. Executive and Executive's covered dependent(s) will be entitled to continue to participate at the expense of the Company in the Company's group health plan(s) after Executive's termination at the same benefit level and to the same extent and for the same contribution, if any, as such continued participation is available to other executive officers of the Company, and such participation may continue for such additional period as may be available under COBRA.

(c) Termination by the Company for Cause, Voluntary Termination by

Executive, Failure to Renew by Executive. If (i) the Company terminates

Executive's employment for Cause (as defined in Section 8(h)), or (ii) Executive voluntarily terminates Executive's employment without Good Reason (as defined in Section 8(h)) before the end of the stated term of this Agreement that is then in effect, or (iii) Executive fails to renew this Agreement, then the Company shall pay to Executive within 30 days after the date of such termination Executive's Accrued Compensation through the date Executive's employment terminates.

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(d) Termination by the Company Without Cause, by Executive for Good Reason

or for Failure by the Company to Renew Agreement Prior to Change in Control. If

Executive's employment is terminated prior to a "Change in Control" (as defined in Schedule A) (i) by the Company without Cause, or (ii) by Executive for Good Reason, or (iii) by reason of the Company's failure to renew this Agreement at any time before Executive reaches the age of 65, then (1) the Company shall pay to Executive within 30 days Executive's Accrued Compensation; (2) the Company shall pay to Executive within 30 days a lump sum payment equal to two times Executive's then current Base Salary and target bonus provided, however, that if Executive's employment is terminated by reason of the Company's failure to renew this Agreement, then Executive shall be entitled only to one times the then current Base Salary and target bonus; (3) Executive and Executive's covered dependent(s) will be entitled to continue to participate at the expense of the Company in the Company's group health plan(s) after Executive's termination at the same benefit level and to the same extent and for the same contribution, if any, as such continued participation is available to other executive officers of the Company, and such participation may continue for a period of two years after such termination, provided, however, that if such termination is due to the Company's failure to renew, then the period of continued participation will only

be for one year after such termination; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination will become fully vested and shall remain exercisable until their originally scheduled expiration dates.

(e) Following a Change of Control, Termination by the Company Without

Cause or by Executive for Good Reason. If a Change in Control occurs and, within

12 months after the date on which the Change in Control occurs, Executive's employment is terminated (i) by the Company without Cause or (ii) by Executive for Good Reason, or (iii) by reason of the Company's failure to renew this Agreement at any time before Executive reaches the age of 65, then: (1) the Company shall pay to Executive within 30 days Executive's Accrued Compensation; (2) the Company shall pay to Executive within 30 days a lump sum payment equal to (A) two times the then current Base Salary or two times Executive's annual base salary in effect just prior to the Change in Control, whichever amount is higher, plus (B) the higher of two times the annual maximum cash bonus for

Executive for the incentive year in which such termination occurs or two times the annual maximum cash bonus for Executive applicable to the fiscal year preceding the year in which such termination occurs; (3) Executive and Executive's covered dependent(s) will be entitled to continue to participate at the expense of the Company in the Company's group health plan(s) after Executive's termination at the same benefit level and to the same extent and for the same contribution, if any, as such continued participation is available to other executive officers of the Company, and such participation may continue for a period of two years after such termination; and (4) all outstanding stock options and other equity-type incentives held by Executive at the time of Executive's termination will become fully vested and shall remain exercisable until their originally scheduled expiration dates.

(f) Parachute Limitation. Notwithstanding anything herein to the contrary,

if any amounts due to Executive under this Agreement and any other plan or program of the Company constitute a "parachute payment," as such term is defined in Section 280G(b)(2) of the Internal Revenue Code, and the amount of the parachute payment, reduced by all federal, state and local

taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Internal Revenue Code, is less than the amount Executive would receive if he were paid three times his "base amount," as defined in Section 280G(b)(3) of the Internal Revenue Code, less \$1.00, reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times his "base amount" less \$1.00. The determinations to be made with respect to this Section 8(f) shall be made by an accounting firm (the "Auditor") jointly selected by the Company and Executive and paid by the Company. The Auditor shall be a nationally recognized United States public accounting firm that has not during the two years preceding the date of its selection acted in any way on behalf of the Company or any of its subsidiaries. If Executive and the Company cannot agree on the firm to serve as the Auditor, then Executive and the Company shall each select one such accounting firm and those two firms shall jointly select such an accounting firm to serve as the Auditor. If a determination is made by the Auditor that a reduction in the aggregate of all payments due to Executive upon a Change in Control is required by this Section 8(f), Executive shall have the right to specify the portion of such reduction, if any, that will be made under this Agreement and each plan or program of the Company. If Executive does not so specify within sixty (60) days following the date of a determination by the Auditor pursuant to the preceding sentence, the Company shall determine, in its sole discretion, the portion of such reduction, if any, to be made under this Agreement and each plan or program of the Company.

(g) Other Programs. Except as otherwise provided in this Agreement,

Executive's entitlements under applicable plans and programs of the Company following termination of Executive's employment will be determined under the terms of those plans and programs.

(h) Certain Definitions. For purposes of this Agreement, the following

terms shall have the meanings set forth herein:

(1) "Accrued Compensation" means, as of any date, the amount of any unpaid Base Salary and annual cash incentive award earned by Executive through the date of Executive's death or the termination of Executive's employment, plus any additional amounts and/or benefits payable to or in respect of Executive under and in accordance with the provisions of any employee plan, program or arrangement under which Executive is covered immediately prior to Executive's death or the termination of Executive's employment.

(2) "Cause" shall be deemed to exist if (A) Executive is convicted of a felony involving moral turpitude, or (B) Executive engages in conduct that

constitutes willful gross neglect or willful gross misconduct in carrying out his duties under this Agreement, resulting, in either case, in material economic harm to the Company, unless Executive believed in good faith that such act or nonact was in the best interests of the Company.

(3) "Disability" means any medically determinable physical or mental condition or impairment which prevents Executive from performing the principal functions of Executive's duties with the Company that can be expected to result in death or that has lasted or

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can be expected to last for a period of 90 consecutive days or for shorter periods aggregating 180 days in any consecutive 12 month period, with such determination to be made by an approved medical doctor. For this purpose, an approved medical doctor shall mean a medical doctor selected by the Company and Executive. If the parties cannot agree on a medical doctor, each party shall select a medical doctor and the two doctors shall select a third medical doctor who shall be the approved medical doctor for this purpose.

(4) Executive shall be deemed to have "Good Reason" to terminate his employment hereunder if, without Executive's prior written consent, (A) the Company reduces Executive's duties or responsibilities or assigns Executive duties which are materially inconsistent with his duties or which impair Executive's ability to function as Chairman and Chief Executive Officer, or (B) the Company reduces Executive's then current Base Salary or target award opportunity under the Company's annual cash incentive bonus plan or annual stock option award program, or terminates or materially reduces any employee benefit or perquisite enjoyed by Executive (other than as part of an across-the-board reduction applicable to all executive officers of the Company), or (C) the Company fails to perform or breaches its obligations under any other material provision of this Agreement and does not correct such failure or breach (if correctable) within 60 days following receipt of notice thereof from Executive to the Company, or (D) Executive's primary location of business is moved by more than 50 miles, or (E) the Company reduces Executive's title or removes him or fails during the term to reelect him as Chairman and Chief Executive Officer, or (F) the Company fails to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company within 15 days after a merger, consolidation, sale or similar transaction.

4. No Mitigation; No Offset. Executive will have no obligation to seek

other employment or to otherwise mitigate the Company's obligations to Executive arising from the termination of Executive's employment, and no amounts paid or payable to Executive by the Company under this Agreement shall be subject to offset for any remuneration in which Executive may become entitled from any other source after Executive's employment with the Company terminates, whether attributable to subsequent employment, self-employment or otherwise except that subsequent employment during the term of this Agreement with an employer providing benefit plans shall result in an offset against benefits payable by the Company hereunder to the extent of the benefits paid by the new employer.

5. Confidential Information; Cooperation with Regard to Litigation.

(a) Nondisclosure of Confidential Information. During the term of

Executive's employment and thereafter, Executive will not, without the prior written consent of the Company, disclose to anyone (except in good faith in the ordinary course of business to a person who will be advised by Executive to keep such information confidential) or make use of any Confidential Information (as defined below) except in the performance of Executive's duties hereunder or when required to do so by legal process, by any governmental agency having supervisory authority over the business of the Company or any of its Affiliates (as defined below) or by any administrative or legislative body (including a committee thereof) that requires

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Executive to divulge, disclose or make accessible such information. If Executive is so ordered, to divulge Confidential Information, he will give prompt written notice to the Company in order to allow the Company the opportunity to object to or otherwise resist such order.

(b) Definition of Confidential Information. For purposes of this Agreement,

"Confidential Information" means information concerning the business of the Company or any corporation or other entity that, directly or indirectly, controls, is controlled by or under common control with the Company (an "Affiliate") relating to any of its or their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of Confidential Information is information (1) that is or becomes part of the public domain, other than through the breach of this Agreement by Executive or (2) regarding the Company's

business or industry properly acquired by Executive in the course of Executive's career as an executive in the Company's industry and independent of Executive's employment by the Company. For this purpose, information known or available generally within the trade or industry of the Company or any Affiliate shall be deemed to be known or available to the public and not to be Confidential Information.

(c) Cooperation in Litigation. Executive will cooperate with the Company,

during the term of Executive's employment and thereafter (including following Executive's termination of employment for any reason), by making Executive reasonably available to testify on behalf of the Company or any Affiliate in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to reasonably assist the Company or any such Affiliate in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any such Affiliate, as reasonably requested; provided, however, that the same does not materially interfere with Executive's

then current professional activities. The Company will reimburse Executive, on an after-tax basis, for all expenses reasonably incurred by Executive in connection with Executive's provision of testimony or assistance and if such assistance is provided after Executive's termination of employment, will pay Executive a per diem rate of \$2,000.

4. Non-solicitation. Executive will not induce or solicit, directly or

indirectly, any employee of the Company or any Affiliate to terminate such employee's employment with the Company or any Affiliate during Executive's employment hereunder and for a period of 24 months following the termination of this Agreement as it may be extended from time to time.

5. Remedies. If Executive commits a material breach of any of the

provisions contained in Sections 10 and 11 above, then the Company will have the right to seek injunctive relief. Executive acknowledges that such a breach of Section 10 or 11 could cause irreparable injury and that money damages may not provide an adequate remedy for the Company. Nothing contained herein will prevent Executive from contesting any such action by the Company on the ground that no violation or threatened violation of either such Section has occurred.

6. Resolution of Disputes. Any controversy or claim arising out of or

relating to this Agreement or any breach or asserted breach hereof or questioning the validity and binding

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effect hereof arising under or in connection with this Agreement, other than seeking injunctive relief under Section 12, shall be resolved by binding arbitration, to be held in Los Angeles in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Pending the resolution of any arbitration or court proceeding, the Company will continue payment of all amounts and benefits due Executive under this Agreement. All costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be borne by the respective party incurring such costs and expenses (with the limitation that, in no event, shall Executive be liable under this provision for more than two times the fees paid by the Executive for Executive's counsel services in the arbitration or proceeding), but the Company shall reimburse Executive for all reasonable costs and expenses by Executive if Executive substantially prevails in such arbitration or court proceeding.. Notwithstanding the foregoing, following a Change in Control, all reasonable costs and expenses (including fees and disbursements of counsel) incurred by Executive pursuant to this section shall be paid on behalf of or reimbursed to Executive promptly by the Company; provided, however, that Executive shall repay such amounts to the Company if and

to the extent the arbitrator(s) determine(s) that any of Executive's litigation assertions or defenses were in bad faith or frivolous. Notwithstanding the foregoing, if any applicable law requires different or additional rules or procedures to be applied in order for this Agreement to arbitrate or to be enforceable, or prohibits any expense allocation provided herein, such rules or procedures shall take precedence and such prohibitions shall be a part of this Agreement to the to the extent necessary to render this Agreement enforceable.

7. Indemnification.

(a) Company Indemnity. If Executive is made a party, or is

threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or any Affiliate or was serving at the request of the Company or any Affiliate as a

director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, then the Company will indemnify Executive and hold Executive harmless to the fullest extent legally permitted or authorized by the Company's articles of incorporation, certificate of incorporation or bylaws or resolutions of the Company's Board to the extent not inconsistent with state laws, against all costs, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Executive in connection therewith, except to the extent attributable to Executive's gross negligence or fraud, and such indemnification shall continue as to Executive even if he has ceased to be a director, member, officer, employee or agent of the Company or Affiliate and shall inure to the benefit of Executive's heirs, executors and administrators. The Company will advance to Executive all reasonable costs and expenses to be incurred by Executive in connection with a Proceeding within 20 days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by Executive to

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repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. The provisions of this section shall not be deemed exclusive of any other rights of indemnification to which Executive may be entitled or which may be granted to Executive and shall be in addition to any rights of indemnification to which he may be entitled under any policy of insurance.

(b) No Presumption Regarding Standard of Conduct. Neither the failure of

the Company (including its Board, independent legal counsel or shareholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Executive under the preceding subsection (a) of this section that indemnification of Executive is proper because Executive has met the applicable standard of conduct, nor a determination by the Company (including its Board, independent legal counsel or shareholders) that Executive has not met such applicable standard of conduct, shall create a presumption that Executive has not met the applicable standard of conduct.

(c) Liability Insurance. The Company will continue and maintain a directors

and officers liability insurance policy covering Executive to the extent the Company provides such coverage for its other senior executive officers.

4. Effect of Agreement on Other Benefits. Except as specifically provided

in this Agreement, the existence of this Agreement shall not be interpreted to preclude, prohibit or restrict Executive's participation in any other employee benefit or other plans or programs in which he currently participates.

5. Assignment; Binding Nature. This Agreement shall be binding upon and

inure to the benefit of the parties and their respective successors, heirs (in the case of Executive) and permitted assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred to the successor of the Company or its business if the assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than Executive's rights to compensation and benefits, which may be transferred only by will or operation of law, except as otherwise specifically provided or permitted hereunder.

6. Representations. The Company represents and warrants that it is fully

authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any Agreement between it and any other person, firm or organization. Executive represents and warrants that there is no legal or other impediment which would prohibit Executive from entering into this Agreement or which would prevent Executive from fulfilling Executive's obligations under this Agreement.

7. Entire Agreement. This Agreement contains the entire understanding and

agreement between the parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto.

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8. Amendment or Waiver. No provision in this Agreement may be amended

unless such amendment is agreed to in writing and signed by Executive and an authorized officer of the Company. Except as set forth herein, no delay or omission to exercise any right, power or remedy accruing to any party shall impair any such right, power or remedy or shall be construed to be a waiver of or an acquiescence to any breach hereof. No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by Executive or an authorized officer of the Company, as the case may be.

9. Severability. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

10. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

11. Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate or other legal representative.

12. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of California without reference to principles of conflict of laws.

13. Notices. Any notice given to a party shall be in writing and shall be deemed to have been given when delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address of the party indicated below or to such changed address as such party may subsequently give such notice of:

If to the Company: KORN/FERRY INTERNATIONAL
1800 Century Park East
Los Angeles, CA 90067
Attention: Corporate Secretary

If to Executive: PAUL C. REILLY
8301 Tallahassee Dr. N. E.
St. Petersburg, FL 33702

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IN WITNESS WHEREOF, the undersigned have executed this Employment Agreement on the date first above written.

The Company: KORN/FERRY INTERNATIONAL

By: _____

Executive

PAUL C. REILLY

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SCHEDULE A
DEFINITION OF CHANGE IN CONTROL

For purposes of the foregoing Agreement, a "Change in Control" shall mean any of the following:

(a) an acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) or a pecuniary interest (as defined in Section 16a-1(a)(2) of the Exchange Act) in (either comprising "ownership of") more than 30% of the Common

Stock of the Company or voting securities entitled to then vote generally in the election of directors ("Voting Stock") of the Company, after giving effect to any new issue in the case of an acquisition from the Company; or

(b) approval by the shareholders of the Company of a plan, or the consummation, of merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company's consolidated assets as an entirety (collectively, a "Business Combination"), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock of the Company hold or receive directly or indirectly 70% or more of the Voting Stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the Voting Stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that percentage of the Voting Stock of the Company immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate amount of Voting Stock of the resulting entity owned by any Persons who (i) own more than 5% of the Voting Stock of the resulting entity, (ii) are not Excluded Persons, (iii) did not own directly or indirectly at least the same percentage of the Voting Stock of the Company immediately before the Business Combination, and (iv) in the aggregate own more than 30% of the Voting Stock of the resulting entity; or

(c) approval by the Board of Directors of the Company and (if required by law) by shareholders of the Company of a plan to consummate the dissolution or complete liquidation of Korn/Ferry International; or

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors (excluding any new director designated by a person who has entered into an agreement or arrangement with Korn/Ferry International to effect a transaction described in clause (a) or (b) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved (all such directors, "Incumbent Directors"), cease for any reason to constitute a majority of the Board; provided that for purposes of this clause (d), any directors elected at any time during 1999 shall be deemed to be Incumbent Directors.

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Notwithstanding the above provisions in this Schedule A, no Change in Control shall be deemed to have occurred if a Business Combination, as described in paragraph (b) above, is effected and a majority of the Incumbent Directors, through the adoption of a Board resolution, determines that, in substance, no Change in Control has occurred.

The "Company" means Korn/Ferry International, a Delaware corporation, its successors, and/or its Subsidiaries, as the context requires.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Excluded Person" means

- (i) the Company; or
- (ii) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act; or
- (iii) any employee benefit plan of the Company; or
- (iv) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in party (b) of this definition.

"Person" means an organization, a corporation, an individual, a partnership, a trust or any other entity or organization, including a governmental entity and a "person" as that term is used under Section 13(d) or 14(d) of the Exchange Act.

A-2

<TABLE>
<CAPTION>

Subsidiaries

<S>

1. Korn/Ferry International S.A.
2. Korn/Ferry International Pty Limited
3. Korn/Ferry International Limited Niederlassung
4. Korn/Ferry International S/C Ltda.
5. Korn/Ferry Canada, Inc.
6. Korn/Ferry Montreal, Inc.
7. Korn/Ferry International, S.A.
8. Korn/Ferry International (China) Limited
9. Korn/Ferry International spol.s.r.o
10. Korn/Ferry International A/S
11. Korn/Ferry International Oy
12. Korn/Ferry International & Cie, S.N.C.
13. Korn/Ferry International GmbH
14. Korn/Ferry International SA
15. Korn/Ferry International (Asia Pacific) Limited
16. Korn/Ferry International (H.K.) Limited
17. Korn/Ferry International Budapest Individual
Consulting and Service Ltd.
18. Korn/Ferry Consultants India Private Limited
19. Korn/Ferry Investment India Limited
20. PT. Korn/Ferry International
21. Korn/Ferry International S.R.L.
22. Korn/Ferry International-Japan
23. Korn/Ferry International (Korea) Limited
24. Agensi Pekerjaan Korn/Ferry International (Malaysia) Sdn. Bhd.
25. Korn/Ferry Internacional del Norte, S.A. de C.V.
26. Korn/Ferry International S.A. de C.V.
27. Korn/Ferry International B.V.
28. Korn Ferry International NZ Limited

</TABLE>

<TABLE>
<CAPTION>

Subsidiaries

<S>

29. Korn/Ferry International A/S
30. Korn/Ferry International - Peru S.A.
31. Korn/Ferry International Sp.z o.o.
32. Korn/Ferry International Srl.
33. Korn/Ferry International Pte. Ltd.
34. Korn/Ferry International S.A.
35. Korn/Ferry International AB
36. Korn-Ferry (Switzerland) Ltd
37. Korn-Ferry International SA
38. Korn-Ferry S.A., Geneve
39. REMCO Research & Management Consulting Services S.A.
40. Korn/Ferry (Thailand) Limited
41. Korn/Ferry International Executive Recruitment (Thailand) Limited
42. Korn/Ferry International Musavirlik Limited Sirketi
43. Korn/Ferry International, Limited
44. Pintab Associates Limited
45. KFI (UK) Ltd.
46. Korn/Ferry International Holding India
47. KFI-LK, Inc.
48. Korn/Ferry S.A.
49. Pearson, Caldwell & Farnsworth, Inc.
50. Korn/Ferry International Futurestep, Inc.
51. Korn/Ferry International Worldwide, Inc.
52. JobDirect.com
53. Webb, Johnson, & Pratzner Inc.
54. Korn/Ferry International Consultores Asociados, C.A.
55. Korn/Ferry International de Venezuela, C.A.
56. K/F Selection Venezuela, C.A.
57. Korn.Ferry International Futurestep (Australia) Pty Ltd
58. Korn.Ferry International Futurestep (Ossterreich) GmbH
59. Korn.Ferry International Futurestep (Belgium) BVVA

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<TABLE>
<CAPTION>

Subsidiaries

<S>

60. Korn.Ferry International Futurestep (Canada) Inc.
61. Korn.Ferry International Futurestep (Denmark) ApS
62. Korn.Ferry International Futurestep (Finland)
63. Korn.Ferry International Futurestep (France) SARL

Exhibit 21.1

Jurisdiction

<C>

Argentina
Australia
Austria
Brazil
Canada
Canada
Chile
China
Czech Republic
Denmark
Finland
France
Germany
Greece
Hong Kong
Hong Kong

Hungary
India
India
Indonesia
Italy
Japan
Korea
Malaysia
Mexico
Mexico
Netherlands
New Zealand

Jurisdiction

<C>

Norway
Peru
Poland
Romania
Singapore
Spain
Sweden
Switzerland
Switzerland
Switzerland
Switzerland
Thailand
Thailand
Thailand
Turkey
United Kingdom
United Kingdom
United Kingdom
United States, California
United States, California
United States, California
United States, California
United States, Delaware
United States, Delaware
United States, Delaware
United States, New York
Venezuela
Venezuela
Venezuela
Australia
Austria
Belgium

<C>

Canada
Denmark
Finland
France

64.	Korn.Ferry International Futurestep (Deutschland) GmbH	Germany
65.	Korn.Ferry International Futurestep Multimedia Advertising GmbH	Germany
66.	Korn.Ferry International Futurestep (Hong Kong) Ltd	Hong Kong
67.	Korn.Ferry International Futurestep (Ireland) Ltd	Ireland
68.	Korn.Ferry International Futurestep (Italy) S.r.l.	Italy
69.	Futurestep (Japan) K.K.	Japan
70.	Korn.Ferry International Futurestep (Luxembourg) SARL	Luxembourg
71.	Korn.Ferry International Futurestep (Malaysia) Sdn. Bhd.	Malaysia
72.	Korn.Ferry International Futurestep (The Netherlands) B.V	Netherlands
73.	Korn.Ferry International Futurestep (Holdings) B.V.	Netherlands
74.	Korn.Ferry International Futurestep (New Zealand) Ltd	New Zealand
75.	Korn.Ferry International Futurestep (Norge) AS	Norway
76.	Korn.Ferry International Futurestep (Singapore) Pte Ltd.	Singapore
77.	Futurestep (Sweden) AB	Sweden
78.	Korn.Ferry International Futurestep (Schweiz) GmbH	Switzerland

</TABLE>

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements on Form S-8 File Nos. 333-73147 and 333-49580.

/s/Arthur Anderson LLP

Los Angeles, California
July 26, 2001