UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2003

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL
(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-2623879**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

1800 Century Park East, Suite 900
Los Angeles, California 90067
(Address of principal executive offices) (Zip code)

(310) 552-1834
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The number of shares outstanding of our common stock as of July 16, 2003 was 37,606,834 shares. The aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant on October 31, 2002, (assuming that the Registrant's only affiliates are its officers, directors and 10% or greater stockholders) was approximately $272,169,832, based upon the closing market price of $8.53 on that date of a share of common stock as reported on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2003 Annual Meeting of Stockholders scheduled to be held on September 10, 2003 are incorporated by reference into Part III of this Form 10-K.

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PART I.

Item 1. *Business*

Business Overview

Korn/Ferry International, or KFY, is a premier executive recruitment firm with the broadest global presence in the recruitment industry. Since 1969, when we opened our first office in Los Angeles, we have grown to 70 cities in 36 countries. In 1998, we extended our market reach into the mid-market with the introduction of Futurestep, our middle-management recruitment service. As of April 30, 2003, we have approximately 1,536 employees, including 392 executive recruitment and 70 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 79% of the executive recruitment assignments we performed in fiscal 2003 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

We were originally formed as a California corporation in November 1969 and converted to a Delaware corporation in fiscal 2000.

We file annual, quarterly and current reports, proxy statements, and other documents with the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, or the Exchange Act. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our reports, proxy statements, and other documents filed electronically with the SEC are available at the website maintained by the SEC at *http://www.sec.gov.*

We also make available free of charge on or through our Internet website at *http://www.kornferry.com* our annual, quarterly, and current reports, and, if applicable, amendments to those reports, filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC.

We provide the following recruitment services:

Executive Search: Executive search, our core business, focuses on board level, chief executive and other senior executive positions for clients predominantly in the consumer, financial, industrial, life sciences and technology 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 middle-management recruitment business, draws from Korn/Ferry's more than 30 years of industry experience to create customized recruitment strategies based on clients' individual workforce needs. In addition to middle-management search, Futurestep offers project recruitment and managed services. Futurestep combines solution-oriented service with leading technologies to deliver strong candidates and fast cycle times. At April 30, 2003, the Futurestep database contained over one million recruitment candidates.

Financial information regarding our business segments is contained in the Notes to our Consolidated Financial Statements.

Industry Overview

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

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 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.

Other Human Capital Services: In addition to executive and middle-management recruitment, we provide management assessment and executive coaching services.

Industry Trends

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

Consolidation of Human Capital Solutions Providers—In choosing their recruitment and human resource service providers, companies are actively in search of preferred providers in order to consolidate vendor relationships. Companies that can address a broad range of recruitment needs are becoming increasingly attractive. Clients are seeking trusted partners who understand their business and their unique organizational culture, who can manage their business on a global scale.

Increased Use of Advanced Technology—Emphasis in 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 is becoming easier to identify desirable candidates in on-line and off-line databases. In addition, information technology and the Internet are creating efficient ways to manage the recruitment process in identifying, recruiting and assessing 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. A dearth 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 or eliminate the costs required to maintain and train an in-house recruiting department in a rapidly changing industry;
- Benefit from the most updated industry and specific geographic market information;
- Access cutting-edge search technology software; and
- Maintain management focus on core strategic business issues.

Globalization of Business—As the world's individual 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 challenges multinational and local companies to identify qualified executives with the right combination of skills, experience and cultural compatibility. Today, clients are turning to those firms that combine proven expertise with specialized knowledge of key industries and local markets, enabling them to address their mounting 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;
- Increasing demand for senior executives who can exceed the high standards of due diligence and public scrutiny as a result of new securities legislation;
- Aging baby-boom generation resulting in a smaller pool of available candidates; and
- Shortening executive management tenures and more frequent job changes.

Growth Strategy

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

Broadening our Product and Service Offerings

In addition to being a premier executive recruitment firm, we also offer clients middle-management recruitment, project recruitment and managed services through Futurestep, strategic management assessment services and executive development. We will continue to develop and add new products and services that our clients demand and that we feel are consistent with our brand positioning.

Global Account Management

In an effort to better coordinate global recruiting and to gain operational efficiencies, multinational clients will increasingly turn to strategic partners that can manage their recruitment needs on a centralized basis. This will require vendors with a global network of offices and technological support systems to manage multiple hires across geographical regions. Our global account management program, Integrated Services, continues to identify account leaders for multinational clients, provides training and software support to manage these accounts, and develops guidelines and protocols to support cross-border assignments for these clients.

Expanding our Market Reach and Presence through Technology and Assessment Solutions

An advanced technology infrastructure has become a critical element of the recruitment business. In the executive recruitment market, we have invested approximately $49 million over the past three fiscal years to develop a state-of-the-art technology infrastructure, including a worldwide network and 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. In fiscal year 2003, we introduced our proprietary tool, Search Assessment℠, which represents a powerful method to assess executive candidates. Search Assessment℠ has been integrated into our standard search process, thus enhancing our capabilities. We will continue to refine our 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 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.

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 2003, we performed over 4,700 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 2,500,000 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.

The finalist for the position will usually 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 increasing the likelihood 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 five global markets and three regional 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 and strategic hiring in targeted growth areas.

Percentage of Fiscal 2003 Assignments by Industry Specialization

Global Markets:	
Industrial	24%
Consumer	22%
Technology	18%
Financial Services	15%
Life Sciences	10%
Regional Specialties:	
Education/Not-for-profit	6%
Healthcare Provider	4%
General	1%

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 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 the expertise of their board 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. Members of functional groups are located throughout our regions and across our specialty practice groups.

Percentage of Fiscal 2003 Assignments by Functional Expertise

Board Level/CEO/CFO/Senior Executive and General Management	54%
Marketing and Sales	21%
Human Resources and Administration	8%
Manufacturing/Engineering/Research and Development/Technology	7%
Finance and Control	7%
Information Systems	3%

Organization

North America—We opened our first office in Los Angeles in 1969, and currently have 23 offices throughout the United States and Canada. In fiscal 2003, fee revenue was $162 million handling over 1,900 assignments in this region, with an average of 210 consultants.

Europe—We opened our first European office in London in 1972 and currently have 21 offices throughout 17 countries in the region. In fiscal 2003, fee revenue was $79 million handling over 1,500 assignments in this region, with an average of 127 consultants.

Asia/Pacific—We opened our first Asia/Pacific office in Tokyo in 1973, and have built a 14-office network throughout ten countries in the region. In fiscal 2003, fee revenue was $34 million handling over 800 assignments in this region, with an average of 59 consultants.

South America—We opened our first South American office in Brazil in 1974. We expanded our practice to Mexico through the 1977 acquisition of a less than 50% interest in a company in Mexico City and currently conduct operations in Mexico through subsidiaries in which we hold a minority interest. As of April 30, 2003, we operated a network of seven offices in six countries covering the entire South America region and two offices in Mexico. The region, excluding Mexico, generated fee revenue of $7.6 million in fiscal 2003 compared to $17.6

million in fiscal 1999. We handled nearly 500 assignments in fiscal 2003 in this region, with an average of 24 consultants. Our share of the operating results for our Mexico subsidiaries are included in equity in earnings of unconsolidated subsidiaries on the consolidated statements of operations.

Client Base. Our clients are many of the world's largest and most prestigious public and private companies, including 40% of the Fortune 500 companies. In fiscal 2003, no single client represented more than 1% of fee revenue. We have established strong client loyalty; more than 79% of the executive recruitment assignments we performed in fiscal 2003 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

Competition. We are a premier executive recruitment firm. Other multinational executive recruitment firms include Heidrick & Struggles International, Inc., Spencer Stuart & Associates, Egon Zehnder International and Russell Reynolds Associates, Inc. Although these firms are our primary competitors, we also compete with 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. Futurestep offers clients a multi-tiered portfolio of services, ranging from middle-management search to project recruitment and managed services. Each Futurestep service benefits from the in-depth industry and functional-area expertise of our global consultant network, guaranteeing that clients work with people who understand their business and have the knowledge base to qualify candidates effectively.

Futurestep was the first company to combine traditional search expertise with the reach and speed of the Internet. Futurestep consultants, based in 18 countries, have instant access to the world's largest database of prescreened middle-management professionals. The global candidate pool complements our international presence and multi-channel sourcing strategy to ensure speed, efficiency and quality of service for clients worldwide.

Futurestep's middle-management search uses multiple sourcing channels, validated cultural assessments and a global database of more then one million prescreened professionals to offer a low overhead approach that accelerates the recruitment process and provides a diverse set of candidates matched toward specific cultural and strategic requirements.

For multiple recruiting projects, Futurestep consultants work with clients to analyze existing internal recruitment capabilities and develop a co-sourcing platform that emphasizes shared ownership of the recruitment process. Futurestep also offers managed services to clients seeking a fully integrated, single source for their recruitment needs.

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. In fiscal 2002 and 2003, we consolidated Futurestep's back office functions with executive recruitment and co-located Futurestep with executive recruitment offices in North America and Europe to streamline the business. At April 30, 2003, we had Futurestep operations in ten cities in North America, fourteen 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 and
- to a lesser extent in the technology based middle-management recruitment industry, with firms such as Monster Worldwide.

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.

Strategic Management Assessment. We have expanded strategic management assessment beyond Europe to cover North and South America, Australia and Japan. This service focuses on helping corporate leadership evaluate the individual and collective performance of their management team. This service, which further extends the range of leadership capital solutions we offer to our clients, is a valuable tool for the chief executive, board of directors and other senior officers in pursuing organizational transformation and the alignment of senior management with the Company's strategic goals and internal values. This service responds to our clients' needs for a tool to address the challenges of changing company relationships and global restructuring and, for venture capital firms, to evaluate the leadership team in existing or prospective portfolio companies. The assessment process is performed by consultants with extensive experience in interviewing and evaluating senior executives and who understand local cultural differences and the relevant business and industry challenges. The assessment process is backed by a statistically validated and proprietary assessment instrument that was developed for us by leading assessment experts and is supported by a proprietary systems platform.

Technology

Our technology enhances the functionality, speed and quality of our human capital services. It also represents a long-term strategy designed to create competitive advantage and sustained growth. We have evolved our technology capability through acquisition, purchase, and development of state-of-the-art components. Our technology is scaleable and will accommodate future growth in our current services as well as the addition of new services. 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; and
- coordinate and implement marketing, communication, financial and administrative functions throughout our global operations.

The core component and driving force of our technology is e-Korn/Ferry, our worldwide *Executive Center* web site and global candidate management system. In fiscal 2003, the e-Korn/Ferry architecture was enhanced with a new tool to manage site content, including support for international languages. We developed a *feature-based* web site model – creating business-specific functions and branding on a common code base. This set the stage for the introduction of the new Futurestep Candidate Site, featuring multi-language, streamlined candidate registration with an improved "look and feel." This latest phase of operational consolidation provides economies of scale by moving all Korn/Ferry candidate web sites to a common technology infrastructure. This platform was further enhanced to serve the needs of Futurestep's managed services clients by setting up customized recruitment web sites, private partitioned databases, and custom emails. We also added the Client Center: a secure web site for Korn/Ferry clients to access information about the progress of our recruitment efforts on their behalf.

In fiscal 2003, we brought the Management Assessment System onto our common technology platform and introduced *self-assessment*, allowing participants to complete assessment questionnaires online in multiple languages. We also applied the assessment methodology to executive recruitment in *Search Assessment*—an invitation-based process that uses online assessment instruments to evaluate finalist candidates' competency and values fit in Korn/Ferry searches. This capability provides a major competitive advantage for the Korn/Ferry search business. *Search Assessment* has been integrated into our engagement management system, Searcher, with powerful search criteria that help our consultants match candidates to positions by career values and style characteristics.

In fiscal 2003, we made a series of enhancements to the Performance Management system, used to provide enterprise competency management services to large clients. We made the online objective setting process more robust and granular, and introduced several new modules. *Compensation Planning* manages the client's enterprise compensation process in conjunction with performance ratings, promotions and average increase rate guidelines. *Talent Review* keeps a company-wide skills inventory for the client and supports succession planning. *HR Center* is an administrative component that empowers client human resources units to manage all processes.

Organization

Our executive recruitment business is managed on a geographic basis throughout our four regions: North America, Europe, Asia/Pacific and South America. Futurestep is managed on a worldwide basis with operations in North America, Europe and Asia/Pacific.

Professional Staff and Employees

As of April 30, 2003, we had approximately 1,248 executive recruitment employees consisting of 392 consultants and 856 associates, researchers, administrative and support staff. In addition, we had 14 consultants in our two unconsolidated Mexico offices. Futurestep had 241 employees at April 30, 2003 consisting of 70 consultants and 171 administrative and support staff. Corporate had 47 corporate professionals at April 30, 2003. We have not been a party to a collective bargaining agreement and consider our relations with our employees to be good. Korn/Ferry International is an equal opportunity employer.

In executive search, senior associates, associates and researchers support the efforts of our consultants 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 2003:

	Fee Revenue	Operating Income (Loss)	Adjusted Operating Income (Loss)(1)	Number of Offices as of April 30, 2003	Number of Consultants as of April 30, 2003
		(in millions)			
Executive Recruitment:					
North America	$ 162.3	$ 17.4	$ 23.2	23	192
Europe	79.0	0.2	5.5	21	122
Asia/Pacific	33.5	2.0	2.4	14	56
South America.	7.6	(0.6)	(0.6)	7	22
Futurestep(2)	32.7	(9.9)	(4.5)	10	70
Corporate		(22.5)	(23.0)		

(1) Adjusted operating income (loss) excludes asset impairment and restructuring charges of $16.3 million on a consolidated basis.
(2) Futurestep partially occupies 21 of the executive recruitment offices globally.

Risk Factors

The risks described below are the material risks facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operation. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

Competition in our industry could result in our losing market share and our charging lower prices for our service, which could reduce our revenue.

We compete for executive search business with numerous executive search firms and businesses that provide job placement services. Traditional executive search competitors include Heidrick & Struggles, Inc., Spencer Stuart & Associates, Egon Zehnder International and Russell Reynolds Associates, Inc. In each of our markets, our competitors may possess greater resources, greater name recognition and longer operating histories than we do, which may give them an advantage in obtaining future clients and attracting qualified professionals in these markets. There are few barriers to entry into the executive search industry and new recruiting firms continue to enter the market. We believe the continuing development and increased availability of information technology will continue to attract new competitors. Increased competition may lead to pricing pressures that could negatively impact our business.

If we fail to attract and retain qualified and experienced consultants, our revenue could decline and our business could be harmed.

We compete with other executive search firms for qualified consultants. Generally, a small number of consultants have primary responsibility for a client relationship. Any decrease in the quality of our reputation, reduction in our compensation levels or restructuring of our compensation system, whether as a result of insufficient revenue, a decline in the market price of the common stock or for any other reason, could impair our ability to retain existing or attract additional qualified consultants with the requisite experience, skills or established client relationships. In addition, many of our consultants hold shares of our common stock that became freely tradable in February 2003. Our failure to retain our most productive consultants or maintain the quality of service to which our clients are accustomed, and the ability of a departing consultant to move business to his or her new employer could result in a loss of clients and harm our business.

Economic conditions in the geographic regions and the industries from which we derive a significant portion of our fee revenue could undermine our future profitability.

Demand for our services is significantly affected by the general level of economic activity in the geographic regions and industries in which we operate. When economic activity slows, many companies hire fewer permanent employees. Therefore, a significant economic downturn, on a global basis, in North America, or in other regions or industries where our operations are heavily concentrated, such as the advanced technology and financial services industries could harm our business, results of operations and financial condition. Currently, the global financial markets, especially in the United States, continue to experience significant turmoil, negatively impacting our fee revenue and operating income. In addition, in fiscal 2003, our total assignments included 18% related to the technology industry and 15% related to the financial services/investments industry, both of which have experienced volatility recently.

We face risks associated with political instability, legal requirements and currency fluctuations in our international operations.

We operate in 36 countries and generate nearly half our fee revenue from operations outside of North America. There are certain risks inherent in transacting business worldwide, such as:

- changes in and compliance with applicable laws and regulatory requirements;
- tariffs and other trade barriers;

- difficulties in staffing and managing global operations;
- problems in collecting accounts receivable;
- social and political instability;
- fluctuations in currency exchange rates;
- statutory equity requirements;
- repatriation controls; and
- Potential adverse tax consequences.

We have no hedging or similar foreign currency contracts, and therefore fluctuations in the value of foreign currencies could harm our global operations. We cannot assure you that one or more of these factors will not harm our business, financial condition or results of operations.

We are limited in our ability to recruit employees of our clients and we could lose those opportunities to our competition, which could harm our business.

Either by agreement with clients, or for client relations or marketing purposes, executive search firms sometimes refrain, for a specified period of time, from recruiting employees of a client when conducting searches on behalf of other clients. These off-limits agreements can generally remain in effect for up to two years following completion of an assignment. The duration and scope of the off-limits agreement, including whether it covers all operations of the client and its affiliates or only certain divisions of a client, generally are subject to negotiation or internal policies and may depend on factors such as the scope, size and complexity of the client's business, the length of the client relationship and the frequency with which the executive search firm has been engaged to perform executive searches for the client. Our inability to recruit employees of these clients may make it difficult for us to obtain search assignments from, or to fulfill search assignments for, other companies in that client's industry. We cannot assure you that off-limits agreements will not impede our growth or our ability to attract and serve new clients, or otherwise harm our business.

Our financial results may suffer if Futurestep does not become profitable.

Futurestep has incurred operating losses of $110.0 million from inception through April 30, 2003. In addition, we believe Futurestep, primarily overseas, will continue to generate operating losses through at least the end of fiscal 2004. We cannot assure you that Futurestep's operating losses will not increase in the future. If Futurestep does not become profitable, our financial results may suffer. If our executive recruitment consultants do not actively promote our technology-based services to our clients, the fee revenue growth and profitability of these services could be harmed.

If we are unable to retain our executive officers and key personnel, or to integrate new members of our senior management that are critical to our business, we may not be able to successfully manage our business in the future.

Our future success depends upon the continued service of our executive officers and other key management personnel. If we lose the services of one or more of our executives or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives.

We rely heavily on our information systems and if we lose that technology, or fail to further develop our technology, our business would be harmed.

Our success depends in large part upon our ability to store, retrieve, process and manage substantial amounts of information. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. If we are unable to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or any interruption or loss of our information processing capabilities, for any reason, could harm our business, results of operations and financial condition.

If we are unable to maintain our professional reputation and brand name, our business will be harmed.

We depend on our overall reputation and brand name recognition to secure new engagements and hire qualified professionals. Our success also depends on the individual reputations of our professionals. We obtain a majority of our new engagements from existing clients or from referral by those clients. Any client who is dissatisfied with our work can adversely affect our ability to secure those new engagements.

If any factor hurts our reputation, including poor performance, we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failing to maintain our professional reputation and brand name could seriously harm our business.

We are subject to potential legal liability from both clients and employers, and our insurance coverage may not cover all of our potential liability.

We are exposed to potential claims with respect to the executive search process. A client could assert a claim for matters such as breach of an off-limits agreement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Further, the current employer of a candidate whom we place could file a claim against us alleging interference with an employment contract. In addition, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate’s employment search or for alleged discrimination or other violations of employment law by one of our clients. We cannot assure you that our insurance will cover all claims or that our insurance coverage will continue to be available at economically feasible rates.

Certain of our historical statements were audited by Arthur Andersen LLP, and your ability to rely on those statements and recover from them may be limited.

On April 11, 2002, our board of directors, upon recommendation of the audit committee, dismissed Arthur Andersen LLP as our independent auditors and appointed Ernst & Young LLP as our new independent auditors. Ernst & Young LLP has audited our financial statements for the fiscal years ended April 30, 2003 and 2002 but not any prior fiscal year. We have restated our financial statements for the fiscal year ended April 30, 2001 relating to the consolidation of our Mexico subsidiaries. The statements for that fiscal year were audited by Arthur Andersen LLP, and we have not been able to have their report for that fiscal year reissued. In addition, we will not be able to obtain the written consent of Arthur Andersen LLP for any registration statement we may file as required by Section 7 of the Securities Act. Accordingly, investors will not be able to sue Arthur Andersen LLP pursuant to Section 11(a)(4) of the Securities Act relating to those registration statements and therefore may have their recovery limited as a result of the lack of consent. The ability of investors to recover from Arthur Andersen LLP may also be limited as a result of their financial condition or other matters relating to the various civil and criminal lawsuits relating to them.

Our stock price could fluctuate significantly.

The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Significant fluctuation in the market price of our common stock can occur for a number of reasons, including:

- changes in economic conditions;
- fluctuations in our financial performance;
- changes in our capital structure and liquidity;

- changes in management or key consultants; and
- industry developments.

In addition, the securities markets have experienced significant price and volume fluctuations that are independent of the operating performance of individual companies. These market fluctuations could also materially and adversely affect the market price of our common stock. Past stock price performance is not an indication of future performance.

We have provisions that make an acquisition of us more difficult and expensive.

Antitakeover provisions in our Certificate of Incorporation, our Bylaws and the Delaware laws make it more difficult and expensive for us to be acquired in a transaction which is not approved by our Board of Directors. Some of the provisions in our Certificate of Incorporation and Bylaws include:

- a classified board of directors
- limitations on the removal of directors
- limitation on stockholder actions
- advance notification requirements for director nominations and actions to be taken at shareholder meetings
- the ability to issue one or more series of preferred stock by action of our Board of Directors

These provisions could discourage an acquisition attempt or other transaction in which shareholders could receive a premium over the current market price for the common stock.

Item 2. ***Properties***

Our corporate office is located in Los Angeles, California. We lease all 75 of our executive recruitment and Futurestep offices located in North America, Europe, Asia/Pacific and South America. As of April 30, 2003, we leased an aggregate of approximately 670,000 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 any 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 2003.

Executive Officers as of April 30, 2003

Name	Age	Position
Paul C. Reilly	49	Chairman of the Board and Chief Executive Officer
Gary D. Burnison	42	Chief Financial Officer and Executive Vice President
Gary C. Hourihan	54	Executive Vice President—President Global Management Assessment
Robert H. McNabb	56	Chief Executive Officer for Futurestep

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, 2003.

Paul C. Reilly has been Chief Executive Officer and President since June 2001. Prior to joining Korn/Ferry International, Mr. Reilly was at KPMG International, where he was Chief Executive Officer. Mr. Reilly joined KPMG International in 1987.

Gary D. Burnison has been Executive Vice President and Chief Financial Officer since March 2002 and is a member of our Global Operating Committee. Prior to joining Korn/Ferry International, Mr. Burnison was Principal and Chief Financial Officer of Guidance Solutions, a privately held consulting firm, from 1999 to 2001. Prior to that, Mr. Burnison served as an Executive Officer and a member of the board of directors of Jefferies and Company, an investment bank and brokerage firm, from 1995 to 1999. Previously, Mr. Burnison was a partner at KPMG Peat Marwick.

Gary C. Hourihan is a Corporate Executive Vice President and President of Management Assessment, for Korn/Ferry International, responsible for overseeing global operations and strategy for our Management Assessment business. Mr. Hourihan is also a member of our Global Operating Committee and was our Executive Vice President—Organizational Development from January 1999 to December 2001. 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.

Robert H. McNabb was elected Chief Executive Officer for Futurestep in July 2002 and is a member of our Global Operating Committee. Prior to becoming the Chief Executive Officer for Futurestep, he was President of the Futurestep Americas and Asia/Pacific regions since December 2001. Prior to joining Futurestep, he was the President and Chief Executive Officer of Corestaff from 1998 to 2001 and President and Chief Operating Officer at Republic Industries in 1997.

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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:

	High	Low
Fiscal Year Ended April 30, 2003		
First Quarter	$ 11.91	$ 5.78
Second Quarter	$ 9.45	$ 6.17
Third Quarter	$ 10.00	$ 5.81
Fourth Quarter	$ 7.28	$ 5.59
Fiscal Year Ended April 30, 2002		
First Quarter	$ 23.99	$ 14.90
Second Quarter	$ 15.79	$ 6.66
Third Quarter	$ 11.40	$ 6.90
Fourth Quarter	$ 11.40	$ 5.80
Fiscal Year Ended April 30, 2001		
First Quarter	$ 36.63	$ 21.13
Second Quarter	$ 40.44	$ 29.69
Third Quarter	$ 38.00	$ 16.25
Fourth Quarter	$ 20.60	$ 14.90

On July 16, 2003 the last reported sales price on the New York Stock Exchange for the common stock was $9.77 per share and there were approximately 2,600 beneficial holders of the common stock.

Dividends

We have not paid any cash 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 limit our ability to pay dividends.

Recent Sales of Unregistered Securities

We issued securities convertible into or exercisable for approximately 4.9 million shares of common stock in June 2002 to purchasers affiliated with Friedman, Fleischer & Lowe. These issuances were exempt pursuant to Regulation D under the Securities Act.

We issued 10,076 shares of common stock in June 2002 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.

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, 2003, 2002, and 2001 and the selected balance sheet data as of April 30, 2003 and 2002 are derived from our consolidated financial statements, audited by Ernst & Young LLP in fiscal 2003 and 2002 and Arthur Andersen LLP in fiscal 2001, appearing elsewhere in this Form 10-K report. The selected statement of operations data set forth below for the fiscal years ended April 30, 2000 and 1999 and the balance sheet data as of April 30, 2001, 2000 and 1999 are derived from consolidated financial statements and notes thereto, audited by Arthur Andersen LLP, which are not included in this Form 10-K report. However, data for the years ended and as of April 30, 2001, 2000 and 1999 have been restated to reflect the operating results of our Mexico subsidiaries under the equity method. Ernst & Young LLP has applied certain procedures to the restatement adjustments for fiscal 2001 as described in their report on the 2003 consolidated financial statements. Ernst & Young LLP has not performed any procedures with respect to the data and restatement adjustments for fiscal 2000 and 1999.

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	Fiscal Year Ended April 30,				
	2003	2002	2001	2000	1999
	(in thousands, except per share amounts)				
Selected Statement of Operations Data:					
Fee revenue	$ 315,112	$ 377,425	$ 614,067	$ 472,877	$ 311,303
Reimbursed out-of-pocket engagement expenses	23,354	29,310	37,523	29,583	49,365
Total revenue	338,466	406,735	651,590	502,460	360,668
Compensation and benefits	223,192	273,994	383,277	295,307	223,788
General and administrative expenses	73,107	101,934	149,656	114,452	70,205
Out-of-pocket engagement expenses	23,029	25,759	36,710	30,562	29,029
Depreciation and amortization	16,161	17,482	26,874	13,228	9,196
Asset impairment and restructuring charges(1)	16,281	93,203			
Non-recurring charges(2)					89,202
Operating income (loss)	(13,304)	(105,637)	55,073	48,911	(60,752)
Interest and other income (expense)	(9,333)	(6,083)	(3,278)	2,328	(275)
Provision for (benefit from) income taxes	2,040	(12,328)	22,443	21,938	6,928
Equity in earnings of unconsolidated subsidiaries	1,775	1,141	1,661	1,510	1,529
Net income (loss)	$ (22,902)	$ (98,251)	$ 31,013	$ 30,811	$ (66,426)
Accretion on redeemable convertible preferred stock	852				
Net income (loss) attributed to common shareholders	$ (23,754)	$ (98,251)	$ 31,013	$ 30,811	$ (66,426)
Basic earnings (loss) per share	$ (0.63)	$ (2.62)	$ 0.83	$ 0.85	$ (2.37)
Diluted earnings (loss) per share	$ (0.63)	$ (2.62)	$ 0.81	$ 0.82	$ (2.37)
Basic weighted average common shares outstanding	37,576	37,547	37,266	36,086	28,086
Diluted weighted average common shares outstanding	37,576	37,547	38,478	37,680	28,086
Other Data:					
Fee revenue by business segment:					
Executive recruitment:					
North America	$ 162,309	$ 195,522	$ 332,541	$ 261,791	$ 163,936
Europe	78,990	92,098	131,980	110,206	91,864
Asia/Pacific	33,523	37,546	52,146	47,554	33,979
South America	7,616	10,794	16,382	16,752	17,552
Total executive recruitment	282,438	335,960	533,049	436,303	307,331
Futurestep	32,674	40,079	76,335	36,574	3,972
JobDirect		1,386	4,683		
Total fee revenue	$ 315,112	$ 377,425	$ 614,067	$ 472,877	$ 311,303
Number of offices (at period end)	75	85	103	102	69
Number of consultants (at period end)	462	524	663	583	414
Number of engagements	6,823	7,682	11,291	8,636	6,347
Selected Balance Sheet Data:					
Cash and cash equivalents	$ 82,685	$ 66,128	$ 85,661	$ 83,653	111,739
Marketable securities, current			16,397	59,978	21,839
Working capital	72,673	25,610	51,211	78,470	112,927
Total assets	369,013	377,574	496,102	472,178	301,311
Total long-term debt	41,364	1,634	11,842	16,915	2,360
Mandatorily redeemable stock	9,606				
Total shareholders' equity	166,455	179,297	270,166	231,224	172,686

(1) In response to deteriorating economic conditions encountered in the beginning of fiscal 2002, we developed a series of restructuring initiatives to address the cost structure and reposition ourselves to gain market share

and take advantage of any potential economic upturn. As a result, we recognized asset impairment and restructuring charges of $93.2 million in fiscal 2002 comprised of (a) goodwill impairment for JobDirect of $28.9 million and for North America executive recruitment of $14.0 million, (b) other asset impairments of $15.1 million, (c) severance restructuring charge of $19.1 million, and (d) facilities restructuring charge of $16.1 million. In addition, we recognized $16.3 million of restructuring charges in fiscal 2003 comprised of (a) other asset impairment charge of $0.8 million, (b) severance restructuring charge of $5.3 million, (c) facilities restructuring charge of $11.8 million and (d) a $1.6 million gain recognized as a result of a litigation settlement.

(2) In fiscal 1999, upon the completion of the initial public offering, we recognized a non-recurring compensation and benefits expense of $89.2 million, comprised of (a) $49.3 million representing the difference between the issuance price of the shares issued by us twelve months before the initial filing date of the Registration Statement and the fair market value of the shares at the date of grant, (b) $25.7 million from the completion of the redemption 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, restrictions imposed by off-limits agreements, competition, risks related to the growth and results of Futurestep, 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 a premier executive recruitment firm with the broadest global presence in the recruitment industry. Our services include executive recruitment, middle-management recruitment (through Futurestep), strategic management assessment and executive coaching. We have approximately 392 executive recruitment consultants and 70 Futurestep consultants based in nearly 70 cities across 36 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 government and not-for-profit organizations. Over half of the executive recruitment searches we performed in fiscal 2003 were for board level, chief executive and other senior executive positions and our 3,250 clients included approximately 40% of the Fortune 500 companies. We have established strong client loyalty; more than 79% of the executive recruitment assignments we performed in fiscal 2003 were on behalf of clients for whom we had conducted multiple assignments over the last three fiscal years.

Based on deteriorating economic conditions in the beginning of fiscal 2002, we began developing a series of restructuring initiatives, to address our cost structure and to reposition ourselves to gain market share and take advantage of the eventual economic recovery. Our immediate goals were to reduce losses, preserve our top producers and maintain our high standards of client service.

In August 2001, we announced the first of these business realignment initiatives. These initiatives reduced the workforce by approximately 30%, or over 850 employees. Such initiatives included consolidating back-office functions for Futurestep and executive recruitment, exiting the college recruitment market, and the write-off of other related assets and goodwill. These restructuring initiatives resulted in a total charge of $93.2 million and $16.3 million in fiscal 2002 and 2003, respectively.

In June 2003, we announced that we will continue to streamline our infrastructure and improve overall organization efficiencies. Near term activities will focus on the consolidation of Futurestep back-office functions, reduction of corporate and administrative overhead, and other adjustments to our cost base. As such, we expect to incur a charge of approximately $6 million to $8 million in the fiscal first quarter 2004 of which the majority will be in cash.

In November 2001, the Financial Accounting Standards Board (“FASB”) issued Topic No. D-13, “Income Statement Characterization of Reimbursements Received for ‘Out-of-Pocket’ Expenses Incurred” that requires presentation of reimbursements received for “out-of-pocket” expenses as revenue and the related expenses as expense in the statement of operations. This topic issued as Emerging Issues Task Force Issue No. 01-14 (EITF No. 01-14), is effective for reporting periods beginning after December 15, 2001 and requires prior period results to be reclassified to conform to the new presentation. We implemented this guidance effective May 1, 2002. Accordingly, prior year results reflect the reclassification of “out-of-pocket” expenses, primarily candidate travel expenses, previously reported as a reduction in revenue, to expense. There was no impact on operating income, net income, EPS or cash flow as a result of the reclassification.

In December 2002, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure”, effective for fiscal years ending after December 15, 2002. This rule amends SFAS No. 123, “Accounting for Stock-based Compensation”, to provide several alternatives for adopting the stock option expense provisions of SFAS No. 123, as well as additional required interim financial statement disclosures. SFAS No. 148 does not require companies to expense stock options in current earnings. We have not adopted the provisions of SFAS No. 123 for expensing stock based compensation; however, we will adopt the additional interim disclosure provisions of SFAS 148.

In the current year, we have presented our segment operating results to reflect our business segments without allocations of corporate overhead. This presentation represents how management internally evaluates the operating performance of our business segments and gives a more meaningful picture of our business units’ performance. Accordingly, prior year operating results have been reclassified to reflect segment results on the same basis.

Critical Accounting Policies

The following discussion and analysis of our financial condition and operating results are based on our consolidated financial statements. Preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions. In preparing our financial statements and accounting for the underlying transactions and balances, we apply our accounting policies as disclosed in our consolidated financial statements. We consider the policies discussed below as critical to an understanding of our financial statements because their application places the most significant demands on management's judgment. Specific risks for these critical accounting policies are described in the following paragraphs. Senior management has discussed the development and selection of the critical accounting estimates with the Audit Committee of the Board of Directors.

Revenue Recognition. Management is required to establish policies and procedures to ensure that revenue is recorded for valid engagements, over the performance period and related costs are matched against such revenue. We provide recruitment services on a retained basis and generally bill clients in three monthly installments. Since the search is generally not contingent upon placement of a candidate, our assumptions primarily relate to establishing the period over which such service is performed. These assumptions determine the timing of revenue recognition and profitability for the reported period. If these assumptions do not accurately reflect the period over which revenue is earned, revenue and profit could differ.

Deferred Compensation. Deferred compensation requires assumptions regarding participant data and discount rate that can significantly impact the liability and related cost on our balance sheet and statement of operations. Management engages an actuary to review these assumptions to ensure that they reflect the population and economics of our deferred compensation plans in all material respects. The actuarial assumptions we use may differ from actual results due to changing market conditions or changes in the participant population. These differences could have a significant impact on our costs and liability.

Carrying Values. Valuations are required under U.S. generally accepted accounting principles to determine the carrying value of various assets. Our most significant assets that require management to prepare or obtain valuations are goodwill and deferred income taxes. Management must identify whether events have occurred that may impact the carrying value of these assets and make assumptions regarding future events, such as profitability. Differences between the assumptions used to prepare these valuations and actual results could materially impact the carrying amount of these assets and net income (loss).

Results of Operations

The following table summarizes the results of our operations as a percentage of fee revenue:

	Fiscal Year Ended April 30,		
	2003	2002	2001
Fee revenue	100%	100%	100%
Compensation and benefits	71	73	62
General and administrative expenses	23	27	24
Out-of-pocket engagement expenses	7	7	6
Depreciation and amortization	5	5	4
Asset impairment and restructuring charges	5	25	
Operating income (loss)	(4)	(28)	9
Net income (loss)	(7)	(26)	5

Excluding asset impairment and restructuring charges in fiscal 2002 and 2003 and, for comparability (under SFAS No. 142 "Goodwill and Other Intangible Assets"), goodwill amortization in fiscal 2001, operating income (loss) as a percentage of fee revenue is 1%, (3%) and 11% for the fiscal years ended April 30, 2003, 2002 and 2001, respectively. On this same basis, net income (loss) as a percentage of fee revenue is (2%), (1%) and 7% for the fiscal years ended April 30, 2003, 2002 and 2001, respectively.

The continued weakness in the global economy has resulted in decreases in fee revenue in all of our business lines and geographic regions in fiscal 2003 and 2002. This decline follows a 10-year period of double digit growth.

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The following tables summarize the results of our operations by business segment:

	Fiscal Year Ended April 30,					
	2003		2002		2001	
	Dollars	%	Dollars	%	Dollars	%
	(dollars in thousands)					
Fee revenue						
Executive recruitment:						
North America	$ 162,309	52%	$ 195,522	52%	$ 332,541	54%
Europe	78,990	25	92,098	24	131,980	21
Asia/Pacific	33,523	11	37,546	10	52,146	9
South America	7,616	2	10,794	3	16,382	3
Total executive recruitment	282,438	90	335,960	89	533,049	87
Futurestep	32,674	10	40,079	11	76,335	12
JobDirect			1,386		4,683	1
Total fee revenue	315,112	100%	377,425	100%	614,067	100%
Reimbursed out-of-pocket engagement expenses	23,354		29,310		37,523	
Total revenue	$ 338,466		$ 406,735		$ 651,590	

	Fiscal Year Ended April 30,					
	2003		2002		2001	
	Dollars	Margin	Dollars	Margin	Dollars	Margin
	(dollars in thousands)					
Operating income (loss)						
Executive recruitment:						
North America	$ 17,422	11%	$ 5,790	3%	$ 87,605	26%
Europe	224	0	(7,656)	(8)	27,033	20
Asia/Pacific	2,039	6	1,469	4	9,285	18
South America	(602)	(8)	(752)	(7)	1,901	12
Total executive recruitment	19,083	7	(1,149)	(0)	125,824	24
Futurestep	(9,856)	(30)	(37,784)	(94)	(26,023)	(34)
JobDirect			(38,169)		(11,249)	
Corporate(b)	(22,531)		(28,535)		(33,479)	
Total operating income (loss)	$ (13,304)	(4%)	$ (105,637)	(28%)	$ 55,073	9%

	Fiscal Year Ended April 30,					
	2003		2002		2001	
	Dollars	Margin	Dollars	Margin	Dollars	Margin
	(dollars in thousands)					
Operating income (loss) before asset impairment and restructuring charges and goodwill amortization (a)						
Executive recruitment:						
North America	$ 23,173	14%	$ 33,863	17%	$ 93,358	28%
Europe	5,567	7	(306)	(0)	28,899	22
Asia/Pacific	2,351	7	3,315	9	9,571	18
South America	(602)	(8)	(752)	(7)	1,901	12
Total executive recruitment	30,489	11	36,120	11	133,729	25
Futurestep	(4,481)	(14)	(15,361)	(38)	(23,983)	(31)
JobDirect			(5,833)		(9,668)	
Corporate (b)	(23,031)		(27,360)		(33,479)	
Total operating income (loss) before asset impairment and restructuring charges and goodwill amortization	$ 2,977	1%	$ (12,434)	(3)%	$ 66,599	11%

(a) Operating income (loss) before asset impairment and restructuring charges and goodwill amortization are non-GAAP financial measures and exclude asset impairment and restructuring charges of $16.3 million and $93.2 million in fiscal 2003 and 2002, respectively, as follows: $5.8 million and $28.1 million in North

America, $5.3 million and $7.4 million in Europe, $0.3 million and $1.8 million in Asia/Pacific, $5.4 million and $22.4 million in Futurestep, $0 and $32.3 million in JobDirect and $(0.5) million and $1.2 million in Corporate, respectively. Goodwill amortization was $11.5 million in fiscal 2001. The Company presents these amounts as alternative measures to the actual amounts. The Company uses these amounts to analyze its operating results since it believes that asset impairment and restructuring charges and goodwill amortization do not reflect, and make it difficult to compare, the Company's ongoing operations year over year.

(b) In the current year, we have presented the segment operating results to reflect our business segments without allocations of corporate overhead. Accordingly, we have reclassified prior year operating results to reflect our segment operating results on the same basis.

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

Fiscal 2003 Compared to Fiscal 2002

Fee revenue

Fee revenue decreased $62.3 million, or 17%, to $315.1 million for fiscal 2003 from $377.4 million for fiscal 2002. The decrease in fee revenue was primarily a result of a decrease in demand reflecting weakness in the global economy throughout fiscal 2003.

Executive recruitment—All geographic regions reported lower fee revenue in fiscal 2003 compared to the prior year. North America experienced the largest decline in fee revenue of $33.2 million, or 17%, compared to prior fiscal year due to a 10% decrease in the number of engagements and a slight decrease in average fees. Europe reported fee revenue of $79.0 million, a decline of $13.1 million, or 14%, compared to prior year driven by a 17% decrease in the number of engagements while average fees remained constant.

Futurestep—Fee revenue decreased $7.4 million, or 18%, to $32.7 million in fiscal 2003 from $40.1 million in fiscal 2002 as we changed the focus of this business to be multiple recruiting project oriented. Of the total decrease in fee revenue, Europe declined $5.2 million, or 21%, and North America declined $2.3 million, or 23%. Fee revenue in Asia/Pacific remained fairly constant at $5.2 million in fiscal 2003.

JobDirect—In the third quarter of 2002, we decided to exit the college recruitment market and wind down JobDirect operations. JobDirect reported fee revenue of $1.4 million through December 31, 2001, the close of business. In fiscal 2002, we recognized impairment charges of $30.3 million and a restructuring charge of $2.0 million.

Compensation and Benefits

Compensation and benefits expense decreased $50.8 million, or 19%, to $223.2 million in fiscal 2003 from $274.0 million in fiscal 2002. Executive recruitment compensation and benefits costs decreased $33.9 million, or 15%, in the current fiscal year compared to the prior fiscal year. This decrease reflects a 13% reduction in our workforce in the current fiscal year and a 18% decrease in executive recruitment bonus expense primarily due to the decline in fee revenue. Executive recruitment compensation and benefits expense as a percentage of fee revenue remained constant at 66% in fiscal 2003 and 2002. Futurestep compensation and benefits expense declined $10.7 million, or 30%, to $24.6 million in fiscal 2003 from $35.3 million in fiscal 2002 reflecting a 21% decrease in Futurestep employees in the current fiscal year. As a percentage of fee revenue, Futurestep compensation and benefits expense slightly declined from 88% in fiscal 2002 to 75% in fiscal 2003. Corporate compensation and benefits expense declined $2.9 million, or 19%, in the current fiscal year compared to the prior fiscal year. This decrease reflects a 24% reduction in our workforce in the last half of the current fiscal year as well as gains recognized in the current fiscal year related to our Company Owned Life Insurance policies (COLI).

General and Administrative Expenses

General and administrative expenses decreased $28.8 million, or 28%, to $73.1 million in fiscal 2003 from $101.9 million in fiscal 2002. In executive recruitment, general and administrative expenses decreased $14.9 million, or 22%, primarily due to reduced facility costs as well as reduced bad debt expenses. As a percentage of fee revenue, general and administrative expenses slightly decreased to 19% in fiscal 2003 from 21% in fiscal 2002. Futurestep general and administrative expenses decreased $8.8 million, or 49%, mainly due to reduced office costs and professional and advertising expenses related to our ongoing cost reduction efforts. As a percentage of fee revenue, Futurestep general and administrative expenses decreased to 28% in current fiscal year from 45% in the prior fiscal year. Corporate general and administrative expenses decreased $1.5 million, or 13%, mainly due to the reduction of professional costs.

Out-of-Pocket Engagement Expenses

Out-of-pocket engagement expenses are comprised of expenses incurred by candidates and our consultants that are generally billed to clients. As a percentage of fee revenue, out-of-pocket engagement expenses remained constant at 7%.

Operating income (loss)

Operating loss decreased $92.3 million to $13.3 million in the current fiscal year from $105.6 million in the prior fiscal year. Excluding restructuring and impairment charges of $16.3 million and $93.2 million in fiscal 2003 and 2002, respectively, operating income increased $15.4 million to $3.0 million in fiscal 2003. Executive recruitment operating income, on this same basis, decreased $5.6 million to $30.5 million in the current fiscal year from $36.1 million in the prior fiscal year. This decrease was primarily driven by the decrease in fee revenue partially offset by a decline in general and administrative expense and compensation and benefits expense. As a percentage of fee revenue, executive recruitment operating income was constant at 11%. Operating margins in North America, Asia/Pacific and South America declined and Europe operating margin increased.

Futurestep operating losses improved from $37.8 million in fiscal 2002 to $9.9 million in fiscal 2003. Excluding asset impairment and restructuring charges of $5.4 million in fiscal 2003 and $22.4 million in fiscal 2002, losses improved $10.9 million in the current fiscal year reflecting the reduced general and administrative expenses and compensation and benefits costs discussed above. The operating loss margin (excluding asset impairment and restructuring charges) improved to (14%) in fiscal 2003 compared to fiscal 2002 reflecting the larger percentage decrease in costs compared to fee revenue.

Interest Income and Other Income, Net

Interest income and other income, net includes interest income of $1.5 million and $2.4 million in fiscal 2003 and 2002, respectively. The decrease in interest income of $0.9 million is primarily due to lower average cash balances and lower interest rates compared to the prior fiscal year. The decrease in other income is primarily due to lower investment losses recognized in the current fiscal year.

Interest Expense

Interest expense increased $2.0 million in the current fiscal year to $10.5 million from $8.5 million in the prior fiscal year, primarily due to interest on our convertible debt issued in June 2002 as well as an increase in the average outstanding borrowings on the cash surrender value of COLI policies.

Provision for (Benefit From) Income Taxes

The provision for income taxes was $2.0 million in fiscal 2003 compared to a benefit of $12.3 million in fiscal 2002. The benefit received in the prior year reflects tax savings primarily as a result of restructuring charges not duplicated in the current year. Although we reported a pretax loss in the current period, certain foreign subsidiaries reported pretax income resulting in foreign income tax expense. The effective tax rate was (9%) for fiscal 2003 and 11% for fiscal 2002.

Equity in Earnings of Unconsolidated Subsidiaries

Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% shareholder interest in our Mexico subsidiaries. We report our interest in the earnings of the Mexico subsidiaries as a one-line adjustment to net income (loss). Equity in earnings was $1.8 million in fiscal 2003 and $1.1 million in fiscal 2002.

Fiscal 2002 Compared to Fiscal 2001

Fee Revenue

Fee revenue decreased $236.6 million, or 39%, to $377.4 million in fiscal 2002 from $614.1 million in fiscal 2001. The decrease in fee revenue was a result of a decrease in demand reflecting weakness in the global economy throughout fiscal 2002 compared to the prior year.

Executive Recruitment—All geographic regions reported lower fee revenue in fiscal 2002 compared to the prior fiscal year. North America experienced the largest decline in fee revenue of $137.0 million, or 41%, to $195.5 million in fiscal 2002, primarily due to a 42% decrease in the number of engagements while average fees remained constant. Europe reported fee revenue of $92.1 million, a decline of $40.0 million, or 30%, compared to the prior fiscal year primarily driven by a 36% decrease in the number of engagements while average fees increased slightly.

Futurestep—Fee revenue decreased $36.3 million, or 47%, to $40.1 million in fiscal 2002 from $76.3 million in fiscal 2001 across all geographic regions. Of the total decrease in fee revenue, North America declined $16.1 million, or 62%, Europe declined $15.8 million, or 39%, and Asia/Pacific declined $4.4 million, or 46%.

JobDirect—In the third quarter of 2002, we decided to exit the college recruitment market and wind down JobDirect operations. JobDirect reported fee revenue of $1.4 million through December 31, 2001, the close of business, compared to $4.7 million in fiscal 2001. In fiscal 2002, we recognized impairment charges of $30.3 million and a restructuring charge of $2.0 million.

Compensation and Benefits

Compensation and benefits expense decreased $109.3 million, or 29%, to $274.0 million in fiscal 2002 from $383.3 million in fiscal 2001. Executive recruitment compensation and benefits expense decreased $83.9 million, or 28%, in fiscal 2002 compared to fiscal 2001. This decrease reflects a 30% reduction in our workforce in the last half of fiscal 2002 and a 54% decrease in executive recruitment bonus expense primarily due to the decline in fee revenue. Executive recruitment compensation and benefits expense as a percentage of fee revenue increased to 66% in fiscal 2002 from 57% in fiscal 2001 primarily due to the decrease in fee revenue offset by a decrease in bonuses. Futurestep compensation and benefits expense declined $18.6 million, or 34%, compared to the prior fiscal year reflecting a 42% decrease in employees in the last half of fiscal 2002, largely in the United States. Corporate compensation and benefits expenses decreased $3.5 million, or 19%, to $15.1 million in fiscal 2002 from $18.6 million in fiscal 2001, primarily related to the decrease in bonus expense.

General and Administrative Expenses

General and administrative expenses decreased $47.7 million, or 32%, to $101.9 million in fiscal 2002 from $149.7 million in fiscal 2001. In executive recruitment, general and administrative expenses decreased $20.1 million, or 23%, due to a reduction of bad debt expenses, professional fees and reduced facilities costs resulting from the restructuring initiatives. As a percentage of fee revenue, executive recruitment general and administrative expenses increased to 21% in fiscal 2002 from 17% in fiscal 2001. Futurestep general and administrative expenses decreased $22.5 million, or 56%, mainly due to a reduction of advertising expenses, professional fees and bad debt expenses. Futurestep general and administrative expenses as a percentage of fee revenue decreased to 45% in fiscal 2002 from 53% in the prior fiscal year. Corporate general and administrative expenses decreased $1.5 million, or 11%, to $11.5 million in fiscal 2002 from $12.9 million in fiscal 2001, primarily due to reduced professional and facilities costs.

Out-of-Pocket Engagement Expenses

Out-of-pocket engagement expenses are comprised of expenses incurred by candidates and our consultants that are generally billed to clients. As a percentage of fee revenue, out-of-pocket engagement expenses slightly increase to 7% in fiscal 2002 from 6% in the prior year.

Operating income (loss)

Operating income decreased $160.7 million in fiscal 2002, to a loss of $105.6 million from a profit of $55.1 million in fiscal 2001. Excluding asset impairment and restructuring charges of $93.2 million in fiscal 2002 and goodwill amortization of $11.5 million in fiscal 2001, operating income decreased $79.0 million to a loss of $12.4 million in fiscal 2002. Executive recruitment operating income, on this same basis, decreased to $36.1 million, or 11% of fee revenue, from $133.7 million, or 25% of fee revenue, in fiscal 2001. This decrease was driven primarily by the decrease in fee revenue partially offset by a decline in general and administrative expense and compensation and benefits expense. Operating income declined in each region within executive recruitment with the largest dollar decreases in North America and Europe and margin decreases in Europe and South America.

Futurestep operating losses increased from $26.0 million in fiscal 2001 to $37.8 million in fiscal 2002, primarily as a result of decreased fee revenue and asset impairment and restructuring charges of $22.4 million in fiscal 2002. Excluding these restructuring charges and goodwill amortization in fiscal 2001 of $2.0 million, Futurestep operating loss improved $8.6 million, or 36%, reflecting the reduced compensation and benefits costs and general and administrative expenses discussed above. The operating loss margin however, excluding these charges, declined in fiscal 2002 from fiscal 2001 reflecting the larger percentage decrease in fee revenue compared to costs.

Interest Income and Other Income, Net

Interest income and other income, net includes interest income of $2.4 million and $4.4 million in fiscal 2002 and 2001, respectively. The decrease in interest income of $2.0 million is primarily due to lower average cash and marketable securities balances and lower interest rates in fiscal 2002. The slight increase in other income is primarily due to lower losses on the disposal of property in fiscal 2002 compared to fiscal 2001.

Interest Expense

Interest expense increased $1.1 million to $8.5 million in fiscal 2002 from $7.4 million in fiscal 2001. The increase is a result of increased average borrowings under our previous line of credit and an increase in the effective interest rate in fiscal 2002.

Provision for (Benefit From) Income Taxes

The benefit from income taxes was $12.3 million in fiscal 2002 compared to a provision of $22.4 million in fiscal 2001. The effective tax rate was 11% for fiscal 2002 and 43% for fiscal 2001.

Equity in Earnings of Unconsolidated Subsidiaries

Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% shareholder interest in our Mexico subsidiaries. We report our interest in the earnings of the Mexico subsidiaries as a one-line adjustment to net income (loss). The decrease in equity in earnings of $0.6 million to $1.1 million in fiscal 2002 from $1.7 million in fiscal 2001 is primarily due to lower fee revenue in fiscal 2002.

Liquidity and Capital Resources

In June 2002, we closed a $50.0 million private placement with Friedman, Fleischer & Lowe, a San Francisco based private equity firm, comprised of $40.0 million 7.5% Convertible Subordinated Notes, $10.0 million 7.5% Convertible Series A Preferred Stock and warrants to purchase 272,727 shares of our common stock at an exercise price of $12 per share. Interest and dividends are payable semi-annually in either additional notes and preferred stock or cash, at our option, except for the first two years from the date of issuance during which 1% must be paid in cash. The notes and preferred stock are convertible into shares of our common stock at $10.25 per share which, if converted, would represent 4.9 million shares or 11.4% of our outstanding common stock. In December 2002, we paid $0.3 million of interest and dividends in cash.

We obtained a $30.0 million Senior Secured Revolving Credit Facility in February 2003. The total amount available for borrowing is limited based on certain accounts receivable balances. The credit facility is secured by substantially all of our assets including certain accounts receivable balances and guarantees by and pledges of the capital stock of our significant subsidiaries. We are required to meet certain financial condition covenants on a quarterly basis. As of April 30, 2003, we had no outstanding balance on our credit facility. We had an available borrowing capacity of $15.7 million as of April 30, 2003, of which $5.7 million was assigned to letters of credit.

We believe that cash on hand, the credit facility and funds from operations will be sufficient to meet our anticipated working capital, capital expenditures and general corporate requirements. However, adverse changes in our fee revenue could require us to further cut costs or obtain financing to meet our cash needs.

The following table sets forth our obligations and commitments to make future payments under contracts and other commitments. In addition to the amounts set forth below, we have contingent commitments under certain employment agreements that are payable only upon termination of employment.

	Payments due by period				
Contractual Obligations	**Total**	**2004**	**2005-2006**	**2007-2008**	**After 2008**
			(dollars in thousands)		
Lease commitments	$ 88,546	$ 21,400	$ 32,075	$ 20,025	$ 15,046
Long-term debt	46,463	5,099			41,364

The following table presents selected financial information:

	As of April 30,		
	2003	**2002**	**2001**
	(dollars in thousands)		
Cash and cash equivalents	$ 82,685	$ 66,128	$ 85,661
Working capital	72,673	25,610	51,211
Total long-term debt	41,364	1,634	11,842

The increase in our working capital of $47.1 million in fiscal 2003 compared to the prior fiscal year is primarily due to the increase in cash as a result of the issuance of our convertible securities and the elimination of our previous credit facility borrowings in the current year. Changes in other current assets, primarily a decrease in receivables of $8.2 million and a decrease of $17.5 million primarily related to income tax receivables, were offset by changes in other current liabilities, primarily a decrease in notes payable of $7.7 million, a decrease in compensation and benefits payable of $2.0 million and a decrease in other accrued liabilities of $8.9 million. The decrease in working capital of $25.6 million in fiscal 2002 compared to fiscal 2001 was primarily due to a decrease in cash as a result of operating losses and restructuring costs paid in fiscal 2002.

Cash provided by operating activities was $24.5 million in fiscal 2003. In fiscal 2002, cash used by operating activities was $59.5 million primarily as a result of a $93.2 million restructuring charge. Cash provided by operating activities was $63.8 million in fiscal 2001.

Cash used by investing activities was $10.4 million for fiscal 2003, $2.5 million for fiscal 2002 and $55.7 million for fiscal 2001. In fiscal 2003, cash used in investing activities was comprised of $6.9 million of premiums on COLI and $3.5 million of capital expenditures. In fiscal 2002, cash used by investing activities was comprised of capital expenditures of $8.5 million and premiums on COLI of $9.5 million offset by $16.4 million received from the sale of marketable securities. In fiscal 2001, cash used by investing activities primarily included $44.5 million for business acquisitions, $12.6 million for the purchase of equity investments and $33.9 million of capital expenditures offset by net sales of marketable securities of $61.1 million.

Capital expenditures totaled $3.5 million, $8.5 million and $33.9 million for fiscal 2003, 2002 and 2001, respectively. These expenditures primarily consisted of systems hardware and software costs, upgrades to information systems and leasehold improvements. The decrease in fiscal 2003 of $5.0 million compared to fiscal 2002 and the decrease of $25.4 million in fiscal 2002 over fiscal year 2001, reflects our reduced spending efforts.

Cash provided by (used in) financing activities was $5.6 million, $44.1 million and ($2.3) million in fiscal 2003, 2002 and 2001, respectively. In fiscal 2003, we received proceeds of $45.6 million from the issuance of convertible securities and paid our net outstanding borrowings of $39.0 million from our previous credit facility. In addition, we made payments on shareholder acquisition notes of $9.5 million and received funds from borrowings under COLI policies, primarily for the related premiums, of $8.7 million. In fiscal 2002, we had net borrowings of $39.0 million on our previous credit facility and $11.7 million on our COLI policies offset by payments on shareholder acquisition notes of $9.4 million. In fiscal 2001, 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.

Total outstanding borrowings under COLI policies were $66.5 million, $59.9 million and $47.9 million as of April 30, 2003, 2002 and 2001, respectively. Generally, we borrow under our COLI policies to pay related premiums. Such borrowings do not require principal payments, bear interest at primarily variable rates and are secured by the cash surrender value of the life insurance policies of $119.7 million, $112.9 million and $102.3 million as of April 30, 2003, 2002 and 2001, respectively. At April 30, 2003, the net cash value of these policies was $53.2 million of which $44.0 million is held in trust limiting our ability to borrow to pay premiums on these policies.

Quarterly Results

The following table sets forth certain unaudited statement of operations data for the quarters in fiscal 2003 and 2002. 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.

	Quarters Ended							
	Fiscal 2003				Fiscal 2002(1)			
	July 31	Oct. 31(1)	Jan. 31	April 30	July 31	Oct. 31	Jan. 31	April 30
	(dollars in thousands, except per share amounts)							
Fee revenue	$ 83,950	$ 79,572	$ 75,536	$ 76,054	$ 105,535	$ 99,260	$ 86,698	$ 85,932
Operating income (loss)	1,310	(15,939)	183	1,142	(54,783)	(36,752)	(3,482)	(10,620)
Net loss(2)	(583)	(18,017)	(2,559)	(1,743)	(46,859)	(30,867)	(7,253)	(13,272)
Net loss attributed to common shareholders	(708)	(18,259)	(2,804)	(1,984)	(46,859)	(30,867)	(7,253)	(13,272)
Net loss per share								
Basic	(0.02)	(0.48)	(0.07)	(0.05)	(1.25)	(0.82)	(0.19)	(0.35)
Diluted	(0.02)	(0.48)	(0.07)	(0.05)	(1.25)	(0.82)	(0.19)	(0.35)

(1) We recognized asset impairment and restructuring charges of $16,281 in the second quarter of 2003 comprised of (a) $5,273 of severance restructuring costs, (b) $11,788 of facilities restructuring costs,

(c) $798 related to the write-down of related assets, primarily property and equipment, offset by (d) a gain of $1,578 related to a litigation settlement of a former subsidiary. We recognized asset impairment and restructuring charges of $49,428, $34,839, $0, and $8,936 in fiscal quarters of 2002, respectively, comprised of (a) $42,926 of goodwill impairment charges, (b) $15,053 for the impairment of other assets, primarily property and equipment and other investments, (c) $19,102 of severance restructuring costs, and (d) $16,122 of facilities restructuring costs.

(2) Net income (loss), excluding asset impairment and restructuring charges would have been ($1,736) for the second quarter of fiscal 2003 and $2,616, $1,536, $7,253 and $4,336 for fiscal 2002, respectively.

Recently Issued Accounting Standards

In May 2002, we adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS No. 144 did not have an impact on our financial position or results of our operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for costs associated with an exit or disposal activity, including certain restructuring costs, be recognized and measured initially at fair value when the liability is incurred. Previously, these liabilities were recognized at the date an entity committed to a plan and measurement at fair value was not required. This statement is effective prospectively for exit and disposal activities initiated after December 31, 2002. The adoption of this statement did not have a significant impact on our financial position or results of our operations.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", effective as of the first interim period beginning after June 15, 2003. The impact upon adoption of this standard is not expected to have a material impact on the results of our operations or our financial position.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 is effective at the beginning of the first interim period beginning after June 15, 2003; including all financial instruments created or modified after May 31, 2003. This Statement requires mandatorily redeemable instruments be classified as liabilities. The Company will adopt this Statement in the first quarter of fiscal 2004, and our convertible mandatorily redeemable preferred stock will be classified as a liability.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

As a result of our 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 2003, 2002 and 2001, we recognized foreign currency (gains) losses, after income taxes, of ($0.3) million, ($0.2) million and $0.6 million, respectively, primarily related to our Europe operations. Realization of translation gains or losses due to the translation of inter-company payables denominated in U.S. dollars is mitigated through the timing of repayment of these inter-company borrowings.

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. As of April 30, 2003, we had no outstanding balance on our credit facility. We have $66.5 million of borrowings against the cash surrender value of COLI contracts as of April 30, 2003 bearing interest primarily at variable rates payable at least annually.

We have notes payable due to shareholders of $5.1 million resulting from business acquisitions in fiscal 2000 and 2001, at rates ranging from 5.2% to 7.0%. In June 2002, we issued $40.0 million of 7.5% Convertible Debt and $10.0 million of 7.5% Convertible Preferred Stock that is mandatorily redeemable by us if outstanding on June 13, 2010. The Convertible Debt approximates fair value at April 30, 2003.

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.

PART III.

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 2004,” “Nominees for Director—Class 2005,” “Nominees for Directors—Class 2006” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our fiscal 2003 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 2003 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 2003 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 2003 Proxy Statement, and is incorporated herein by reference.

Item 14. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures conducted within 90 days of the date of filing this report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934) are effective.

(b) Changes in Internal Controls

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART IV.

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

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

Exhibit Number	Description of Exhibit
3.1	Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, dated December 15, 1999, and incorporated herein by reference.
3.2	Certificate of Designations of 7.5% Convertible Preferred Stock, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
3.3	Amended and Restated Bylaws of the Company, filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K, dated July 29, 2002, and incorporated herein by reference.
4.1	Form of Common Stock Certificate of the Company, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-49286), and incorporated herein by reference.
4.2	Form of 7.5% Convertible Subordinated Note Due 2010, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
4.3	Form of Stock Purchase Warrant, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
4.4	Subordination Agreement, dated as of June 13, 2002, made by Korn/Ferry International, a Delaware corporation, Friedman Fleischer & Lowe Capital Partners, L.P., a Delaware limited partnership, and FFL Executive Partners, L.P., a Delaware limited partnership in favor of Bank of America, N.A., filed as Exhibit 4.3 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
10.1*	Form of Indemnification Agreement between the Company and some 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*	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.
10.3*	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.
10.4*	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.
10.5*	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.

Exhibit Number	Description of Exhibit
10.6*	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.
10.7*	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.
10.8*	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.
10.9*	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.
10.10*	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.
10.11*	Employment Agreement between the Company and Paul C. Reilly, dated May 24, 2001, filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K, dated July 30, 2001, and incorporated herein by reference.
10.12*	Amendment to Employment Agreement between the Company and Paul C. Reilly, dated December 1, 2001, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, dated December 17, 2001, and incorporated herein by reference.
10.13*	Second Amendment to Employment Agreement between the Company and Paul C. Reilly, dated July 1, 2003.
10.14*	Letter from the Company to Paul C. Reilly, dated June 6, 2001, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, dated December 17, 2001, and incorporated herein by reference.
10.15*	Employment Agreement between the Company and Windle B. Priem, dated June 30, 2001, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, dated September 14, 2001, and incorporated herein by reference.
10.16*	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, dated July 31, 2000 and incorporated herein by reference.
10.17*	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, dated March 19, 2001 and incorporated herein by reference.
10.18	Loan agreement, dated as of February 14, 2003, among Korn/Ferry International, the lenders thereto and Wells Fargo Bank, N.A. as administrative agent, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, dated March 17, 2003, and incorporated herein by reference.
10.19*	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.
10.20*	Amendments to Performance Award Plan, filed as Exhibit 10.4 on the Company's Annual Report on Form 10-K, dated July 30, 2001, and incorporated herein by reference.
10.21*	Amendments to Performance Award Plan, filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K, dated July 29, 2002, and incorporated herein by reference.
10.22*	Amendments to Performance Award Plan.

Exhibit Number	Description of Exhibit
10.23	Investor Rights Agreement, dated as of June 13, 2002, by and among Korn/Ferry International, a Delaware corporation, Friedman Fleischer & Lowe Capital Partners, L.P., a Delaware limited partnership, and FFL Executive Partners, L.P., a Delaware limited partnership, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated June 18, 2002, and incorporated herein by reference.
10.24*	Letter from the Company to James E. Boone, dated February 28, 1995, filed as an Exhibit 10.27 to the Company's Amended Annual Report on Form 10-K/A, dated August 12, 2002, and incorporated herein by reference.
10.25*	Employment Agreement between the Company and James E. Boone, dated May 1, 1995, filed as an Exhibit 10.28 to the Company's Amended Annual Report on Form 10-K/A, dated August 12, 2002, and incorporated herein by reference.
10.26*	Letter from Korn/Ferry International Futurestep, Inc. to Robert H. McNabb, dated December 3, 2001, filed as an Exhibit 10.29 to the Company's Amended Annual Report on Form 10-K/A, dated August 12, 2002, and incorporated herein by reference.
10.27*	Letter from the Company to Robert H. McNabb, dated November 29, 2001, filed as an Exhibit 10.30 to the Company's Amended Annual Report on Form 10-K/A, dated August 12, 2002, and incorporated herein by reference.
10.28*	Employment Agreement between the Company and Robert H. McNabb, dated December 7, 2001, filed as an Exhibit 10.31 to the Company's Amended Annual Report on Form 10-K/A, dated August 12, 2002, and incorporated herein by reference.
10.29**	Employee Stock Purchase Plan.
21.1	Subsidiaries of Korn/Ferry International.
23.1	Consent of Ernst & Young, LLP, Independent Auditors.
24.1	Power of Attorney (contained on signature page).

* Management contract, compensatory plan or arrangement.

** The Employee Stock Purchase Plan is subject to stockholder approval at our annual meeting to be held September 10, 2003.

(b) REPORTS ON FORM 8-K.

On June 19, 2003, we furnished to the Securities and Exchange Commission a Current Report on Form 8-K which contains information required under "Item 12. Results of Operations and Financial Condition." The Current Report on Form 8-K includes a copy of our press release dated June 18, 2003, reporting our results of operations and financial condition for fiscal fourth quarter and year-ended April 30, 2003.

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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

By: /s/ GARY D. BURNISON

Gary D. Burnison
Chief Financial Officer 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 Gary D. Burnison, 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.

Signature	Title	Date
/s/ PAUL C. REILLY **Paul C. Reilly**	Chairman of the Board and Chief Executive Officer	July 18, 2003
/s/ GARY D. BURNISON **Gary D. Burnison**	Chief Financial Officer, and Executive Vice President (Principal Financial Officer)	July 18, 2003
/s/ JAMES E. BARLETT **James E. Barlett**	Director	July 18, 2003
/s/ FRANK V. CAHOUET **Frank V. Cahouet**	Director	July 18, 2003
/s/ SPENCER C. FLEISCHER **Spencer C. Fleischer**	Director	July 18, 2003
/s/ SAKIE FUKUSHIMA **Sakie Fukushima**	Director	July 18, 2003

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Signature	Title	Date
/s/ PATTI S. HART **Patti S. Hart**	Director	July 18, 2003
/s/ DAVID L. LOWE **David L. Lowe**	Director	July 18, 2003
/s/ CHARLES D. MILLER **Charles D. Miller**	Director	July 18, 2003
/s/ EDWARD D. MILLER **Edward D. Miller**	Director	July 18, 2003
/s/ GERHARD SCHULMEYER **Gerhard Schulmeyer**	Director	July 18, 2003
/s/ MARK THOMPSON **Mark Thompson**	Director	July 18, 2003

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CERTIFICATIONS

I, Paul C. Reilly, certify that:

1. I have reviewed this annual report on Form 10-K of Korn/Ferry International;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ PAUL C. REILLY

Name: **Paul C. Reilly**
Title: **Chairman and Chief Executive Officer**

Date: July 18, 2003

I, Gary D. Burnison, certify that:

1. I have reviewed this annual report on Form 10-K of Korn/Ferry International;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By: /s/ GARY D. BURNISON

Name: **Gary D. Burnison**
Title: **Chief Financial Officer and Executive Vice President**

Date: July 18, 2003

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INDEX TO FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENT SCHEDULE

Note: All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Korn/Ferry International

We have audited the accompanying consolidated balance sheets of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES (the "Company"), as of April 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the two years then ended. Our audit also included the financial statement schedule for the two years ended April 30, 2003 included in the index at Item 15 (a). The consolidated financial statements and schedule of the Company for the year ended April 30, 2001, included in the index at Item 15 (a), were audited by other auditors whose report dated June 11, 2001, expressed an unqualified opinion on those statements and schedule prior to the restatement described in Note 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KORN/FERRY INTERNATIONAL AND SUBSIDIARIES as of April 30, 2003 and 2002 and the consolidated results of their operations and their cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed above, the consolidated financial statements of the Company for the year ended April 30, 2001, were audited by other auditors who have ceased operations. As described in Note 15, these consolidated financial statements have been restated to reflect the Company's investment in its Mexico subsidiaries on the equity method of accounting. Previously, these subsidiaries were included in the consolidated financial statements as consolidated subsidiaries. We audited the adjustments that were applied to restate the disclosures reflected in Note 15 with respect to fiscal 2001, and the adjustments that were applied to the schedule for the year ended April 2001. Our procedures principally consisted of the following: (i) examining evidence of the appropriateness of the equity method of accounting for the investment in the Mexico subsidiaries, (ii) agreeing the adjustment amounts for Mexico subsidiaries to the Company's consolidating financial statements obtained from management and (iii) testing the mathematical accuracy in computing the restated consolidated financial statement amounts reflected in Note 15. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the fiscal 2001 consolidated financial statements and schedule of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the fiscal 2001 consolidated financial statements and schedule taken as a whole.

/s/ ERNST & YOUNG LLP

Los Angeles, California
May 27, 2003, except Note 6 which date is June 2, 2003

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

THIS IS A COPY OF AN ACCOUNTANTS' REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. THE FINANCIAL STATEMENTS REFERRED TO IN THIS REPORT HAVE BEEN RESTATED SUBSEQUENT TO THE DATE OF THE REPORT TO ACCOUNT FOR KORN/FERRY INTERNATIONAL'S INVESTMENT IN ITS MEXICO SUBSIDIARIES UNDER THE EQUITY METHOD INSTEAD OF THE CONSOLIDATION METHOD. (SEE NOTE 15). THE RESTATEMENT ADJUSTMENTS HAVE BEEN REPORTED ON BY ERNST & YOUNG LLP.

WE WILL NOT BE ABLE TO OBTAIN THE WRITTEN CONSENT OF ARTHUR ANDERSEN LLP FOR ANY REGISTRATION STATEMENT WE MAY FILE AS REQUIRED BY SECTION 7 OF THE SECURITIES ACT. ACCORDINGLY, INVESTORS WILL NOT BE ABLE TO SUE ARTHUR ANDERSEN LLP PURSUANT TO SECTION 11(a)(4) OF THE SECURITIES ACT RELATING TO THOSE REGISTRATION STATEMENTS AND THEREFORE MAY HAVE THEIR RECOVERY LIMITED AS A RESULT OF THE LACK OF CONSENT. THE ABILITY OF INVESTORS TO RECOVER FROM ARTHUR ANDERSEN LLP MAY ALSO BE LIMITED AS A RESULT OF THEIR FINANCIAL CONDITION OR OTHER MATTERS RELATING TO THE VARIOUS CIVIL AND CRIMINAL LAWSUITS RELATING TO THEM.

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

THIS IS A COPY OF AN ACCOUNTANTS' REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. THE FINANCIAL STATEMENTS REFERRED TO IN THIS REPORT HAVE BEEN RESTATED SUBSEQUENT TO THE DATE OF THE REPORT TO ACCOUNT FOR KORN/FERRY INTERNATIONAL'S INVESTMENT IN ITS MEXICO SUBSIDIARIES UNDER THE EQUITY METHOD INSTEAD OF THE CONSOLIDATION METHOD. (SEE NOTE 15). THE RESTATEMENT ADJUSTMENTS HAVE BEEN REPORTED ON BY ERNST & YOUNG LLP.

WE WILL NOT BE ABLE TO OBTAIN THE WRITTEN CONSENT OF ARTHUR ANDERSEN LLP FOR ANY REGISTRATION STATEMENT WE MAY FILE AS REQUIRED BY SECTION 7 OF THE SECURITIES ACT. ACCORDINGLY, INVESTORS WILL NOT BE ABLE TO SUE ARTHUR ANDERSEN LLP PURSUANT TO SECTION 11(a)(4) OF THE SECURITIES ACT RELATING TO THOSE REGISTRATION STATEMENTS AND THEREFORE MAY HAVE THEIR RECOVERY LIMITED AS A RESULT OF THE LACK OF CONSENT. THE ABILITY OF INVESTORS TO RECOVER FROM ARTHUR ANDERSEN LLP MAY ALSO BE LIMITED AS A RESULT OF THEIR FINANCIAL CONDITION OR OTHER MATTERS RELATING TO THE VARIOUS CIVIL AND CRIMINAL LAWSUITS RELATING TO THEM.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

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

	April 30, 2003	April 30, 2002
ASSETS		
Cash and cash equivalents	$ 82,685	$ 66,128
Receivables due from clients, net of allowance for doubtful accounts of $7,199 and $7,767	46,737	54,960
Income tax and other receivables	12,648	30,140
Deferred income taxes	9,162	10,336
Prepaid expenses	10,403	10,331
Total current assets	161,635	171,895
Property and equipment, net	27,698	40,248
Cash surrender value of company owned life insurance policies, net of loans	53,143	53,048
Deferred income taxes	23,897	21,794
Goodwill	94,729	85,346
Other intangibles, net of accumulated amortization of $5,402 and $4,103	220	396
Deferred financing costs, investments and other	7,691	4,847
Total assets	$ 369,013	$ 377,574
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable and current maturities of long-term debt	$ 5,099	$ 12,818
Borrowings under credit facility		39,000
Accounts payable	8,651	8,319
Compensation and benefits payable	52,206	54,221
Other accrued liabilities	23,006	31,927
Total current liabilities	88,962	146,285
Deferred compensation and other retirement plans	49,944	44,806
Long-term debt	41,364	1,634
Other	12,682	5,552
Total liabilities	192,952	198,277
7.5 % Convertible mandatorily redeemable preferred stock, net of unamortized discount and issuance costs, redemption value $10,100	9,606	
Shareholders' equity:		
Common stock, $0.01 par value, 150,000 shares authorized, 38,642 and 38,587 shares issued and 37,590 and 37,869 shares outstanding	302,021	301,488
Retained earnings (deficit)	(126,607)	(102,853)
Unearned restricted stock compensation	(1,560)	(2,988)
Accumulated other comprehensive loss	(6,044)	(14,101)
Shareholders' equity	167,810	181,546
Less: Notes receivable from shareholders	(1,355)	(2,249)
Total shareholders' equity	166,455	179,297
Total liabilities and shareholders' equity	$ 369,013	$ 377,574

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)

	Fiscal Year Ended April 30, 2003	2002	2001
Fee revenue.	$ 315,112	$ 377,425	$ 614,067
Reimbursed out-of-pocket engagement expenses	23,354	29,310	37,523
Revenue	338,466	406,735	651,590
Compensation and benefits.	223,192	273,994	383,277
General and administrative expenses.	73,107	101,934	149,656
Out-of-pocket engagement expenses	23,029	25,759	36,710
Depreciation and amortization	16,161	17,482	26,874
Asset impairment and restructuring charges	16,281	50,277	
Goodwill impairment charges		42,926	
Total operating expenses	351,770	512,372	596,517
Operating income (loss)	(13,304)	(105,637)	55,073
Interest income and other income, net	1,189	2,438	4,122
Interest expense	10,522	8,521	7,400
Income (loss) before provision for (benefit from) income taxes and equity in earnings of unconsolidated subsidiaries	(22,637)	(111,720)	51,795
Provision for (benefit from) income taxes	2,040	(12,328)	22,443
Equity in earnings of unconsolidated subsidiaries	1,775	1,141	1,661
Net income (loss)	$ (22,902)	$ (98,251)	$ 31,013
Accretion on redeemable convertible preferred stock	852		
Net income (loss) attributed to common shareholders	$ (23,754)	$ (98,251)	$ 31,013
Basic earnings (loss) per common share	$ (0.63)	$ (2.62)	$ 0.83
Basic weighted average common shares outstanding	37,576	37,547	37,266
Diluted earnings (loss) per common share	$ (0.63)	$ (2.62)	$ 0.81
Diluted weighted average common shares outstanding	37,576	37,547	38,478

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)

	Common Stock	Retained Earnings (Deficit)	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity	Comprehensive Income (Loss)
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	
Purchase of stock	(376)				(376)	
Issuance of stock	1,655				1,655	
Issuance of restricted stock	4,923		$ (4,921)		2	
Forfeiture of restricted stock	(783)		783			
Amortization of unearned restricted stock compensation			1,150		1,150	
Comprehensive loss:						
Net loss		(98,251)			(98,251)	$ (98,251)
Foreign currency translation adjustments				(465)	(465)	(465)
Reclassification adjustment for losses realized on investment, net of tax benefit of $2,145				2,962	2,962	2,962
Comprehensive loss						$ (95,754)
Balance as of April 30, 2002	301,488	(102,853)	(2,988)	(14,101)	181,546	
Purchase of stock	(1,115)				(1,115)	
Issuance of stock	151				151	
Issuance of restricted stock	335		(335)			
Forfeiture of restricted stock	(321)		321			
Amortization of unearned restricted stock compensation			1,442		1,442	
Variable stock-based compensation	23				23	
Issuance of warrants	1,460				1,460	
Accretion of mandatory redemption value of preferred stock		(852)			(852)	
Comprehensive loss:						
Net loss		(22,902)			(22,902)	$ (22,902)
Foreign currency translation adjustments				8,057	8,057	8,057
Comprehensive loss						$ (14,845)
Balance as of April 30, 2003	$ 302,021	$ (126,607)	$ (1,560)	$ (6,044)	$ 167,810	

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended April 30,		
	2003	2002	2001
Cash from operating activities:			
Net income (loss)	$ (22,902)	$ (98,251)	$ 31,013
Adjustments to reconcile net income (loss) to net cash provided by (used in) provided by operating activities:			
Depreciation	14,862	16,533	14,712
Amortization of goodwill			11,526
Amortization of intangible assets	1,299	949	637
Amortization of note payable discount	244	467	724
Interest paid in kind and amortization on convertible debt	3,051		
(Gain) loss on disposition of property and equipment	(15)	63	651
Unrealized loss on marketable securities and other assets	587	946	
Provision for doubtful accounts	5,846	10,853	22,581
Cash surrender value (gains) losses and benefits in excess of premiums paid	(1,943)	(806)	2,270
Deferred income tax (benefit) provision	(2,103)	1,003	(4,220)
Tax benefit from exercise of stock options		188	2,779
Asset impairment charges	1,113	57,730	
Restructuring charges	1,554	5,543	
Restricted stock compensation	1,294	1,152	
Change in other assets and liabilities, net of acquisitions:			
Deferred compensation	5,138	3,284	4,039
Receivables	20,808	5,160	(14,893)
Prepaid expenses	(72)	(147)	(2,458)
Investment in unconsolidated subsidiaries	(625)	(769)	726
Income taxes	468	(3,903)	2,298
Accounts payable and accrued liabilities	(10,666)	(60,948)	(9,056)
Other	6,557	1,434	519
Net cash provided by (used in) operating activities	24,495	(59,519)	63,848
Cash from investing activities:			
Purchase of property and equipment	(3,455)	(8,539)	(33,854)
Purchase of marketable securities			(16,397)
Sale of marketable securities		16,397	61,107
Business acquisitions, net of cash acquired		(834)	(44,488)
Premiums on life insurance, net of benefits received	(6,942)	(9,543)	(9,485)
Purchase of investments			(12,570)
Net cash used in investing activities	(10,397)	(2,519)	(55,687)
Cash from financing activities:			
Issuance of convertible debt, preferred stock and warrants, net	45,628		
Net (repayments) borrowings on previous credit facility	(39,000)	39,000	(1,365)
Payment of shareholder acquisition notes	(9,528)	(9,449)	(14,200)
Net borrowings under life insurance policies	8,729	11,662	3,486
Purchase of common stock and payment of related notes	(1,115)	(532)	(533)
Issuance of common stock and receipts on shareholders' notes	894	3,462	10,287
Net cash provided by (used in) financing activities	5,608	44,143	(2,325)
Effect of exchange rate changes on cash flows	(3,149)	(1,638)	(3,828)
Net increase (decrease) in cash and cash equivalents	16,557	(19,533)	2,008
Cash and cash equivalents at beginning of the year	66,128	85,661	83,653
Cash and cash equivalents at end of the year	$ 82,685	$ 66,128	$ 85,661

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2003
(dollars in thousands, except per share amounts)

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Korn/Ferry International ("KFY" or the "Company"), a Delaware corporation, and its subsidiaries are engaged in the business of providing executive recruitment, technology enhanced middle-management recruitment, through Futurestep, and consulting and related services globally on a retained basis.

Basis of Consolidation and Accounting for Investments

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Investments in affiliated companies which are 50% or less owned and where the Company exercises significant influence over operations are accounted for using the equity method. Investments in companies in which the Company 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 or if the investment is not publicly traded, then the investment is accounted for at cost. Dividends and other distributions of earnings from both market-value and cost-method investments are included in other income when declared. 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 or an unrealized loss is no longer considered temporary, at which time the realized or recognized gain or loss is included in income or expense.

In fiscal 2002, the Company believed that the loss related to a publicly traded investment was no longer temporary and reclassified a loss of $2,962, net of a tax benefit of $2,145, from other comprehensive loss to net income (loss). This loss is included in asset impairment charge of $6,264 (see Note 4). The Company recognized an additional unrealized holding loss on this investment of $640 and $946 in fiscal 2003 and 2002, respectively, included in other income.

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 and Uncertainties

The preparation of the consolidated 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. The most significant areas that require management judgment are revenue recognition (discussed below), deferred compensation (see Note 6) and evaluation of the carrying value of goodwill and deferred income taxes (discussed below and Note 7).

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 performed on a retained basis. Fee

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
April 30, 2003
(dollars in thousands, except per share amounts)

revenue from recruitment activities is generally one-third of the estimated first year compensation plus a percentage of the fee to cover indirect expenses. Fee revenue is recognized as earned. The Company generally bills clients in three monthly installments commencing in the month of a client's acceptance of the contract. Fees earned in excess of the initial contract amount are billed at completion of the engagement.

In November 2001, the Financial Accounting Standards Board ("FASB") issued Topic No. D-13, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" that requires presentation of reimbursements received for "out-of-pocket" expenses as revenue and the related expenses as expense in the statement of operations. This topic issued as Emerging Issues Task Force Issue No. 01-14 (EITF No. 01-14), is effective for reporting periods beginning after December 15, 2001 and requires prior period results to be reclassified to conform to the new presentation. The Company implemented this guidance effective May 1, 2002. Accordingly, prior year results reflect the reclassification of "out-of-pocket" expenses, primarily candidate travel expenses, previously reported as a reduction in revenue, to expense. There was no impact on operating income, net income, EPS or cash flow as a result of the reclassification.

Goodwill and Other Intangibles

Goodwill represents the excess of the acquisition cost over the net assets acquired in business combinations. Goodwill is recorded net of accumulated depreciation through April 30, 2001. Other intangibles arising from business acquisitions include contractual obligations contingent upon future performance that are amortized on a straight-line basis over the contractual period. Other intangibles are recorded net of accumulated amortization.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", effective May 1, 2001, goodwill is no longer amortized, but is subject to periodic impairment tests. The Company assesses whether goodwill is impaired at least annually using the two-step process. This assessment was made as of April 30, 2003 and no impairment was indicated.

Stock Based Compensation

The Company accounts for its employee stock options under the recognition and measurement principles of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB No. 25, no stock-based compensation is reflected in net income (loss), as all options granted under the plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant and the related number of shares granted is fixed at that point in time.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure", effective for fiscal years ending after December 15, 2002. This rule amends SFAS No. 123, "Accounting for Stock-based Compensation", to provide several alternatives for adopting the stock option expense provisions of SFAS No. 123, as well as additional required interim financial statement disclosures. SFAS No. 148 does not require companies to expense stock options in current earnings. The Company has not adopted the provisions of SFAS No. 123 for expensing stock based compensation; however, the Company will adopt the additional interim disclosure provisions required by SFAS 148.

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The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 148:

	Fiscal Year Ended April 30,		
	2003	2002	2001
Net income (loss) attributed to common shareholders, as reported	$ (23,754)	$ (98,251)	$ 31,013
Stock-based employee compensation charges, net of related tax effects:			
Determined under the intrinsic-value based method	23		
Determined under the fair-value based method	(21,256)	(24,069)	(21,134)
Net income (loss) attributed to common shareholders As adjusted	$ (44,987)	$ (122,320)	$ 9,879
Basic EPS			
As reported	(0.63)	(2.62)	0.83
Pro forma	(1.20)	(3.26)	0.27
Dilutive EPS			
As reported	(0.63)	(2.62)	0.81
Pro forma	(1.20)	(3.26)	0.26

The weighted average fair value of options granted in fiscal 2003, 2002 and 2001 was $5.09, $8.61 and $16.49, 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:

	Fiscal Year Ended April 30,		
	2003	2002	2001
Expected stock volatility	66.2%	66.5%	64.5%
Risk-free interest rate	3.76%	5.14%	5.37%
Expected option life (in years)	7.50	7.50	7.50

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options. The assumptions used in option valuation models are highly subjective, particularly the expected stock price volatility of the underlying stock. Because changes in these subjective input assumptions can materially affect the fair value estimate in management's opinion, existing valuation models do not provide a reliable, single measure of the fair value of its employee stock options. For purposes of pro forma disclosures, the estimated fair values of the options are amortized over the options' vesting periods.

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 (loss).

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 (gains) losses, on an after tax basis, included in net income (loss), were ($252), ($246) and $646 in fiscal 2003, 2002 and 2001, respectively.

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Cash Flows

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

Net cash from operating activities includes cash payments for interest of $7,056, $8,324 and $7,401 in fiscal 2003, 2002 and 2001, respectively. Cash payments for income taxes, net of refunds, amounted to ($17,263), $7,908, and $24,222 in fiscal 2003, 2002 and 2001, respectively.

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.

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. At April 30, 2003 and 2002, we had no investments in marketable securities.

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, net of insurance premiums paid and gains realized, is reported in compensation and benefits expense. See Note 6.

New Accounting Pronouncements

In May 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement replaces SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived assets to be Disposed Of." The adoption of SFAS No. 144 did not have an impact on the Company's financial position or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for costs associated with an exit or disposal activity, including certain restructuring costs, be recognized and measured initially at fair value when the liability is incurred. Previously, these liabilities were recognized at the date an entity committed to a plan and measurement at fair

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value was not required. This statement is effective prospectively for exit and disposal activities initiated after December 31, 2002. The adoption of this statement did not have a significant impact on the Company's financial position or results of operations.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", effective as of the first interim period beginning after June 15, 2003. The impact upon adoption of the standard is not expected to have a material impact on the results of operations or the financial position of the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 is effective at the beginning of the first interim period beginning after June 15, 2003; including all financial instruments created or modified after May 31, 2003. This Statement requires mandatorily redeemable instruments be classified as liabilities. The Company will adopt this Statement in the first quarter of fiscal 2004 where convertible mandatorily redeemable preferred stock will be classified as a liability.

Reclassifications

Certain prior year reported amounts have been reclassified to conform to the current year presentation.

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2. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per common share ("basic EPS") was computed by dividing net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common and common equivalent share ("diluted EPS") reflects the potential dilution that would occur if the outstanding options or other contracts to issue common stock were exercised or converted and was computed by dividing net income (loss) attributed to common shareholders by the weighted average number of shares of common stock outstanding and dilutive common equivalent shares. The following is a reconciliation of the numerator (income or loss) and denominator (shares in thousands) used in the computation of basic and diluted EPS:

	Fiscal Year Ended April 30,								
	2003			2002			2001		
	(Loss)	Weighted Average Shares	Per Share Amount	(Loss)	Weighted Average Shares	Per Share Amount	Income	Weighted Average Shares	Per Share Amount
Basic EPS									
Net income (loss)	$ (22,902)			$ (98,251)			$ 31,013		
Accretion on redeemable convertible preferred stock	852								
Net income (loss) attributed to common shareholders	$ (23,754)	37,576	$ (0.63)	$ (98,251)	37,547	$ (2.62)	$ 31,013	37,266	$ 0.83
Effect of dilutive securities									
Convertible debt									
Convertible preferred stock									
Stock options								942	
Warrants									
Restricted stock									
Shareholder common stock purchase commitments								270	
Diluted EPS									
Net income (loss) attributed to common shareholders plus dilutive common equivalent Shares	$ (23,754)	37,576	$ (0.63)	$ (98,251)	37,547	$ (2.62)	$ 31,013	38,478	$ 0.81

For the fiscal years ended April 30, 2003 and 2002, assumed exercises or conversions have been excluded in computing the diluted earnings per share since there were net losses for the years and their inclusion would be anti-dilutive.

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The following table adjusts net income (loss) and earnings (loss) per share for the impact of the implementation in fiscal 2002 of SFAS No. 142, "Goodwill and Other Intangible Assets":

	Year Ended April 30,	
	2002	2001
Net income (loss)		
Reported net income (loss)	$(98,251)	$ 31,013
Add back: goodwill amortization		11,526
Adjusted net income (loss)	$(98,251)	$ 42,539
Basic earnings (loss) per share		
Reported net income (loss)	$ (2.62)	$ 0.83
Goodwill amortization		0.31
Adjusted net income (loss)	$ (2.62)	$ 1.14
Diluted earnings (loss) per share		
Reported net income (loss)	$ (2.62)	$ 0.81
Goodwill amortization		0.30
Adjusted net income (loss)	$ (2.62)	$ 1.11

3. Shareholders' Equity

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.

The Company's employee stock option plans provide for option grants designated as either nonqualified, incentive stock options or stock appreciation rights ("SARS"). Option grants to officers, non-employee directors and other key employees generally vest over a three to five year period and generally expire ten years from the date of grant. Stock options are granted at a price that is equal to the fair market value of the common stock on the date of grant. Key employees are eligible to receive a grant of stock options annually with the number of shares generally determined by the employee's performance level. In addition, certain management typically receive a stock option grant upon commencement of employment.

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The status of stock options and SARs issued under the Company's performance award plans are summarized below:

	Number of Shares (in thousands)	Weighted Average Exercise Price
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
Granted	2,176	15.79
Exercised	(74)	13.70
Canceled/forfeited	(1,139)	22.03
Canceled subject to exchange	(3,581)	22.03
Outstanding at April 30, 2002	4,441	$ 16.94
Granted	2,745	7.43
Granted subject to exchange	1,418	7.38
Canceled/forfeited	(888)	14.03
Outstanding at April 30, 2003	7,716	$ 12.13

Included in the table above are 118,385 SARs outstanding as of April 30, 2003 with a weighted average strike price of $11.04.

In March 2002, the Company accepted for exchange 3,580,641 options and SARs relating to shares of the Company's common stock. Subject to the terms and conditions of the exchange offer, the Company issued replacement options and SARs of 1,418,024 shares of the Company's common stock to 347 option and SAR holders that participated in the exchange in September 2002, six months and one day after the options were canceled.

Summary information about the Company's stock options and SARs outstanding at April 30, 2003 is presented in the following table:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Outstanding as of 4/30/03	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Excerciseable as of 4/30/03	Weighted Average Exercise Price
$6.16–$7.38	3,665,000	8.6 Years	$7.36	501,000	$7.32
$7.38–$14.00	1,910,000	4.6 Years	$13.16	1,720,000	$13.60
$14.00–$42.00	2,141,000	7.1 Years	$19.36	1,108,000	$21.11
	7,716,000	7.2 Years	$12.13	3,329,000	$15.15

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The status of the Company's restricted common stock is summarized below:

	Number of Shares
Fiscal year 2002 issuances	310,333
Canceled/forfeited	(51,333)
Outstanding at April 30, 2002	259,000
Fiscal year 2003 issuances	45,000
Vested	(86,347)
Canceled/forfeited	(19,999)
Outstanding at April 30, 2003	197,654

Compensation expense related to these awards is charged to income (loss) on a straight-line basis over the 3 year vesting period and totaled $1,294 and $1,152 for the fiscal years ending April 30, 2003 and 2002, respectively.

As of April 30, 2003, Futurestep had options and SARs outstanding of 660,470. All awards have been granted at an estimate of the fair value on the date of grant, as determined by the Futurestep Board of Directors. The maximum number of shares which may be awarded under the Futurestep Performance Award Plan is 3,500,000. In May 2003, the Company completed the buyout of Futurestep minority shareholders (see Note 14). In conjunction with this transaction, the Company canceled all outstanding Futurestep stock options and SARs.

4. Asset Impairment and Restructuring Charges

Based on deteriorating economic conditions the Company encountered in the beginning of fiscal 2002, the Company began developing a series of restructuring initiatives to address the cost structure and to reposition the enterprise to gain market share and take advantage of any potential economic up-trend. The immediate goals of these restructuring initiatives were to reduce losses, preserve top employees and maintain high standards of client service.

In 2001, the Board began approving a series of business realignment initiatives designed to reduce the work force by nearly 30%, or over 850 employees. Such initiatives included consolidating back-office functions of Futurestep and executive recruitment, exiting the college recruitment market, discontinuing the operations of JobDirect and the write-down of other related assets and goodwill. These restructuring initiatives resulted in a total charge of $93,203 and $16,281 against operating results in fiscal 2002 and 2003, respectively.

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Operating results include asset impairment and restructuring charges related to the following business segments:

	For the year ended April 30, 2003			
	Asset Impairment	Restructuring		
	Other	Severance	Facilities	Total
Executive recruitment				
North America	$ 109	$ 2,313	$ 3,329	$ 5,751
Europe		809	4,534	5,343
Asia/Pacific		312		312
Total executive recruitment	$ 109	$ 3,434	$ 7,863	$11,406
Futurestep	689	761	3,925	5,375
Corporate	(1,578)	1,078		(500)
Total	$ (780)	$ 5,273	$ 11,788	$16,281

Executive recruitment severance of $3,434 includes 82 employees terminated. The facilities restructuring charge of $7,863 primarily relates to lease termination costs, net of estimated sublease income, for excess space in eight executive recruitment offices due to the reduction of workforce and includes $1,042 related to the write-down of unamortized leasehold improvements. The other asset impairment charge of $109 relates to the write-down of facility related assets to estimated fair value less costs to sell.

Futurestep severance of $761 includes 26 employees terminated. Facilities of $3,925 primarily relates to eight Futurestep offices that were closed as employees were co-located with executive recruitment offices and includes $340 related to the write-down of unamortized leasehold improvements. The other asset impairment charge of $689 relates to the write-down of facility related assets to estimated fair value less costs to sell.

The Company recognized a $1,578 gain primarily related to a litigation settlement of a former subsidiary. The corporate severance charge of $1,078 includes 11 employees terminated.

	For the year ended April 30, 2002				
	Asset Impairment		Restructuring		
	Goodwill	Other	Severance	Facilities	Total
Executive recruitment					
North America	$ 13,975	$ 711	$ 7,897	$ 5,490	$ 28,073
Europe			4,833	2,517	7,350
Asia/Pacific		15	1,761	70	1,846
Total executive recruitment	$ 13,975	$ 726	$ 14,491	$ 8,077	$ 37,269
Futurestep		12,958	2,592	6,872	22,422
JobDirect	28,951	1,369	843	1,173	32,336
Corporate			1,176		1,176
Total	$ 42,926	$ 15,053	$ 19,102	$ 16,122	$ 93,203

Executive recruitment goodwill impairment charge related to two prior year acquisitions, which were never integrated into the Company's operations, and for which there is no continuing business. All of the consultants were terminated in one of the acquired entities and the other entity was re-acquired by the former shareholders.

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The total goodwill write-off associated with these two acquisitions was $13,975 based on an analysis of future undiscounted cash flows that indicated that goodwill was impaired. The charge represents the excess of the carrying value over the fair value, based on a discounted cash flow method. The severance charge of $14,491 included 520 employees terminated. The facilities charge of $8,077 primarily related to lease termination costs, net of estimated sublease income, for excess space in ten executive recruitment offices due to the reduction in workforce and included $330 related to the write-down of unamortized leasehold improvements. The other asset impairment of $726 related to the write-down of excess furniture and equipment to fair value less costs to sell.

Futurestep severance costs of $2,592 included 149 employees terminated. The facilities charge of $6,872 primarily related to lease termination costs, net of estimated sublease income, for excess space in six Futurestep offices that were closed as employees co-located with executive recruitment and included $1,874 related to the write-down of unamortized leasehold improvements. The other asset impairment charge of $12,958 included a recognized loss of $6,264 on an investment in a strategic relationship that will not be developed with the integration of the Company's support services and the write-off of a $4,000 investment that is no longer considered strategic that management believed to be permanently impaired. The remaining charge primarily related to the write-off of capitalized software costs due to the integration of information technology support services and the write-down of excess furniture, fixtures and equipment to estimated fair value less costs to sell.

JobDirect goodwill impairment charge of $28,951 related to the exit of the college recruitment market and the discontinue of JobDirect operations. Severance charges of $843 included 70 JobDirect employees terminated. Facilities charges of $1,173 primarily related to lease termination costs, net of estimated sublease income, for three offices and included $61 related to the write-down of unamortized leasehold improvements. The other asset impairment charge of $1,369 related to the write-down of excess furniture and equipment to fair value less costs to sell.

Corporate severance charge of $1,176 included 20 corporate employees terminated.

A roll-forward of the restructuring liability at April 30, 2003 is as follows:

	Severance	Facilities	Other	Total
Liability as of April 30, 2001	$	$	$	$
Charged to expense	19,102	16,122	57,979	93,203
Non-cash items		(2,265)	(57,729)	(59,994)
Payments	(16,923)	(3,458)	(250)	(20,631)
Liability as of April 30, 2002	$ 2,179	$10,399	$	$ 12,578
Charged to expense	5,273	11,788	(780)	16,281
Non-cash items	(172)	(1,382)	(798)	(2,352)
Payments	(6,459)	(6,840)	1,578	(11,721)
Liability as of April 30, 2003	$ 821	$13,965	$	$ 14,786

The severance accrual includes amounts paid monthly and are expected to be paid in full by February 2004. The accrued liability for facilities costs primarily relates to commitments under operating leases, net of sublease income, of which $10,334 is included in other long-term liabilities, which will be paid over the next eight years.

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5. Employee Profit-Sharing

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 $0, $537 and $3,892 for fiscal 2003, 2002 and 2001, respectively.

6. Deferred Compensation and Retirement Plans, Pension Plan and Company Owned Life Insurance Policies

The Company has a defined benefit pension plan, referred to as the Worldwide Executive Benefit Plans ("WEB" plans), covering all of its employees in the United States and certain employees in other countries. The WEB plans are designed to integrate with government sponsored and local benefits and provide a monthly benefit to vice presidents 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 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. The Company did not make accruals for WEB plan participants for the years ending April 30, 2003 and 2002.

The Company also 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 of 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 of age 65. In June 2003, the Company amended the EWAP and WAP plans, so as not to allow new participants or the purchase of additional deferral units by existing participants.

The Company also maintains a Senior Executive Incentive Plan ("SEIP") for participants elected by the Board. Generally, to be eligible, the executive must be participating in the EWAP. Participation in the SEIP requires the participant 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 after ten years of participation in the plan or such later date as may be elected by the participant. In June 2003, the Company amended the SEIP plan, so as not to allow new participants or the purchase of additional deferral units by existing participants.

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

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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, violation of non-competition provisions, 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, 2003 and 2002, the Company had unrecognized losses related to the deferred compensation plans of $6,740 and $2,505, respectively, due primarily to changes in assumptions of the discount rate used for calculating the accruals for future benefits. As of April 30, 2003 and 2002, the Company also had unrecognized gains related to the pension plan of $2,301 and $1,899, respectively, due to changes in assumptions of the discount rate used for calculating the accruals for future benefits, changes in assumptions related to the participant population and changes in assumptions related to WEB plan accrual amounts. The Company amortizes unrecognized (gains) losses over the average remaining service period of active participants. The discount rate was 6.5% in fiscal 2003 and 7.25% in fiscal 2002.

The Company also maintains various retirement plans statutorily required in six foreign jurisdictions. The aggregate of the long-term benefit obligation accrued at April 30, 2003 and 2002 is $5,283 for 95 participants and $2,727 for 108 participants, respectively. The Company's contribution to these plans was $3,293 and $1,299 in fiscal 2003 and 2002, respectively.

The total long-term benefit obligations for the deferred compensation, retirement and pension plans were:

	Fiscal Year Ended April 30,	
	2003	2002
Deferred compensation plans	$ 39,120	$ 36,583
Retirement plans	5,283	2,727
Pension plans	5,541	5,496
Total long-term benefit obligation	$ 49,944	$ 44,806

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The following tables reconcile the benefit obligation for the deferred compensation plans and the pension plan:

	Fiscal Year Ended April 30, 2003	Fiscal Year Ended April 30, 2002
Deferred compensation plans:		
Benefit obligation at beginning of year	$38,045	$34,673
Service cost	2,814	2,788
Interest cost	1,700	1,225
Plan participants' contributions	1,372	1,629
Actuarial loss	278	332
Total expense	$ 6,164	$ 5,974
Benefits paid	(3,089)	(2,602)
Benefit obligation at end of fiscal year	$41,120	$38,045
Less: current portion of benefit obligation	(2,000)	(1,462)
Long-term benefit obligation at end of year	$39,120	$36,583

	Fiscal Year Ended April 30, 2003	Fiscal Year Ended April 30, 2002
Pension plan:		
Benefit obligation at beginning of year	$5,496	$4,942
Service cost	97	576
Interest cost	204	243
Actuarial gain	(141)	(136)
Total expense	$ 160	$ 683
Benefits paid	(67)	(129)
Benefit obligation at end of fiscal year	$5,589	$5,496
Less: current portion of benefit obligation	(48)	
Long-term benefit obligation at end of year	$5,541	$5,496

The Company has purchased COLI contracts insuring participants and former participants in the deferred compensation and pension plans. The gross CSV of these contracts of $119,667 and $112,915 is offset by outstanding policy loans of $66,524 and $59,867, in the accompanying consolidated balance, sheets as of April 30, 2003 and 2002, respectively. Total death benefits payable, net of loans under COLI contracts, were $232,571 and $238,425 at April 30, 2003 and 2002, respectively. Management intends to use the future death benefits (if any) from these insurance contracts to fund the deferred compensation and pension 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 the deferred compensation and pension plans. As of April 30, 2003, COLI contracts with a net cash surrender value of $44,027 and death benefits payable of $183,125 were held in trust for these purposes.

(dollars in thousands, except per share amounts)

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7. 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.

The provision for (benefit from) domestic and foreign income taxes consists of the following:

	Fiscal Year Ended April 30,		
	2003	2002	2001
Current income taxes:			
Federal	$(3,369)	$(14,186)	$11,258
State		(4,092)	3,879
Total	$(3,369)	$(18,278)	$15,137
Deferred income taxes:			
Federal	$ 3,354	3,906	(4,231)
State	15	(841)	11
Total	3,369	3,065	(4,220)
Foreign income taxes	2,040	2,885	11,526
Provision for (benefit from) income taxes	$ 2,040	$(12,328)	$22,443

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

	Fiscal Year Ended April 30,		
	2003	2002	2001
Domestic	$ (9,451)	$ (82,478)	$ 27,269
Foreign	(13,186)	(29,242)	24,526
Income (loss) before provision for income taxes and equity in earnings of unconsolidated subsidiaries	$(22,637)	$(111,720)	$ 51,795

The difference between the effective tax rate in the consolidated financial statements and the statutory federal income tax rate can be attributed to the following:

	Fiscal Year Ended April 30,		
	2003	2002	2001
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Foreign source dividend income	(23.3)	(2.7)	13.2
Foreign income tax credits utilized			(11.4)
Income subject to net higher foreign tax rates	(9.0)	0.3	5.3
COLI CSV decrease, net	5.3		1.3
Tax deductible goodwill amortization	1.6		
Non-deductible goodwill amortization			4.2
Impairment of acquired net operating losses		(4.4)	
Non-deductible restructuring expense	(2.8)	(15.5)	
Tax benefits related to losses on foreign investments	17.5		
Displaced foreign tax credits	(27.1)		
Other	(6.2)	(1.7)	(4.3)
Effective tax rate	(9.0)%	11.0%	43.3%

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The significant components of deferred tax assets and liabilities are as follows:

	As of April 30,	
	2003	2002
Deferred income tax assets:		
Deferred compensation	$ 17,090	$17,462
Allowance for doubtful accounts	1,640	1,582
Other accrued liabilities	1,092	949
Property and equipment	3,104	3,471
Loss and credit carryforwards	2,283	2,912
Other (foreign)	18,023	12,766
Total deferred tax asset	$ 43,232	$39,142
Less: valuation allowance	(10,173)	(7,012)
Net deferred tax asset	$ 33,059	$32,130

SFAS No. 109, “Accounting for Income Taxes”, requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Management believes sufficient uncertainty exists regarding the realizability of the asset and has therefore established a valuation allowance. 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. Although realization is not assured, management believes that it is more likely than not that the net deferred income tax asset will be realized.

At April 30, 2003, the Company generated state net operating loss carryforwards of approximately $33,916 to offset future tax liabilities in the states in which it has operations. The losses from the various states may be carried forward from 5 years to 20 years. A valuation allowance has been established for the deferred state income tax benefit related to these carryforwards. This state net operating tax loss was carried back to the tax years ended April 30, 2001 and April 30, 2002.

The Company has not provided for U.S. deferred income taxes on approximately $21,000 of undistributed earnings and associated withholding taxes of the foreign subsidiaries as the Company has taken the position under Accounting Principles Board Opinion No. 23, “Accounting for Income Taxes-Special Areas”, that its foreign earnings will be permanently reinvested offshore. If a distribution of these earnings was to be made, the Company might be subject to both foreign withholding taxes and U.S. income taxes, net of any allowable foreign tax credits or deductions. However, an estimate of these taxes is not practicable.

8. Property and Equipment and Long-lived Assets

Property and equipment is carried at cost, less accumulated depreciation. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset, or the lease term, whichever is shorter. Software development costs for internal use are capitalized in accordance with Statement of Position 98-1, “Accounting for the Cost of Computer Software Developed or Obtained for Internal Use” and, once placed in service, amortized using the straight-line method over the estimated useful life, generally three years. All other property and equipment is depreciated or amortized on a straight-line basis over the estimated useful lives of three to ten years.

(dollars in thousands, except per share amounts)

Property and equipment consists of the following:

	As of April 30,	
	2003	2002
Property and equipment:		
Computer equipment and software	$ 52,234	$ 49,627
Furniture and fixtures	22,789	22,325
Leasehold improvements	22,150	23,357
Automobiles	1,056	815
	98,229	96,124
Less: Accumulated depreciation and amortization	(70,531)	(55,876)
Property and equipment, net	$ 27,698	$ 40,248

The Company reviews long-lived assets for impairment and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

As a result of the restructuring initiatives in fiscal 2003 and 2002, the Company recognized an asset impairment charge of $798 and $4,789, respectively, related to the write-off of excess furniture and equipment to fair value less costs to sell and a restructuring charge of $1,382 and $2,013, respectively, related to the write-off of leasehold improvements. See Note 4.

9. Mandatory Redeemable Convertible Securities

In June 2002, the Company issued 7.5% Convertible Subordinated Notes in an aggregate principal amount of $40.0 million, 10,000 shares of 7.5% Convertible Series A Preferred Stock at an aggregate purchase price of $10.0 million and warrants to purchase 272,727 shares of its common stock at an exercise price of $12.00. The warrants were recorded at fair value resulting in discounts on the Notes and Preferred Stock (together "the securities") of $1.2 million and $0.3 million, respectively, that are amortized over the life of the securities. In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" effective at the beginning of the first interim period after June 15, 2003. This Statement requires mandatorily redeemable instruments be classified as liabilities. The Company will adopt this Statement in the first quarter of fiscal 2004 where convertible mandatorily redeemable preferred stock will be classified as a liability.

The securities may be redeemed at the option of the purchasers after June 13, 2008, the sixth anniversary of the closing date, at a price equal to 101% of the issuance price plus all accrued interest and dividends. The securities are mandatorily redeemable if outstanding on June 13, 2010, at a price equal to 101% of the issuance price plus accrued interest and dividends. From the third to the sixth year, the securities are subject to optional redemption by the Company provided certain minimum price targets for our common stock are achieved.

Interest and dividends are payable semi-annually with 1% payable in cash and 6.5% payable in additional Notes and Preferred Stock for the first two year period from the date of issuance. Thereafter, interest and dividends are payable in either additional securities or cash at the option of the Company. The Company also incurred issuance costs of $4.3 million that have been deferred and are being amortized over the life of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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securities as interest expense with respect to $3.4 million allocated to the Notes and $0.9 million allocated to the Preferred Stock as a charge against capital. The $0.9 million charge allocated to the Preferred Stock is being accreted to dividends over the life of the Preferred Stock.

10. Notes Payable and Long-Term Debt

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

	As of April 30,	
	2003	2002
Convertible subordinated notes (Note 9)	$41,364	
Unsecured subordinated notes payable to shareholders due through fiscal 2004, bearing interest at various rates up to 8.50%	5,099	$ 14,452
Total long-term debt	46,463	14,452
Less: current maturities	(5,099)	(12,818)
Long-term debt	$41,364	$ 1,634

The Company obtained a $30 million Senior Secured Revolving Credit Facility (the "Facility") in February 2003 from Wells Fargo Bank. The total amount available for borrowing by the Company is limited based on certain accounts receivable balances. Borrowings under the line of credit bear interest, at management's discretion, either at the bank's prime rate plus 1.0% per annum or at the Eurodollar rate plus 2.5% per annum, which were 5.25% and 3.8%, respectively, at April 30, 2003. The Facility is secured by substantially all of the Company's assets including certain accounts receivable balances and guarantees by and pledges of the capital stock of significant subsidiaries. The financial covenants include a minimum fixed charge ratio, a maximum leverage ratio, a minimum Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA"), and quick ratio and other customary events of default. The Company had no outstanding borrowings under its' Facility at April 30, 2003.

The Company has outstanding borrowings against the cash surrender value of COLI contracts of $66,524 and $59,867 at April 30, 2003 and 2002, respectively. These borrowings are secured by the cash surrender value, principal payments are not scheduled and interest is payable at least annually, at various fixed and variable rates ranging from 4.5% to 8.0%. See Note 6.

11. Business Segments

The Company operates in two global business segments in the retained recruitment industry, executive recruitment and Futurestep. These segments are distinguished primarily by the method used to identify candidates and the candidates' level of compensation. The executive recruitment business segment is managed by geographic regional leaders. Revenue from strategic management assessment and other consulting engagements is included in executive recruitment. Futurestep's worldwide operations are managed by the President of Futurestep. The geographic regional leaders and the President of Futurestep report directly to the Chief Executive Officer of the Company.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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A summary of the Company's operations by business segment follows:

	Fiscal Year Ended April 30,		
	2003	2002	2001
Fee revenue:			
Executive recruitment:			
North America	$ 162,309	$ 195,522	$ 332,541
Europe	78,990	92,098	131,980
Asia/Pacific	33,523	37,546	52,146
South America	7,616	10,794	16,382
Total executive recruitment	282,438	335,960	533,049
Futurestep	32,674	40,079	76,335
JobDirect		1,386	4,683
Total fee revenue	315,112	377,425	614,067
Reimbursed out-of-pocket engagement expenses	23,354	29,310	37,523
Total revenue	$ 338,466	$ 406,735	$ 651,590

	Fiscal Year Ended April 30,		
	2003	2002	2001
Operating income (loss) before asset impairment and restructuring charges:			
Executive recruitment:			
North America	$ 23,173	$ 33,863	$ 87,605
Europe	5,567	(306)	27,033
Asia/Pacific	2,351	3,315	9,285
South America	(602)	(752)	1,901
Total executive recruitment	30,489	36,120	125,824
Futurestep	(4,481)	(15,361)	(26,023)
JobDirect		(5,833)	(11,249)
Corporate (1)	(23,031)	(27,360)	(33,479)
Subtotal operating income (loss) before asset impairment and restructuring charges:	$ 2,977	$ (12,434)	$ 55,073
Asset impairment and restructuring charges (Note 4)	16,281	93,203	
Total operating income (loss)	$(13,304)	$(105,637)	$ 55,073

(1) In fiscal 2003, the Company has presented its segment operating results to reflect the business segments without allocations of corporate overhead. Accordingly, prior year operating results have been reclassified to reflect segment operating results on the same basis.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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	Fiscal Year Ended April 30,		
	2003	2002	2001
Depreciation and amortization:			
Executive recruitment:			
North America	$ 6,716	$ 6,601	$ 11,908
Europe	3,943	3,856	4,825
Asia/Pacific	1,839	1,745	1,794
South America	292	399	385
Total executive recruitment	12,790	12,601	18,912
Futurestep	2,404	3,677	5,329
JobDirect		368	2,074
Corporate	967	836	559
Total depreciation and amortization	$ 16,161	$ 17,482	$ 26,874

Goodwill amortization expense included in operating income (loss) by business segment in fiscal 2001 was: $5,753 in North America, $1,866 in Europe, $286 in Asia/Pacific, $2,040 in Futurestep and $1,581 in JobDirect.

Identifiable assets by business segment are as follows:

	As of April 30,		
	2003	2002	2001
Identifiable assets:			
Executive recruitment:			
North America	$ 137,204	$ 149,339	$ 158,665
Europe	63,240	64,091	93,735
Asia/Pacific	32,439	32,952	39,259
South America	6,221	8,504	12,481
Total executive recruitment	239,104	254,886	304,140
Futurestep	37,200	34,320	53,021
JobDirect		315	37,795
Corporate	92,709	88,053	101,146
Total identifiable assets	$ 369,013	$ 377,574	$ 496,102

A summary of long-lived assets included in identifiable assets by business segment in fiscal 2003, 2002 and 2001 follows:

	As of April 30,		
	2003	2002	2001
Long-lived assets:			
Executive recruitment:			
North America	$ 9,969	$ 15,040	$ 21,254
Europe	12,370	14,334	14,788
Asia/Pacific	1,467	2,168	3,261
South America	754	945	1,157
Total executive recruitment	24,560	32,487	40,460
Futurestep	2,240	5,750	10,378
JobDirect		315	2,054
Corporate	898	1,696	1,564
Total long-lived assets	$ 27,698	$ 40,248	$ 54,456

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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A summary of goodwill, net included in identifiable assets by business segment in fiscal 2003, 2002 and 2001 follows:

	As of April 30,		
	2003	2002	2001
Goodwill			
North America	$ 45,558	$ 45,558	$ 58,934
Europe	24,607	19,897	19,468
Asia/Pacific	927	861	833
Futurestep	23,637	19,030	17,821
JobDirect			28,950
Total goodwill	$ 94,729	$ 85,346	$ 126,006

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 2003, 2002 or 2001.

12. Acquisitions

In 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 $47,200, consisting of 154,923 shares of the Company's stock valued at $3,600, notes payable of $5,000 and cash of $38,600. These acquisitions were accounted for under the purchase method and resulted in $42,500 of goodwill. Operating results of these businesses were included in the consolidated financial statements from their acquisition dates. In fiscal 2002, the Company recognized a goodwill impairment charge of $40,200 million related to these acquisitions. See Note 4.

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 year 2001 as if the acquisition had occurred as of the beginning of the respective period, 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 the period presented, nor are they necessarily indicative of the results of future operations.

	Fiscal Year Ended April 30,
	2001
Fee revenue	$ 615,756
Net income	29,016
Earnings per share	
Basic	0.78
Diluted	0.75

13. Commitments and Contingencies

The Company leases office premises and certain office equipment under leases expiring at various dates through 2011. Total rental expense for fiscal years 2003, 2002 and 2001 amounted to $22,455, $28,513 and

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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(dollars in thousands, except per share amounts)

$25,892, respectively. At April 30, 2003, minimum future commitments under noncancelable operating leases with lease terms in excess of one year aggregated $88,546, excluding commitments accrued in the restructuring liability, as follows: $21,400 in 2004, $18,161 in 2005, $13,914 in 2006, $11,750 in 2007, $8,275 in 2008 and $15,046 thereafter. As of April 30, 2003, the Company has outstanding standby letters of credit of $5,746 in connection with office leases.

As of April 30, 2003 the Company has employment agreements with certain of its executive officers, with initial terms through April 2004 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 $4,500 and $7,100 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.

The Company has a policy of entering into offer letters of employment or letters of promotion with vice presidents which provide for an annual base salary and discretionary and incentive bonus payments. Certain key vice presidents who typically have been employed by the firm for several years also have a standard form employment contract. 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, if any, or the severance policy. The Company also requires its vice presidents to agree in their employment letters and their employment contracts, if applicable, 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.

14. Subsequent Event (unaudited)

In May 2003, the Company completed the purchase of Futurestep minority interest. The Company purchased 527,100 shares of Futurestep common stock at $1.00 per share. The 660,470 Futurestep stock options outstanding were canceled at the time of purchase.

15. Impact of Restatement to Equity Method of Accounting for Mexico Subsidiaries

In years prior to fiscal 2002, the Company consolidated the accounts of its subsidiaries in Mexico, in which KFY believes it has effective control but owns less than 50% of the shareholder voting interest. While the Company believes that this presentation reflected the way in which these subsidiaries are managed and operate, the legal structure of these entities requires the use of the equity method of accounting under accounting principles generally accepted in the United States ("GAAP"). This legal structure was established in 1977, which at that time, limited foreign investment. Accordingly, the accompanying consolidated financial statements for fiscal 2001 have been restated to comply with GAAP and reflect the operations of the Mexico subsidiaries under the equity method of accounting. The restatement to properly apply the equity method of accounting for the

(dollars in thousands, except per share amounts)

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Mexico subsidiaries had no impact on net income, EPS or cash flow but did reduce previously reported revenue and expenses. This restatement was reflected in the Company's fiscal 2002 annual report.

The following tables illustrate the impact of the adjustments to restate the Company's previously reported financial statements to account for the Company's investments in its Mexico subsidiaries under the equity method (restated) as required by GAAP, instead of the consolidation method (previously reported).

Consolidated Statement of Operations

	Fiscal 2001		
	Previously Reported	Increase (Decrease)	Restated
Fee revenue	$ 631,097	$ (17,030)	$ 614,067
Reimbursed out-of-pocket engagement expenses	38,332	(809)	37,523
Revenue	669,429	(17,839)	651,590
Compensation and benefits	387,776	(4,499)	383,277
General and administrative expenses	154,263	(4,607)	149,656
Out-of-pocket engagement expenses	37,494	(784)	36,710
Depreciation and amortization	26,989	(115)	26,874
Total operating expenses	606,522	(10,005)	596,517
Operating income (loss)	62,907	(7,834)	55,073
Interest income and other income, net	4,813	(691)	4,122
Interest expense	7,421	(21)	7,400
Income before provision for income taxes & non-controlling shareholders' interest or equity in earnings of unconsolidated subsidiaries	60,299	(8,504)	51,795
Provision for income taxes	25,326	(2,883)	22,443
Non-controlling shareholders' interest	3,960	(3,960)	—
Equity in earnings of unconsolidated subsidiaries		1,661	1,661
Net income	$ 31,013	$ —	$ 31,013
Basic EPS	$ 0.83		$ 0.83
Diluted EPS	$ 0.81		$ 0.81

Consolidated Statement of Cash Flows

	Fiscal 2001		
	Previously Reported	Increase (Decrease)	Restated
Net cash provided by operating activities	$ 63,436	$ 412	$ 63,848
Net cash used in investing activities	(55,795)	108	(55,687)
Net cash used in financing activities	(2,325)	—	(2,325)
Effect of exchange rate changes on cash flows	(3,828)	—	(3,828)
Net increase in cash and cash equivalents	1,488	520	2,008
Cash and cash equivalents at beginning of the year	86,975	(3,322)	83,653
Cash and cash equivalents at end of the year	$ 88,463	$ (2,802)	$ 85,661

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SCHEDULE II

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

		Additions			
	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
Allowance for Doubtful Accounts					
Year Ended April 30, 2003	$ 7,767	$ 5,846		$ 6,414	$ 7,199
Year Ended April 30, 2002	12,937	10,853		16,023	7,767
Year Ended April 30, 2001	12,538	22,581		22,182	12,937
Reserve for Severance and Costs Under Corporate Restructuring Program					
Year Ended April 30, 2003	12,578	16,281	2,180	11,893	14,786
Year Ended April 30, 2002		93,203		80,625	12,578
Reserve for Acquired Termination Costs					
Year Ended April 30, 2001	2,520			2,520	

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This SECOND AMENDMENT (this “Amendment”) TO THE EMPLOYMENT AGREEMENT dated as of May 24, 2001, as amended as of December 1, 2001 (the “Agreement”) is made and entered into as of July 1, 2003, 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”).

A. Amendment to Term of Employment. Section 2 is hereby amended and restated to read in its entirety as follows:

> Term of Employment. Executive’s employment under this Agreement will begin on June 30, 2001 and will continue for an initial term ending June 30, 2006 (the “Initial Term”). At the end of the Initial Term, this Agreement will be automatically renewed for successive three-year periods, until the first June 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 three-year extension to the Initial Term by delivering to the other party at least 60 days’ prior written notice of 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.).

B. No Other Modification. Except as specifically modified herein, the remaining terms and provisions of the Agreement shall be and remain in full force and effect in accordance with their terms. Any reference in the Agreement pertaining to any time from and after the effective date of this Amendment shall be deemed a reference to the Agreement as modified and amended hereby.

C. Entire Agreement. This Amendment 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.

D. Counterparts. This Amendment may be executed in two or more counterparts with the same effect as if all parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first above written.

The Company: KORN/FERRY INTERNATIONAL

By: ______________________

Its: ______________________

By: ______________________
Charles D. Miller,
Chair of the Compensation Committee

Executive:

____
PAUL C. REILLY

Exhibit 10.22

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 July 14, 2003. 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.

Subject to stockholder approval, Section 4.3 was amended to read in its entirety as follows:

"Limit on Number of Restricted Shares. In no event shall more than 700,000 shares of Common Stock covered by the Plan be available for Awards issued (or reissued) under this Plan as time-based Restricted Stock Awards for nominal or no consideration other than the par value. This limit on Restricted Shares does not apply to shares issued principally for past services, to shares issued in respect of compensation earned but deferred, or to shares issued in respect of Performance-Based Awards under Section 5.2."

Section 8.5 was amended to read in its entirety as follows:

"Termination of Directorship. If a Non-Employee Director's services as a member of the Board terminate for any reason, an Option granted pursuant to this Section 8 and then held by the director, to the extent the Option is then exercisable, will remain exercisable for 60 months after the date of termination or until the expiration of the stated term of the Option, whichever first occurs. Any portion of an Option granted pursuant to this Section 8 that is not exercisable at the time of the termination of service will terminate upon termination of service."

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

Exhibit 10.29

KORN/FERRY INTERNATIONAL
EMPLOYEE STOCK PURCHASE PLAN

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KORN/FERRY INTERNATIONAL
EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the Korn/Ferry International Employee Stock Purchase Plan (the '**Plan**").

1. PURPOSE

The purpose of this Plan is to assist Eligible Employees in acquiring a stock ownership interest in the Corporation, at a favorable price and upon favorable terms, pursuant to a plan which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Code. This Plan is also intended to encourage Eligible Employees to remain in the employ of the Corporation (or a Subsidiary which may be designated by the Committee as "Participating Subsidiary") and to provide them with an additional incentive to advance the best interests of the Corporation.

2. DEFINITIONS

Capitalized terms used herein which are not otherwise defined shall have the following meanings.

"**Account**" means the bookkeeping account maintained by the Corporation, or by a recordkeeper on behalf of the Corporation, for a Participant pursuant to Section 7(a).

"**Board**" means the Board of Directors of the Corporation.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Committee**" means the committee appointed by the Board to administer this Plan pursuant to Section 12.

"**Common Stock**" means the Common Stock, par value $0.01 per share, of the Corporation, and such other securities or property as may become the subject of Options pursuant to an adjustment made under Section 17.

"**Company**" means, collectively, the Corporation, its Parent and its Subsidiaries (if any).

"**Compensation**" means an Eligible Employee's regular gross pay. Compensation includes any amounts contributed as salary reduction contributions to a plan qualifying under Section 401(k), 125 or 129 of the Code. Any other form of remuneration is excluded from Compensation, including (but not limited to) the following: bonuses (including sign-on and continuation bonuses), overtime payments, commissions, prizes, awards, relocation or housing allowances, stock option exercises, stock appreciation rights, restricted stock exercises, performance awards, auto allowances, tuition reimbursement and other forms of imputed income, incentive compensation, special payments, fees and allowances. Notwithstanding the foregoing, Compensation shall not include any amounts deferred under or paid from any nonqualified deferred compensation plan maintained by the Company.

"**Contributions**" means all bookkeeping amounts credited to the Account of a Participant pursuant to Section 7(a).

"**Corporation**" means Korn/Ferry International, a Delaware corporation, and its successors.

"**Effective Date**" means October 1, 2003, the date designated by the Board upon its adoption of this Plan.

"**Eligible Employee**" means any employee of the Corporation, or of any Subsidiary which has been designated in writing by the Committee as a "Participating Subsidiary" (including any Subsidiaries which have become such after the date that this Plan is approved by the stockholders of the Corporation). Notwithstanding the foregoing, "Eligible Employee" shall not include any employee:

(a) who has been employed by the Corporation or a Subsidiary for less than six months; or

(b) whose customary employment is for 20 hours or less per week.

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

"**Exercise Date**" means, with respect to an Offering Period, the last day of that Offering Period.

"**Fair Market Value**" on any date means:

(a) if the Common Stock is listed on the New York Stock Exchange or on another national securities exchange, the closing price of a Share on the New York Stock Exchange or such other exchange on such date, or, if there is no trading of the Common Stock as quoted on the New York Stock Exchange or such other exchange on such date, then the closing price of a Share as quoted on the New York Stock Exchange or such other exchange on the next preceding date on which there was trading in the Shares;

(b) if the Common Stock is not listed or admitted to trade on a national securities exchange, the last/closing price for a Share on such date, as furnished by the National Association of Securities Dealers, Inc. ("**NASD**") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information;

(c) if the Common Stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for a Share on such date, as furnished by the NASD or a similar organization; or

(d) if the Common Stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the Common Stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

"**Grant Date**" means the first day of each Offering Period, as determined by the Committee and announced to potential Eligible Employees.

"**Offering Period**" means the six-consecutive month period commencing on each Grant Date; provided, however, that the Committee may declare, as it deems appropriate and in advance of the applicable Offering Period, a shorter (not to be less than three months) Offering Period or a longer (not to exceed 27 months) Offering Period; provided further that the Grant Date for an Offering Period may not occur on or before the Exercise Date for the immediately preceding Offering Period.

"**Option**" means the stock option to acquire Shares granted to a Participant pursuant to Section 8.

"**Option Price**" means the per share exercise price of an Option as determined in accordance with Section 8(b).

"**Parent**" means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation in which each corporation (other than the Corporation) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one or more of the other corporations in the chain.

"**Participant**" means an Eligible Employee who has elected to participate in this Plan and who has filed a valid and effective Subscription Agreement to make Contributions pursuant to Section 6.

"**Plan**" means this Korn/Ferry International Employee Stock Purchase Plan, as amended from time to time.

"**Rule 16b-3**" means Rule 16b-3 as promulgated by the Securities Exchange Commission under Section 16, as amended from time to time.

"**Share**" means a share of Common Stock.

"**Subscription Agreement**" means the written agreement filed by an Eligible Employee with the Corporation pursuant to Section 6 to participate in this Plan.

"**Subsidiary**" means any corporation (other than the Corporation) in an unbroken chain of corporations (beginning with the Corporation) in which each corporation (other than the last corporation) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one or more of the other corporations in the chain.

3. ELIGIBILITY

Any person employed as an Eligible Employee as of a Grant Date shall be eligible to participate in this Plan during the Offering Period in which such Grant Date occurs, subject to the Eligible Employee satisfying the requirements of Section 6.

4. STOCK SUBJECT TO THIS PLAN; SHARE LIMITATIONS

(a) Subject to the provisions of Section 17, the capital stock that may be delivered under this Plan will be shares of the Corporation's authorized but unissued Common Stock and any of its shares of Common Stock held as treasury shares. The maximum number of Shares that may be delivered pursuant to Options granted under this Plan is 1,500,000 Shares, subject to adjustments pursuant to Section 17 (the "**Plan Limit**").

In the event that all of the Shares made available under this Plan are subscribed prior to the expiration of this Plan, this Plan shall terminate at the end of that Offering Period and the Shares available shall be allocated for purchase by Participants in that Offering Period on a pro-rata basis determined with respect to Participants' Account balances.

(b) The maximum number of Shares that any one individual may acquire upon exercise of his or her Option with respect to any one Offering Period is 12,500, subject to adjustments pursuant to Section 17 (the "**Individual Limit**"); provided, however, that the Committee may amend such Individual Limit, effective no earlier than the first Offering Period commencing after the adoption of such amendment, without stockholder approval. The Individual Limit shall be proportionately adjusted for any Offering Period of less than six months, and may, at the discretion of the Committee, be proportionately increased for any Offering Period of greater than six months.

5. OFFERING PERIODS

During the term of this Plan, the Corporation will offer Options to purchase Shares in each Offering Period to all Participants in that Offering Period. Unless otherwise specified by the Committee in advance of the Offering Period, an Offering Period that commences on or about July 1 will end the following December 31 and an Offering Period that commences on or about January 1 will end the following June 30. Each Option shall become effective on the Grant Date. The term of each Option shall be the duration of the related Offering Period and shall end on the Exercise Date. The first Offering Period shall commence as of a date determined by the Board or Committee, but no earlier than the Effective Date. Offering Periods shall continue until this Plan is terminated in accordance with Section 18 or 19, or, if earlier, until no Shares remain available for Options pursuant to Section 4.

6. PARTICIPATION

(a) An Eligible Employee may become a participant in this Plan by completing a Subscription Agreement on a form approved by and in a manner prescribed by the Committee (or its delegate). To become effective, a Subscription Agreement must be signed by the Eligible Employee and filed with the Corporation at the time specified by the Committee, but in all cases prior to the start of the Offering Period with respect to which it is to become effective, and must set forth a whole percentage (or, if the Committee so provides, a stated amount) of the Eligible Employee’s Compensation to be credited to the Participant’s Account as Contributions each pay period.

(b) Notwithstanding the foregoing, a Participant’s Contribution election shall be subject to the following limitations:

(i) the 5% ownership and the $25,000 annual purchase limitations set forth in Section 8(c);

(ii) a Participant may not elect to contribute more than fifteen percent (15%) of his or her Compensationeach pay period as Plan Contributions, provided, however, that the Committee shall have discretion to establish a higher contribution percentage limit for any Offering Period that is less than six (6) months; and

(iii) such other limits, rules, or procedures as the Committee may prescribe.

(c) Subscription Agreements shall contain the Eligible Employee’s authorization and consent to the Corporation’s withholding from his or her Compensation the amount of his or her Contributions. An Eligible Employee must execute and file with the Corporation a new Subscription Agreement, and his or her participation election and withholding consent thereon, for each Offering Period as a condition for participation in that Offering Period, unless the Committee expressly adopts a policy allowing Subscription Agreements to remain in effect for subsequent Offering Periods. If the Committee adopts such a policy, Subscription Agreements will remain in effect for subsequent Offering Periods until (i) the Eligible Employee’s participation terminates pursuant to the terms hereof, or (ii) the Eligible Employee files a new Subscription Agreement that becomes effective.

7. METHOD OF PAYMENT OF CONTRIBUTIONS

(a) The Corporation shall maintain on its books, or cause to be maintained by a recordkeeper, an Account in the name of each Participant. The Compensation elected to be applied as Contributions by a Participant shall be deducted from such Participant's Compensation on each payday during the period for payroll deductions set forth below and such payroll deductions shall be credited to that Participant's Account as soon as administratively practicable after such date. A Participant may not make any additional payments to his or her Account. A Participant's Account shall be reduced by any amounts used to pay the Option Price of Shares acquired, or by any other amounts distributed pursuant to the terms hereof.

(b) Subject to such other rules as the Committee may adopt, payroll deductions with respect to an Offering Period shall commence as of the first pay date which coincides with or immediately follows the applicable Grant Date and shall end on the last pay date which coincides with or immediately precedes the applicable Exercise Date, unless sooner terminated by the Participant as provided in this Section 7 or until his or her participation terminates pursuant to Section 11.

(c) A Participant may terminate his or her Contributions during an Offering Period (and receive a distribution of the balance of his or her Account in accordance with Section 11) by completing and filing with the Corporation, in such form and on such terms as the Committee (or its delegate) may prescribe, a written withdrawal form which shall be signed by the Participant. Such termination shall be effective as soon as administratively practicable after its receipt by the Corporation. A withdrawal election pursuant to this Section 7(c) with respect to an Offering Period shall only be effective, however, if it is received by the Corporation prior to the Exercise Date of that Offering Period (or such earlier deadline that the Committee may reasonably require to process the withdrawal prior to the applicable Exercise Date). Partial withdrawals of Accounts, and other modifications or suspensions of Subscription Agreements, except as provided in Section 7(e) or 7(f), are not permitted.

(d) During leaves of absence approved by the Corporation and meeting the requirements of Regulation Section 1.421-7(h)(2) under the Code, a Participant may continue participation in this Plan by cash payments to the Corporation on his normal paydays equal to the reduction in his Plan Contributions caused by his leave.

(e) A Participant may increase or decrease the level of his or her Contributions (within Plan limits) by completing and filing with the Corporation, on such terms as the Committee (or its delegate) may prescribe, a new Subscription Agreement which indicates such election. Subject to any other timing requirements that the Committee may impose, an election pursuant to this Section 7(e) shall be effective with the first Offering Period that commences after the Corporation's receipt of such election.

(f) A Participant may discontinue (but not increase or otherwise decrease the level of) his or her Contributions, by filing with the Corporation, on such terms as the Committee (or its delegate) may prescribe, a new Subscription Agreement that indicates such election. Unless otherwise provided by the Committee, an election pursuant to this Section 7(f) shall be effective no earlier than the first payroll period that starts after the Corporation's receipt of such election.

8. GRANT OF OPTION

(a) On each Grant Date, each Eligible Employee who is a participant during that Offering Period shall be granted an Option to purchase a number of Shares. The Option shall be exercised on the Exercise Date. The number of Shares subject to the Option shall be determined by dividing the Participant's Account balance as of the applicable Exercise Date by the Option Price, subject to the maximum determined pursuant to Section 4(b).

(b) The Option Price per Share of the Shares subject to an Option for an Offering Period shall be the lesser of: (i) 85% of the Fair Market Value of a Share on the applicable Grant Date; or (ii) 85% of the Fair Market Value of a Share on the applicable Exercise Date.

(c) Notwithstanding anything else contained herein, a person who is otherwise an Eligible Employee shall not be granted any Option (or any Option granted shall be subject to compliance with the following limitations) or other right to purchase Shares under this Plan to the extent:

(i) it would, if exercised, cause the person to own "stock" (as such term is defined for purposes of Section 423(b)(3) of the Code) possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation, or of any Parent, or of any Subsidiary; or

(ii) such Option causes such individual to have rights to purchase stock under this Plan and any other plan of the Corporation, any Parent, or any Subsidiary which is qualified under Section 423 of the Code which accrue at a rate which exceeds $25,000 of the fair market value of the stock of the Corporation, of any Parent, or of any Subsidiary (determined at the time the right to purchase such Stock is granted, before giving effect to any discounted purchase price under any such plan) for each calendar year in which such right is outstanding at any time.

For purposes of the foregoing, a right to purchase stock accrues when it first become exercisable during the calendar year. In determining whether the stock ownership of an Eligible Employee equals or exceeds the 5% limit set forth above, the rules of Section 424(d) of the Code (relating to attribution of stock ownership) shall apply, and stock which the Eligible Employee may purchase under outstanding options shall be treated as stock owned by the Eligible Employee.

9. EXERCISE OF OPTION

Unless a Participant's Plan participation is terminated as provided in Section 11, his or her Option for the purchase of Shares shall be exercised automatically on the Exercise Date for that Offering Period, without any further action on the Participant's part, and the maximum number of whole Shares subject to such Option (subject to the Individual Limit set forth in Section 4(b) and the limitations contained in Section 8(c)) shall be purchased at the Option Price with the balance of such Participant's Account.

If any amount which is not sufficient to purchase a whole Share remains in a Participant's Account after the exercise of his or her Option on the Exercise Date: (i) such amount shall be credited to such Participant's Account for the next Offering Period, if he or she is then a Participant; or (ii) if such Participant is not a Participant in the next Offering Period, or if the Committee so elects, such amount shall be refunded to such Participant as soon as administratively practicable after such date. If the Share limit of Section 4(a) is reached, any amount that remains in a Participant's Account after the exercise of his or her Option on the Exercise Date to purchase the number of Shares that he or she is allocated shall be refunded to the Participant as soon as administratively practicable after such date.

If any amount which exceeds the Individual Limit set forth in Section 4(b) or one of the limitations set forth in Section 8(c) remains in a Participant's Account after the exercise of his or her Option on the Exercise Date, such amount shall be refunded to the Participant as soon as administratively practicable after such date.

10. DELIVERY

As soon as administratively practicable after the Exercise Date, the Corporation shall deliver to each Participant a certificate representing the Shares purchased upon exercise of his or her Option. The Corporation may make available an alternative arrangement for delivery of Shares to a recordkeeping service. The Committee (or its delegate), in its discretion, may either require or permit Participants to elect that such certificates representing the Shares purchased or to be purchased under the Plan be delivered to such recordkeeping service. In the event the Corporation is required to obtain from any commission or agency authority to issue any such certificate, the Corporation will seek to obtain such authority. If the Corporation is unable to obtain from any such commission or agency authority which counsel for the Corporation deems necessary for the lawful issuance of any such certificate, or if for any other reason the Corporation can not issue or deliver Shares and satisfy Section 21, the Corporation shall be relieved from liability to any Participant except that the Corporation shall return to each Participant the amount of the balance credited to his or her Account.

11. TERMINATION OF EMPLOYMENT; CHANGE IN ELIGIBLE STATUS

(a) Except as provided in the next paragraph, if a Participant ceases to be an Eligible Employee for any reason, or if the Participant elects to terminate and withdraw Contributions pursuant to Section 7(c), at any time prior to the last day of an Offering Period in which he or she participates, such Participant's Account shall be paid to him or her in cash (or, in the event of the Participant's death, to the person or persons entitled thereto under Section 13 in cash) as soon as administratively practicable but in no event more than sixty (60) days following such cessation or such election, and such Participant's Option and participation in the Plan shall be automatically terminated.

If a Participant (i) ceases to be an Eligible Employee during an Offering Period but remains an employee of the Company through the Exercise Date, (ii) discontinues Contributions pursuant to Section 7(f), or (iii) during an Offering Period commences a sick leave, military leave, or other leave of absence approved by the Company, and the leave meets the requirements of Treasury Regulation Section 1.421-7(h)(2) and the Participant is an employee of the Company or on such leave as of the applicable Exercise Date, such Participant's Contributions shall cease (subject to Section 7(d)), and the Contributions previously credited to the Participant's Account for that Offering Period shall be used to exercise the Participant's Option as of the applicable Exercise Date in accordance with Section 9 (unless the Participant makes a timely election to terminate and withdraw Contributions in accordance with Section 7(c), in which case such Participant's Account shall be paid to him or her in cash in accordance with the foregoing paragraph).

(b) A Participant's termination from Plan participation precludes the Participant from again participating in this Plan during that Offering Period. However, such termination shall not have any effect upon his or her ability to participate in any succeeding Offering Period, provided that the applicable eligibility and participation requirements are again then met. A Participant's termination from Plan participation shall be deemed to be a revocation of that Participant's Subscription Agreement and such Participant must file a new Subscription Agreement to resume Plan participation in any succeeding Offering Period.

(c) For purposes of this Plan, if a Participating Subsidiary ceases to be a Subsidiary, each person employed by that Subsidiary will be deemed to have terminated employment for purposes of this Plan and will no longer be an Eligible Employee, unless the person continues as an Eligible Employee in respect of another Company entity.

12. ADMINISTRATION

(a) The Board shall appoint the Committee, which shall be composed of not less than two members of the Board. The Board may, at any time, increase or decrease the number of members of the Committee, may remove from membership on the Committee all or any portion of its members, and may appoint such person or persons as it desires to fill any vacancy existing on the Committee, whether caused by removal, resignation, or otherwise. The Board may also, at any time, assume the administration of this Plan, in which case references to the "Committee" shall be deemed to be references to the Board.

(b) The Committee shall supervise and administer this Plan and shall have full power and discretion to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of this Plan and not inconsistent with the terms of this Plan, and to make all other determinations necessary or advisable for the administration of this Plan. The Committee shall act by majority vote or by unanimous written consent. No member of the Committee shall be entitled to act on or decide any matter relating solely to himself or herself or solely to any of his or her rights or benefits under this Plan. The Committee shall have full power and discretionary authority to construe and interpret the terms and conditions of this Plan, which construction or interpretation shall be final and binding on all parties including the Company, Participants and beneficiaries. The Committee may delegate ministerial non-discretionary functions to third parties, including individuals who are officers or employees of the Corporation.

(c) Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan. Any action taken by, or inaction of, the Corporation, any Participating Subsidiary, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and will be conclusive and binding upon all persons. In making any determination or in taking or not taking any action under this Plan, the Board or Committee, as the case may be, may obtain and may rely on the advice of experts, including professional advisors to the Corporation. No member of the Board or Committee, or officer or agent of the Company, will be liable for any action, omission or decision under the Plan taken, made or omitted in good faith.

13. DESIGNATION OF BENEFICIARY

(a) A Participant shall file, on a form and in a manner prescribed by the Committee (or its delegate), a written designation of a beneficiary who is to receive any Shares or cash from such Participant's Account under this Plan in the event of such Participant's death. If a Participant's death occurs subsequent to the end of an Offering Period but prior to the delivery to him or her of any Shares deliverable under the terms of this Plan, such Shares and any remaining balance of such Participant's Account shall be paid to such beneficiary (or such other person as set forth in Section 13(b)) as soon as administratively practicable after the Corporation receives notice (in a form acceptable to the Committee) of such Participant's death and any outstanding unexercised Option shall terminate. If a Participant's death occurs at any other time, the balance of such Participant's Account shall be paid to such beneficiary (or such other person as set forth in Section 13(b)) in cash as soon as administratively practicable after the Corporation receives notice of such Participant's death and such Participant's Option shall terminate. If a Participant is married and the designated beneficiary is not his or her spouse, spousal consent shall be required for such designation to be effective unless it is established (to the satisfaction of the Committee or its delegate) that there is no spouse or that the spouse cannot be located. The Committee may rely on the last designation of a beneficiary filed by a Participant in accordance with this Plan.

(b) Beneficiary designations may be changed by the Participant (and his or her spouse, if required) at any time on forms provided and in the manner prescribed by the Committee (or its delegate). If a Participant dies with no validly designated beneficiary under this Plan who is living at the time of such Participant's death, the Corporation shall deliver all Shares and/or cash payable pursuant to the terms hereof to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed, the Corporation, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Corporation, then to such other person as the Corporation may designate.

14. TRANSFERABILITY

Neither Contributions credited to a Participant's Account nor any Options or rights with respect to the exercise of Options or right to receive Shares under this Plan may be anticipated, alienated, encumbered, assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 13) by the Participant. Any such attempt at anticipation, alienation, encumbrance, assignment, transfer, pledge or other disposition shall be without effect and all amounts shall be paid and all Shares shall be delivered in accordance with the provisions of this Plan. Amounts payable or Shares deliverable pursuant to this Plan shall be paid or delivered only to the Participant or, in the event of the Participant's death, to the Participant's beneficiary pursuant to Section 13.

15. USE OF FUNDS; INTEREST

All Contributions received or held by the Corporation under this Plan will be included in the general assets of the Corporation and may be used for any corporate purpose. Notwithstanding anything else contained herein to the contrary, no interest will be paid to any Participant or credited to his or her Account under this Plan (in respect of Account balances, refunds of Account balances, or otherwise).

16. REPORTS

Statements shall be provided to Participants as soon as administratively practicable following each Exercise Date. Each Participant's statement shall set forth, as of such Exercise Date, that Participant's Account balance immediately prior to the exercise of his or her Option, the Option Price, the number of whole Shares purchased and his or her remaining Account balance, if any.

17. ADJUSTMENTS OF AND CHANGES IN THE STOCK

Upon or in contemplation of any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend), or reverse stock split; any merger, combination, consolidation, or other reorganization; split-up, spin-off, or any similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the

Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Corporation as an entirety occurs; then the Committee shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances:

(a) proportionately adjust any or all of (i) the number and type of Shares or the number and type of other securities that thereafter may be made the subject of Options (including the specific maxima and numbers of Shares set forth elsewhere in this Plan), (ii) the number, amount and type of Shares (or other securities or property) subject to any or all outstanding Options, (iii) the Option Price of any or all outstanding Options, or (iv) the securities, cash or other property deliverable upon exercise of any outstanding Options; or

(b) make provision for a cash payment or for the substitution or exchange of any or all outstanding Options for cash, securities or property to be delivered to the holders of any or all outstanding Options based upon the distribution or consideration payable to holders of the Common Stock upon or in respect of such event.

The Committee may adopt such valuation methodologies for outstanding Options as it deems reasonable in the event of a cash or property settlement and, without limitation on other methodologies, may base such settlement solely upon the excess (if any) of the amount payable upon or in respect of such event over the exercise or strike price of the Option.

In any of such events, the Committee may take such action sufficiently prior to such event to the extent that the Committee deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares in the same manner as is or will be available to stockholders generally.

18. POSSIBLE EARLY TERMINATION OF PLAN AND OPTIONS

Upon a dissolution of the Corporation, or any other event described in Section 17 that the Corporation does not survive, the Plan shall terminate, and if such event occurs prior to the last day of an Offering Period, any outstanding Option granted with respect to that Offering Period shall also terminate. However, termination of the Plan or of any Option under this Section 18 shall be subject to any provision that has been expressly made by the Board for the survival, substitution, assumption, exchange or other settlement of the Plan and Options. In the event a Participant’s Option is terminated pursuant to this Section 18 without a provision having been made by the Board for a substitution, exchange or other settlement of the Option, such Participant’s Account shall be paid to him or her in cash without interest.

19. TERM OF PLAN; AMENDMENT OR TERMINATION

(a) This Plan shall become effective as of the Effective Date. No new Offering Periods shall commence on or after the day before the tenth anniversary of the Effective Date and this Plan shall terminate as of the Exercise Date on or immediately following such date unless sooner terminated pursuant to Section 4, Section 18, or this Section 19.

(b) The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part, without notice (including, without limitation, the limits of Sections 4(b), 6(b)(ii), and 6(b)(iii)). Stockholder approval for any amendment or modification shall not be required, except to the extent required by applicable law or required under Section 423 of the Code in order to preserve the intended tax consequences of this Plan, or otherwise deemed necessary or advisable by the Board. No Options may be granted during any suspension of this Plan or after the termination of this Plan, but the Committee will retain jurisdiction as to Options then outstanding in accordance with the terms of this Plan. No amendment, modification, or termination pursuant to this Section 19(b) shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of such Participant or obligations of the Corporation under any Option granted under this Plan prior to the effective date of such change. Changes contemplated by Section 17 or Section 18 shall not be deemed to constitute changes or amendments requiring Participant consent. Notwithstanding the foregoing, the Committee shall have the right to designate from time to time the Subsidiaries whose employees may be eligible to participate in this Plan and such designation shall not constitute any amendment to this Plan requiring stockholder approval.

20. NOTICES

All notices or other communications by a Participant to the Corporation contemplated by this Plan shall be deemed to have been duly given when received in the form and manner specified by the Committee (or its delegate) at the location, or by the person, designated by the Committee (or its delegate) for that purpose.

21. CONDITIONS UPON ISSUANCE OF SHARES

This Plan, the granting of Options under this Plan and the offer, issuance and delivery of Shares are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation and as a condition precedent to the exercise of his or her Option, provide such assurances and representations to the Corporation as the Committee may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

22. PLAN CONSTRUCTION

(a) It is the intent of the Corporation that transactions involving Options under this Plan in the case of Participants who are or may be subject to the prohibitions of Section 16 of the Exchange Act satisfy the requirements for applicable exemptions under Rule 16 promulgated by the Securities Exchange Commission under Section 16 of the Exchange Act so that such persons (unless they otherwise agree) will be entitled to the exemptive relief of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act in respect of those transactions and will not be subject to avoidable liability thereunder.

(b) This Plan and Options are intended to qualify under Section 423 of the Code.

(c) If any provision of this Plan or of any Option would otherwise frustrate or conflict with the intents expressed above, that provision to the extent possible shall be interpreted so as to avoid such conflict. If the conflict remains irreconcilable, the Committee may disregard the provision if it concludes that to do so furthers the interest of the Corporation and is consistent with the purposes of this Plan as to such persons in the circumstances.

23. EMPLOYEES' RIGHTS

(a) Nothing in this Plan (or in any other documents related to this Plan) will confer upon any Eligible Employee or Participant any right to continue in the employ or other service of the Company, constitute any contract or agreement of employment or other service or effect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate his or her employment or other service with or without cause. Nothing contained in this Section 23(a), however, is intended to adversely affect any express independent right of any such person under a separate employment or service contract other than a Subscription Agreement.

(b) No Participant or other person will have any right, title or interest in any fund or in any specific asset (including Shares) of the Company by reason of any Option hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant or other person. To the extent that a Participant or other person acquires a right to receive payment pursuant to this Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation. No special or separate reserve, fund or deposit will be made to assure any such payment.

(c) A Participant will not be entitled to any privilege of stock ownership as to any Shares not actually delivered to and held of record by the Participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

24. MISCELLANEOUS

(a) This Plan, the Options, and related documents shall be governed by, and construed in accordance with, the laws of the State of Delaware. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(b) Captions and headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such captions and headings shall not be deemed in any way material or relevant to the construction of interpretation of this Plan or any provision hereof.

(c) The adoption of this Plan shall not affect any other Company compensation or incentive plans in effect. Nothing in this Plan will limit or be deemed to limit the authority of the Board or Committee (i) to establish any other forms of incentives or compensation for employees of the Company (with or without reference to the Common Stock), or (ii) to grant or assume options (outside the scope of and in addition to those contemplated by this Plan) in connection with any proper corporate purpose; to the extent consistent with any other plan or authority.

(d) Benefits received by a Participant under an Option granted pursuant to this Plan shall not be deemed a part of the Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company, except where the Committee or the Board expressly otherwise provides or authorizes in writing.

25. EFFECTIVE DATE

Notwithstanding anything else contained herein to the contrary, the effectiveness of this Plan is subject to the approval of this Plan by the stockholders of the Corporation within twelve months of the Effective Date. Notwithstanding anything else contained herein to the contrary, no Shares shall be issued or delivered under this Plan until such stockholder approval is obtained and, if such stockholder approval is not obtained within such twelve-month period of time, all Contributions credited to a Participant's Account hereunder shall be refunded to such Participant (without interest) as soon as practicable after the end of such twelve-month period.

26. TAX WITHHOLDING

Notwithstanding anything else contained in this Plan herein to the contrary, the Company may deduct from a Participant's Account balance as of an Exercise Date, before the exercise of the Participant's Option is given effect on such date, the amount of any taxes which the Company reasonably determines it may be required to withhold with respect to such exercise. In such event, the maximum number of whole Shares subject to such Option (subject to the other limits set forth in this Plan) shall be purchased at the Option Price with the balance of the Participant's Account (after reduction for the tax withholding amount).

Should the Company for any reason be unable, or elect not to, satisfy its tax withholding obligations in the manner described in the preceding paragraph with respect to a Participant's exercise of an Option, or should the Company reasonably determine that it has a tax withholding obligation with respect to a disposition of Shares acquired pursuant to the exercise of an Option prior to satisfaction of the holding period requirements of Section 423 of the Code, the Company shall have the right at its option to (i) require the Participant to pay or provide for payment of the amount of any taxes which the Company reasonably determines that it is required to withhold with respect to such event or (ii) deduct from any amount otherwise payable to or for the account of the Participant the amount of any taxes which the Company reasonably determines that it is required to withhold with respect to such event.

27. NOTICE OF SALE

Any person who has acquired Shares under this Plan shall give prompt written notice to the Corporation of any sale or other transfer of the Shares if such sale or transfer occurs (i) within the two-year period after the Grant Date of the Offering Period with respect to which such Shares were acquired, or (ii) within the twelve-month period after the Exercise Date of the Offering Period with respect to which such Shares were acquired.

28. ARBITRATION

Any controversy arising out of or relating to this Plan, and/or the Subscription Agreement, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Option, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Los Angeles County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Los Angeles County, California, or its successor ("**JAMS**"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure §§ 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by any interested party to this Plan and/or the Subscription Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute.

Exhibit 21.1

Subsidiaries		Jurisdiction
1.	Korn Ferry International S.A.	Argentina
2.	Korn/Ferry International Pty Limited	Australia
3.	Futurestep (Australia) Pty Ltd	Australia
4.	Korn/Ferry International Limited GmbH	Austria
5.	Korn/Ferry International Futurestep (Osrerreich) GmbH	Austria
6.	Korn/Ferry International Futurestep (Belgium) BVBA	Belgium
7.	Korn/Ferry International S/C Ltda.	Brazil
8.	Korn/Ferry Canada, Inc.	Canada
9.	Korn/Ferry International Futurestep (Canada) Inc.	Canada
10.	Korn/Ferry International Limited	Ontario, Canada
11.	Korn/Ferry International, S.A.	Chile
12.	Korn/Ferry International (China) Limited	China
13.	Korn/Ferry International Consulting (Beijing) Limited	Beijing, China
14.	Korn/Ferry International Management Consulting (Shanghai) Company Limited	Shanghai, China
15.	Korn/Ferry International A/S	Denmark
16.	Korn/Ferry International Futurestep (Denmark) ApS	Denmark
17.	Korn/Ferry International Oy	Finland
18.	Korn/Ferry International Futurestep (Finland)	Finland

Subsidiaries		Jurisdiction
19.	Korn/Ferry International & Cie, S.N.C.	France
20.	Korn/Ferry International Futurestep (France) SARL	France
21.	Hofman, Herbold & Partner Management Beratung	Germany
22.	Gabriele 7 Vermögensberatungs GmbH	Germany
23.	Hofmann, Herbold & Partners Beteiligungs GmbH	Germany
24.	Korn/Ferry International GmbH	Germany
25.	Korn/Ferry International Futurestep (Deutschland) GmbH	Germany
26.	Korn/Ferry International Futurestep Multimedia Advertising GmbH	Germany
27.	Korn/Ferry International SA	Greece
28.	Korn/Ferry International (Asia Pacific) Limited	Hong Kong
29.	Korn/Ferry International (H.K.) Limited	Hong Kong
30.	Futurestep (Hong Kong) Ltd	Hong Kong
31.	Korn/Ferry International Budapest Personnel Consulting and Service Ltd.	Hungary
32.	Korn/Ferry Consultants (India) Private Limited	India
33.	PT. Korn/Ferry International	Indonesia
34.	Korn/Ferry International Futurestep (Ireland) Ltd	Ireland
35.	Korn/Ferry International S.R.L.	Italy
36.	Korn/Ferry International Futurestep (Italy) S.r.l.	Italy
37.	Nippon Korn/Ferry International	Japan
38.	Futurestep (Japan) K.K.	Japan
39.	Korn/Ferry International (Korea) Limited	Korea
40.	Korn/Ferry International Futurestep (Luxembourg) SARL	Luxembourg

Subsidiaries		Jurisdiction
41.	Agensi Pekerjaan Futurestep Worldwide (M) Sdn. Bhd.	Malaysia
42.	Agensi Pekerjaan Korn/Ferry International (Malaysia) Sdn. Bhd.	Malaysia
43.	Korn/Ferry Investment India Limited (Mauritius OCB)	Mauritius
44.	Korn/Ferry Internacional del Norte, S.A. de C.V.	Mexico
45.	Korn/Ferry International S.A. de C.V.	Mexico
46.	Postgraduados y Especialistas S.A. de C.V.	Mexico
47.	Servicios Romac S.A. de C.V.	Mexico
48.	Korn/Ferry International B.V.	Netherlands
49.	Korn/Ferry International Futurestep (Holdings) B.V.	Netherlands
50.	John Stork BV	Netherlands
51.	Korn Ferry International NZ Limited	New Zealand
52.	Futurestep (New Zealand) Ltd	New Zealand
53.	Korn/Ferry International A/S	Norway
54.	Korn/Ferry International Futurestep (Norge) AS	Norway
55.	Korn/Ferry International – Peru S.A.	Peru
56.	Korn/Ferry International Sp.z.o.o.	Poland
57.	Korn/Ferry International Pte. Ltd.	Singapore
58.	Futurestep (Singapore) Pte Ltd	Singapore
59.	Korn/Ferry International, spol.s.r.o. LLC	Slovakia
60.	Korn/Ferry International S.A.	Spain

Subsidiaries		Jurisdiction
61.	Korn/Ferry International Futurestep (Espana), S.L.	Spain
62.	Korn/Ferry International AB	Sweden
63.	Korn/Ferry International Futurestep (Sweden) AB	Sweden
64.	Korn/Ferry (Schweiz) AG	Switzerland
65.	REMCO Research & Management Consulting Services S.A.	Switzerland
66.	Korn/Ferry International Futurestep (Schweiz) Gmbh	Switzerland
67.	Korn-Ferry International S.A.	Geneva, Switzerland
68.	Korn-Ferry S.A. (Geneva)	Switzerland
69.	DRF-DR-MIRO Korn/Ferry International	Switzerland
70.	DRF Beteiligungs AG	Switzerland
71.	BGU AG	Switzerland
72.	DR MIRO AG	Switzerland
73.	Korn/Ferry (Thailand) Limited	Thailand
74.	Korn/Ferry International Executive Recruitment (Thailand) Limited	Thailand
75.	Futurestep (UK) Limited	United Kingdom
76.	Korn/Ferry International, Limited	United Kingdom
77.	K/FI (UK) Limited	United Kingdom
78.	Pintab Associates Limited	United Kingdom
79.	Carre, Orban & Partners Ltd.	United Kingdom
80.	Carre, Orban & Partners Two Ltd.	United Kingdom
81.	Continental American Management Corp.	United States

Subsidiaries		Jurisdiction
82.	Strategic Associate Consulting	United States
83.	Korn/Ferry International Holding India	United States, California
84.	Korn/Ferry S.A.	United States, California
85.	Pearson, Caldwell & Farnsworth, Inc.	United States, California
86.	Strategic Compensation Associates	United States, California
87.	Avery & Associates, Inc.	United States, California
88.	KFI-LK, Inc.	United States, Delaware
89.	Korn/Ferry International Futurestep, Inc.	United States, Delaware
90.	Korn/Ferry International Futurestep (Holdings) Inc.	United States, Delaware
91.	Korn/Ferry International Worldwide, Inc.	United States, Delaware
92.	JobDirect.com, Inc.	United States, Delaware
93.	Korn/Ferry Careerlink	United States
94.	Korn/Ferry International Consultores Asociados, C.A.	Venezuela
95.	K/F Konexion, C.A.	Venezuela
96.	Korn/Ferry International de Venezuela, C.A.	Venezuela

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-49580 and 333-73147) pertaining to the Korn/Ferry International Performance Award Plan of our report dated May 27, 2003, except for Note 6, which date is June 2, 2003, with respect to the consolidated financial statements and financial statement schedule of Korn Ferry International as of April 30, 2003, and for the two-year period then ended, included in the Company's Annual Report (Form 10-K) for the year ended April 30, 2003.

/s/ ERNST & YOUNG LLP

Los Angeles, California
July 18, 2003