UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2005 or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from__________ to __________

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL

(Exact name of registrant as specified in its charter)

Delaware (State of other jurisdiction of incorporation or organization)	**95-2623879** (I.R.S. Employer Identification Number)

1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067
(Address of principal executive offices) (Zip code)

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

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes (X) No ( )

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):

Yes ( ) No (X)

The number of shares outstanding of our common stock as of September 6, 2005 was 40,960,186.

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	As of July 31, 2005	As of April 30, 2005
	(unaudited)	
ASSETS		
Cash and cash equivalents	$ 146,015	$ 199,133
Marketable securities	16,039	7,815
Receivables due from clients, net of allowance for doubtful accounts of $7,951 and $7,307	82,341	68,942
Income tax and other receivables	6,507	6,004
Deferred income taxes	9,035	8,864
Prepaid expenses	12,853	13,710
Total current assets	272,790	304,468
Property and equipment, net	18,410	18,287
Cash surrender value of company owned life insurance policies, net of loans	67,051	65,047
Deferred income taxes	33,857	30,889
Goodwill	105,388	107,014
Deferred financing costs, investments and other	8,364	8,463
Total assets	$ 505,860	$ 534,168
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 7,480	$ 7,196
Income taxes payable	20,047	15,400
Compensation and benefits payable	55,389	107,009
Other accrued liabilities	26,013	28,792
Total current liabilities	108,929	158,397
Deferred compensation and other retirement plans	64,716	59,134
Long-term debt	44,999	44,949
Other	8,395	7,991
7.5% Convertible mandatorily redeemable preferred stock, net of unamortized discount and issuance costs, redemption value $11,387	10,844	10,795
Total liabilities	237,883	281,266
Stockholders' equity		
Common stock: $0.01 par value, 150,000 shares authorized, 42,191 and 41,268 shares issued and 40,769 and 39,888 shares outstanding	344,034	330,745
Retained earnings deficit	(70,971)	(82,584)
Unearned restricted stock compensation	(10,613)	(4,355)
Accumulated other comprehensive income	6,108	9,679
Stockholders' equity	268,558	253,485
Less: Notes receivable from stockholders	(581)	(583)
Total stockholders' equity	267,977	252,902
Total liabilities and stockholders' equity	$ 505,860	$ 534,168

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)

	Three Months Ended July 31,	
	2005	2004
	(unaudited)	
Fee revenue	$ 122,201	$ 102,807
Reimbursed out-of-pocket engagement expenses	6,894	5,376
Total revenue	129,095	108,183
Compensation and benefits	77,955	64,876
General and administrative expenses	22,717	20,844
Out-of-pocket engagement expenses	7,478	5,638
Depreciation and amortization	2,201	2,242
Total operating expenses	110,351	93,600
Operating income	18,744	14,583
Interest and other income, net	1,353	404
Interest expense	(2,479)	(2,553)
Income before provision for income taxes and equity in earnings of unconsolidated subsidiaries	17,618	12,434
Provision for income taxes	6,448	4,486
Equity in earnings of unconsolidated subsidiaries	443	423
Net income	$ 11,613	$ 8,371
Basic earnings per common share	$ 0.29	$ 0.22
Basic weighted average common shares outstanding	39,384	37,801
Diluted earnings per common share	$ 0.27	$ 0.20
Diluted weighted average common shares outstanding	46,686	45,861

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

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three months Ended July 31, 2005	Three months Ended July 31, 2004
	(unaudited)	
Cash from operating activities:		
Net income	$ 11,613	$ 8,371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,201	2,242
Interest paid in kind and amortization of discount on convertible securities	246	1,177
Loss (gain) on disposition of property and equipment	39	(10)
Provision for doubtful accounts	1,819	2,062
Gain on cash surrender value of life insurance policies	(1,990)	(1,000)
Realized gains on marketable securities	(358)	—
Deferred income taxes	(3,139)	(1,023)
Tax benefit from exercise of stock options	1,292	1,566
Non-cash compensation arrangements	1,532	581
Change in other assets and liabilities:		
Deferred compensation	5,582	(275)
Receivables	(15,721)	(16,280)
Prepaid expenses	857	(1,054)
Investment in unconsolidated subsidiaries	(736)	(452)
Income taxes payable	4,515	899
Accounts payable and accrued liabilities	(54,691)	(19,059)
Other	309	630
Net cash used in operating activities	(46,630)	(21,625)
Cash from investing activities:		
Purchase of property and equipment	(2,847)	(999)
Purchase of marketable securities	(7,544)	(7,266)
Business acquisitions	(1,011)	(419)
Premiums on life insurance policies	(429)	(662)
Proceeds from life insurance policy benefits	—	339
Proceeds from dividends on Mexico investment	878	66
Net cash used in investing activities	(10,953)	(8,941)
Cash from financing activities:		
Payments on life insurance policy loans	—	(308)
Borrowings under life insurance policies	416	1,514
Purchase of common stock	(748)	(374)
Proceeds from issuance of common stock upon exercise of employee stock options and in connection with an employee stock purchase plan	5,502	7,378
Receipts on stockholders' notes	2	18
Net cash provided by financing activities	5,172	8,228
Effect of exchange rate changes on cash flows	(707)	523
Net decrease in cash and cash equivalents	(53,118)	(21,815)
Cash and cash equivalents at beginning of the period	199,133	108,102
Cash and cash equivalents at end of the period	$146,015	$ 86,287

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

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements for the three months ended July 31, 2005 and 2004 include the accounts of Korn/Ferry International and all of its wholly and majority owned domestic and international subsidiaries (collectively, the "Company"). The consolidated financial statements are unaudited, but include all adjustments, consisting of normal recurring accruals and any other adjustments that management considers necessary for a fair presentation of the results for these periods. These financial statements have been prepared consistently with the accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2005 ("Annual Report") and should be read together with the Annual Report.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, deferred compensation and the carrying values of goodwill and deferred income taxes.

Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments which are highly liquid, readily convertible and mature within three months from the date of purchase.

Available for Sale Securities

The Company considers its marketable securities as available-for-sale as defined in SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". These investments are recorded at fair value and are classified as marketable securities in the accompanying consolidated balance sheet as of July 31, 2005 and April 30, 2005. The changes in fair values are recorded as unrealized gains (losses) as a separate component of stockholders' equity. Investments are made based on the Company's investment policy which restricts the types of investments that can be made.

Stock Based Compensation

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004) ("Statement 123(R) "), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("Statement 123"). Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees ("APB Opinion No. 25"), and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Statement 123(R) is required to be adopted in fiscal years beginning after June 15, 2005. Early adoption is permitted. The Company expects to adopt Statement 123(R) on May 1, 2006. Statement 123(R) permits public companies to adopt its requirements using one of two methods: (1) A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
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(Continued)
(in thousands, except per share amounts)

unvested on the effective date or (2) A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures in all prior periods presented. The Company plans to adopt Statement 123(R) using the modified prospective method.

As permitted by Statement 123, the Company currently accounts for share-based payments to employees using APB Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have a significant impact on the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of Statement 123(R) cannot be predicted at this time as it depends on levels of share-based payments granted in the future. However, had the Company adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in the table below. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future as they depend on, among other things, when employees exercise stock options, the amount of operating cash flows recognized for such tax deductions was $1,292 and $1,566 for the three months ended July 31, 2005 and 2004, respectively.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of Statement 123:

	Three Months Ended July 31,	
	2005	2004
Net income, as reported	$11,613	$ 8,371
Stock-based employee compensation charges, net of related tax effects:		
Employee stock compensation expense included in net income, as reported	968	341
Employee stock compensation expense determined under the fair-value based method	(2,527)	(2,160)
Net income, as adjusted	$10,054	$ 6,552
Interest expense on convertible securities, net of related tax effects	785	775
Net income adjusted for computation of diluted EPS, as adjusted	$10,839	$ 7,327
Basic EPS		
As reported	$ 0.29	$ 0.22
Pro forma	$ 0.26	$ 0.17
Diluted EPS		
As reported	$ 0.27	$ 0.20
Pro forma	$ 0.23	$ 0.16

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. The following assumptions were used by the Company for options granted in the respective periods:

	Quarter Ended July 31	
	2005	2004
Expected stock volatility	50.0%	63.1%
Risk-free interest rate	3.83%	3.69%
Expected option life (in years)	4.50	4.50

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—
(Continued)
(in thousands, except per share amounts)

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. In management's opinion, existing valuation models do not provide a reliable, single measure of the fair value of its employee stock options because changes in these subjective input assumptions can materially affect the fair value estimate. For purposes of pro forma disclosures, the estimated fair values of the options are amortized over the options' vesting periods.

Common Stock

The Company issued 425,000 and 604,000 common shares as a result of the exercise of stock options and 106,000 and 98,000 common shares in conjunction with the Company's employee stock purchase plan in the three months ended July 31, 2005 and 2004, respectively.

Reclassifications

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

2. Basic and Diluted Earnings Per Share

Basic earnings per common share ("basic EPS") was computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share ("diluted EPS") reflects the potential dilution that would occur if all in-the-money outstanding options or other contracts to issue common stock were exercised or converted and was computed by dividing adjusted net income, after assumed conversion of subordinated notes and preferred stock, by the weighted average number of common shares outstanding plus dilutive common equivalent shares. The following is a reconciliation of the numerator and denominator (shares in thousands) used in the computation of basic and diluted EPS:

	Three Months Ended July 31,	
	2005	2004
Net income (Numerator):		
Net income for basic EPS	$ 11,613	$ 8,371
Interest expense on convertible securities, net of related tax effects	785	775
Net income for diluted EPS	$ 12,398	$ 9,146
Shares (Denominator):		
Weighted average shares for basic EPS	39,384	37,801
Effect of:		
Convertible subordinated notes	4,470	4,509
Convertible preferred stock	1,118	1,127
Warrants	83	274
Restricted stock	126	160
Stock options	1,501	1,988
Employee stock purchase plan	4	2
Adjusted weighted average shares for diluted EPS	46,686	45,861
Basic earnings per share	$ 0.29	$ 0.22
Diluted earnings per share	$ 0.27	$ 0.20

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—
(Continued)
(in thousands, except per share amounts)

Assumed exercises or conversions have been excluded in computing the diluted earnings per share when their inclusion would be anti-dilutive.

3. Comprehensive Income

Comprehensive income is comprised of net income and all changes to stockholders' equity, except those changes resulting from investments by owners (changes in paid in capital) and distributions to owners (dividends).

Total comprehensive income is as follows:

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Net income	$ 11,613	$ 8,371
Unrealized gain on marketable securities, net of taxes	188	—
Foreign currency translation adjustment	(3,759)	647
Comprehensive income	$ 8,042	$ 9,018

The accumulated other comprehensive income at July 31, 2005 is comprised of foreign currency translation adjustments and unrealized gains on marketable securities of $5,886 and $222, respectively.

4. Deferred Compensation, Pension Plan and Executive Capital Accumulation Plan

The Company has a defined benefit pension plan, referred to as the Worldwide Executive Benefit Plans ("WEB" plans), covering certain executives in the United States and foreign countries. The components of net periodic benefit cost are as follows:

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Interest cost	$ 42	$ 50
Amortization of actuarial loss	(36)	(38)
Net periodic benefit cost	$ 6	$ 12

The Company also 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 components of net periodic benefit cost are as follows:

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Service cost	$ 419	$ 786
Interest cost	786	813
Amortization of actuarial gain	104	100
Net periodic benefit cost	$ 1,309	$ 1,699

KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—
(Continued)
(in thousands, except per share amounts)

In fiscal 2005, the Company implemented the Executive Capital Accumulation Plan ("ECAP"). ECAP is intended to provide certain employees an opportunity to defer salary and/or bonus on a pre-tax basis, or make an after-tax contribution. The Company made a $7,880 ECAP contribution in the three months ended July 31, 2005 that vests over a 3 year period.

5. Mandatorily Redeemable Convertible Securities

In June 2002, the Company issued 7.5% Convertible Subordinated Notes in an aggregate principal amount of $40.0 million and 10,000 shares of 7.5% Convertible Series A Preferred Stock at an aggregate purchase price of $10.0 million. The notes and preferred stock have priority over common stockholders. The notes and preferred stock are convertible into shares of the Company's common stock at $10.19 per share. The Company also issued warrants to purchase 274,207 shares of its common stock at an exercise price of $11.94. The warrants expire in 2012. 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, and are amortized over the life of the securities.

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 still 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 at 200% to 250% of the then outstanding principal balance.

Interest and dividends are payable semi-annually 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 securities as interest expense with respect to $3.4 million allocated to the notes and $0.9 million allocated to the preferred stock.

6. 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 candidates' level of compensation. The executive recruitment business segment is managed by geographic regional leaders. Revenue from leadership development solutions and other consulting engagements is included in executive recruitment. Futurestep's worldwide operations are managed by the Chief Executive Officer of Futurestep. The executive recruitment geographic regional leaders and the Chief Executive Officer of Futurestep report directly to the Chief Executive Officer of the Company.

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KORN/FERRY INTERNATIONAL AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(in thousands, except per share amounts)

A summary of the Company’s results of operations by business segment are as follows:

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Fee revenue:		
Executive recruitment:		
North America	$ 61,727	$ 51,656
Europe	27,021	24,818
Asia Pacific	13,319	12,502
South America	3,371	2,106
Total executive recruitment	105,438	91,082
Futurestep	16,763	11,725
Total fee revenue	$ 122,201	$ 102,807

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Total revenue:		
North America	$ 65,648	$ 54,945
Europe	27,988	25,597
Asia Pacific	13,707	12,823
South America	3,547	2,199
Total executive recruitment	110,890	95,564
Futurestep	18,205	12,619
Total revenue	$ 129,095	$ 108,183

	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Operating income (loss):		
Executive recruitment:		
North America	$ 14,313	$ 12,100
Europe	5,087	4,561
Asia Pacific	2,691	2,198
South America	666	280
Total executive recruitment	22,757	19,139
Futurestep	1,931	1,910
Corporate	(5,944)	(6,466)
Total operating income	$ 18,744	$ 14,583

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Forward-looking Statements

This quarterly report on Form 10-Q 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 Form 10-Q are made only as of the date of this 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 Form 10-Q.

Executive Summary

We are the leading provider of executive search, outsourced recruiting and leadership development solutions with the broadest global presence in the recruitment industry. Our services include executive recruitment, middle-management recruitment (through Futurestep), outsourced recruitment, leadership development solutions and executive coaching. Over half of the executive recruitment searches we performed in fiscal 2005 were for board level, chief executive and other senior executive and general management positions. Our 4,160 clients in fiscal 2005 included approximately 47% of the Fortune 500 companies. We have established strong client loyalty; more than 82% of the executive recruitment assignments we performed in fiscal 2005 were on behalf of clients for whom we had conducted assignments in the previous three fiscal years.

In an effort to achieve our long-term vision of being the leading provider of executive search, outsourced recruiting and leadership development solutions, our strategic focus for fiscal 2006 will center upon increasing market share and further increasing the cross-selling and utilization of our multi-product strategy. We will continue to explore new products and services, enhance our technology and processes and aggressively leverage our brand through thought leadership and intellectual capital projects as a means of delivering world-class service to our clients.

Fee revenue increased 19% in the first quarter of fiscal 2006 to $122.2 million with increases across all regions. The North American region experienced the largest dollar increase in fee revenue in both executive recruitment and Futurestep. In the first quarter of fiscal 2006, we earned an operating income of $18.7 million with operating income from executive recruitment of $22.8 million and $1.9 million from Futurestep, partially offset by corporate expenses of $6.0 million.

Our total long-term debt at July 31, 2005 was $45.0 million. Our working capital increased $17.8 million to $163.9 million at July 31, 2005 compared to April 30, 2005.

Critical Accounting Policies

The following discussion and analysis of our financial condition and operating results are based on our unaudited condensed consolidated financial statements. Preparation of this Form 10-Q 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 periods. 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 Notes to Unaudited Condensed Consolidated Financial Statements. We consider the policies related to revenue recognition, deferred compensation and the carrying values of goodwill and deferred income taxes 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 our Fiscal 2005 Annual Report on Form 10-K.

Results of Operations

The following table summarizes the results of our operations for the three months ended July 31, 2005 and 2004 as a percentage of fee revenue:

	Three Months Ended July 31,	
	2005	2004
Fee revenue	100%	100%
Reimbursed out-of-pocket engagement expenses	6	5
Total revenue	106%	105%
Compensation and benefits	64	63
General and administrative expenses	19	20
Out-of-pocket engagement expenses	6	6
Depreciation and amortization	2	2
Restructuring charges	0	0
Operating income	15	14
Net income	9	8

The following tables summarize the results of our operations by business segment. Operating income (loss) is calculated as a percentage of fee revenue.

	Three Months Ended July 31,			
	2005		2004	
	Dollars	%	Dollars	%
Fee revenue				
Executive recruitment:				
North America	$ 61,727	51%	$ 51,656	50%
Europe	27,021	22	24,818	24
Asia Pacific	13,319	11	12,502	12
South America	3,371	3	2,106	2
Total executive recruitment	105,438	87	91,082	88
Futurestep	16,763	13	11,725	12
Total fee revenue	$122,201	100%	102,807	100%
Reimbursed out-of-pocket engagement expenses	6,894		5,376	
Total revenue	$129,095		$108,183	

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	Three Months Ended July 31,			
	2005		2004	
	Dollars	%	Dollars	%
Operating income (loss)				
Executive recruitment:				
North America	$14,313	23%	$12,100	23%
Europe	5,087	19	4,561	18
Asia Pacific	2,691	20	2,198	18
South America	666	20	280	13
Total executive recruitment	22,757	22	19,139	21
Futurestep	1,931	12	1,910	16
Corporate	(5,944)		(6,466)	
Total operating income	$18,744	15%	$14,583	14%

Three Months Ended July 31, 2005 Compared to Three Months Ended July 31, 2004

Fee Revenue. Fee revenue increased $19.4 million, or 19%, to $122.2 million in the three months ended July 31, 2005 compared to $102.8 million in the three months ended July 31, 2004. The improvement in fee revenue is attributable to an increase in the number of engagements billed and average fees. Exchange rates favorably impacted fee revenues by $1.6 million in the current quarter.

Executive Recruitment – Executive Recruitment fee revenue increased $14.4 million, or 16%, due to an increase in both the number of engagements billed and average fees. North America fee revenue increased $10.1 million, or 19%, in the current quarter primarily due to an increase in the number of engagements billed as well as increased average fees. Europe reported fee revenue of $27.0 million, an increase of $2.2 million, or 9%, compared to last year due to increased average fees. Exchange rates favorably impacted European fee revenue by $0.5 million in the current quarter. Asia Pacific fee revenue increased $0.8 million, or 7%, to $13.3 million compared to the same period last year due to an increase in the number of engagements billed. Exchange rates favorably impacted Asia Pacific fee revenue by $0.4 million in the current quarter. South America reported fee revenue of $3.4 million, an increase of $1.3 million, or 60%, compared to last year due to an increase in both the number of new engagements opened and engagements billed. Exchange rates favorably impacted South American fee revenue by $0.4 million in the current quarter.

Futurestep – Fee revenue increased $5.1 million, or 43%, to $16.8 million in the three months ended July 31, 2005 compared to $11.7 million in the three months ended July 31, 2004. The improvement in fee revenue, reflected across all regions, is due to an increase in the number of new engagements opened combined with our advancement in recruitment process outsourcing. Exchange rates favorably impacted Futurestep fee revenue by $0.3 million in the current quarter.

Compensation and Benefits. Compensation and benefits expense increased $13.1 million, or 20%, to $78.0 million in the three months ended July 31, 2005 compared to $64.9 million in the three months ended July 31, 2004. The increase in compensation and benefits expense reflects the hiring of new consultants in addition to increased profitability and retention awards. Exchange rates impacted compensation and benefits unfavorably by $1.0 million. Executive recruitment compensation and benefits costs of $64.3 million increased $10.5 million, or 20%, compared to last year primarily due to 29 new consultants hired over the past year. Exchange rates impacted executive recruitment compensation and benefits expense unfavorably by $0.8 million in the current quarter. Executive recruitment compensation and benefits expense, as a percentage of fee revenue increased slightly to 61% from 59% in the prior year. Futurestep compensation and benefits expense increased $3.4 million, or 48%, to $10.5 million from $7.1 million in the prior year due to significant investments in our people which increased Futurestep's headcount by 97 over the past year. Futurestep compensation and benefits expense, as a percentage of fee revenue, increased slightly to 63% from 61% in the prior year. Corporate compensation and benefits expense decreased $0.8 million, or 21%, to $3.2 million in the current quarter, reflecting better performance on investments related to our Company Owned Life Insurance ("COLI") policies.

General and Administrative Expenses. General and administrative expenses increased $1.9 million, or 9%, to $22.7 million in the three months ended July 31, 2005 compared to $20.8 million in the same period last year. Exchange rates impacted general and administrative expenses unfavorably by $0.3 million in the current quarter. In executive recruitment, general and administrative expenses remained consistent at $16.6 million using constant exchange rates. Executive recruitment general and administrative expenses, as a percentage of fee revenue, improved to 16% from 18% in the prior year. Futurestep general and administrative expense increased $1.2 million, or 57%, primarily due to increased premises and office expense, business development and travel costs and other professional fees. Futurestep general and administrative expenses, as a percentage of fee revenue, increased to 21% from 19% in the prior year. Corporate general and administrative expenses increased $0.4 million, or 15%, over the prior year due to increased professional fees.

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. Out-of-pocket engagement expenses of $7.5 million increased $1.8 million, or 33%, over the prior year as a result of increased engagements in the period. As a percentage of fee revenue, out-of-pocket engagement expense was 6% compared to 5% in the prior year.

Depreciation and Amortization Expenses. Depreciation and amortization expense was $2.2 million in the three months ended July 31, 2005 and 2004.

Operating Income (Loss.) Operating income increased $4.2 million, or 29%, to $18.7 million in the current quarter compared to $14.6 million in the prior year. Operating income, as a percentage of fee revenue, improved to 15% from 14% in the prior year first quarter.

Executive recruitment operating income increased $3.6 million, or 19%, to $22.8 million in the three months ended July 31, 2005 compared to $19.1 million in the three months ended July 31, 2004. The improvement in executive recruitment operating income is primarily a result of increased revenue offset by additional compensation expense. Executive recruitment operating income, as a percentage of fee revenue, improved to 22% from 21% last year.

Futurestep operating income was $1.9 million in the three months ended July 31, 2005 and 2004. Futurestep operating income, as a percentage of fee revenue, declined to 12% from 16% in the prior year.

Interest Income and Other Income, Net. Interest income and other income, net includes interest income of $1.0 and $0.3 million in the three months ended July 31, 2005 and 2004, respectively.

Interest Expense. Interest expense, primarily related to the borrowings under our convertible securities and COLI policies, was $2.5 million in the current quarter, consistent with last year.

Provision for Income Taxes. The provision for income taxes was $6.4 million for the three months ended July 31, 2005 compared to $4.5 million last year. The provision for income taxes reflects a 41.3% effective tax rate for the current year.

Equity in Earnings of Unconsolidated Subsidiaries. Equity in earnings of unconsolidated subsidiaries is comprised of our less than 50% shareholder interest in our Mexican subsidiaries. We report our interest in earnings or loss of the Mexican subsidiaries on the equity basis as a one line adjustment to net income. Equity in earnings was $0.4 million in the three months ended July 31, 2005 and 2004.

Liquidity and Capital Resources

Cash used by operating activities was $46.6 million in the three month ended July 31, 2005 compared to $21.6 million last year. The decrease in operating cash is primarily due to the payment of our annual bonuses, partially offset by the increase in deferred compensation liability and net income.

Cash used in investing activities was $11.0 million in the three months ended July 31, 2005, compared to $8.9 million in the prior year. In the three months ended July 31, 2005 we invested $7.5 million in marketable securities in conjunction with our ECAP program. Capital expenditures for the three months ended July 31, 2005 totaled $2.8 million. Capital expenditures primarily consist of systems hardware, software costs and leasehold improvements.

Cash provided by financing activities was $5.2 million in the three months ended July 31, 2005 compared to $8.2 million last year. In the current quarter we issued common stock of $5.5 million as a result of exercises of employee stock options and in conjunction with our employee stock purchase plan.

Total outstanding borrowings under our COLI policies was $57.0 million and $58.8 million as of July 31, 2005 and 2004, 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 $124.1 million and $118.1 million as of July 31, 2005 and 2004, respectively.

As of July 31, 2005, we had approximately $45.0 million outstanding in aggregate principal amount of 7.5% Convertible Subordinated Notes due in June 2010 and 7.5% Convertible Series A Preferred Stock with an aggregate liquidation preference of $11.4 million.

We have a Senior Secured Revolving Credit Facility with a $50 million borrowing capacity and no borrowing base restrictions. The credit facility is secured by substantially all of our assets including certain accounts receivable balances and guarantees by and pledges a portion of the capital stock of our significant subsidiaries. We are required to meet certain financial condition covenants on a quarterly basis. As of July 31, 2005, we had no outstanding borrowings on our credit facility.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements and have not entered into any transactions involving unconsolidated, limited purpose entities.

Recently Issued Accounting Standards

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004) (Statement 123(R)), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation (Statement 123). Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Statement 123(R) is required to be adopted in fiscal years beginning after June 15, 2005. We expect to adopt Statement 123(R) on May 1, 2006 using the modified-prospective method.

As permitted by Statement 123, we currently account for share-based payments to employees using APB Opinion 25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have a significant impact on our results of operations, although it will have no impact on our overall financial position. The impact of adoption of Statement 123(R) cannot be predicted at this time as it depends on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in Note 1 to our condensed consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption.

Item 3. ***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 and fluctuations in interest rates. 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

Substantially all our foreign subsidiaries' operations 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 reporting period 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 on our Statement of Stockholders' Equity.

Transactions denominated in a currency other than the reporting entity's functional currency may give rise to transaction gains and losses that impact our results of operations. Historically, we have not realized significant foreign currency gains or losses on such transactions. In the three months ended July 31, 2005, there was no impact on foreign currency gains or losses, after the effect of income taxes.

Our primary exposure to exchange losses is based on outstanding inter-company loan balances denominated in U.S. dollars. If the U.S. dollar strengthened 15%, 25% and 35% against Pounds Sterling, the Euro, the Canadian dollar, the Australian dollar and the Yen, the Company ‘s exchange loss would have been $0.6 million, $1.0 million and $1.3 million, respectively, based on outstanding balances at July 31, 2005.

Interest Rate Risk

As of July 31, 2005, we had no outstanding balance on our credit facility. We have $57.0 million of borrowings against the cash surrender value of COLI contracts as of July 31, 2005 bearing interest primarily at variable rates. The risk of fluctuations in these variable rates is minimized by the fact that we receive a corresponding adjustment to our borrowed funds crediting rate on the cash surrender value on our COLI contracts.

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 still outstanding on June 13, 2010.

Item 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures.

Based on their evaluation of our disclosure controls and procedures conducted as of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) are effective.

(b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting or that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

Item 6. Exhibits

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.
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.

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SIGNATURE

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KORN/FERRY INTERNATIONAL

Date: September 8, 2005

By: /s/ GARY D. BURNISON
Gary D. Burnison
Chief Operating Officer and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATIONS

I, Paul C. Reilly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn/Ferry International;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2005

By: /s/ PAUL C. REILLY
Name: Paul C. Reilly
Title: Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Gary D. Burnison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn/Ferry International;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2005

By: /s/ GARY D. BURNISON
Name: Gary D. Burnison
Title: Chief Operating Officer,
Chief Financial Officer and
Executive Vice President

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Korn/Ferry International, a Delaware corporation (the “Company”), hereby certifies that, to his best knowledge:

(a) the Quarterly Report on Form 10-Q for the quarter ended July 31, 2005 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 8, 2005

By: /s/ PAUL C. REILLY
Name: Paul C. Reilly
Title: Chairman and Chief Executive Officer

By: /s/ GARY D. BURNISON
Name: Gary D. Burnison
Title: Chief Operating Officer,
Chief Financial Officer and
Executive Vice President