



2001 ANNUAL REPORT



HUMAN CAPITAL
The Currency of the New Millennium

FACTS AND FIGURES

Net Income \$31.0 MILLION	Total Number of Countries 41	EPS 81¢
Futurestep Candidates 970 THOUSAND	Revenue \$653.8 MILLION	Employees 2,742
Operating Profit \$62.9 MILLION	Total Number of Offices 105	Industry Ranking # 1

(Dollars in Millions Except Per Share Data)

For the fiscal years ended April 30	2001	2000	1999
Revenues			
North America	\$ 343.1	\$ 271.3	\$ 185.5
Europe	135.3	112.0	101.5
Asia/Pacific	54.0	48.6	35.0
Latin America	34.6	30.5	29.7
Executive Search	\$ 567.0	\$ 462.4	\$ 351.7
Futurestep	82.1	38.3	4.4
JobDirect	4.7		
Total	\$ 653.8	\$ 500.7	\$ 356.1
Compensation and benefits	378.8	298.9	226.6
General and administrative expenses	203.1	147.0	94.9
Non-recurring charges	-	-	89.2
Provision for income taxes	25.3	24.1	9.0
Net Income (Loss)	\$ 31.0	\$ 30.8	\$ (66.4)
Per common share			
Basic	.83	.85	(2.37)
Diluted	.81	.82	(2.37)
Total Assets	\$ 500.3	\$ 476.0	\$ 304.1
Total Liabilities	\$ 226.9	\$ 241.6	\$ 129.4
Shareholders' equity	\$ 270.2	\$ 231.2	\$ 172.7
Diluted weighted average common shares outstanding	38.5	37.7	28.1
Number of offices	105	104	71
Number of consultants	676	595	425
Number of assignments	11,706	9,089	6,771
Number of candidates in Futurestep database	970,000	666,000	276,000

SEE THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO.

FOR MORE THAN THREE DECADES, clients on a global basis have turned to Korn/Ferry to help them find, assess and place executives who can transform their companies.

Today, the need for human capital is more complex and critical than ever before. The speed of change, the rapid advancement of technological innovation, the declining demographics in the middle to senior management range and the increased globalization of business have created unprecedented demand for superior management skills. Just as financial capital shaped the economies of the past, human capital will be the dominant currency of the new millennium.

Korn/Ferry, because of its leadership position and depth of talented, dedicated professionals, is better positioned than any competitor to help companies manage this escalating demand for human capital. The strength of our brand allows us to attract quality talent worldwide, while our investment in technology affords us the ability to identify, assess and secure exceptional talent for our clients quickly and efficiently.

Korn/Ferry has a history of innovation and leadership. We were among the first to aggressively expand our global network of offices; the first major firm to establish global specialty practices; and, fueled with capital from our successful initial public offering in February 1999, we continued the global expansion of Futurestep and became the first to create a broader spectrum of services to help our clients manage the increasing need for human capital solutions.

Our expanding menu of services is driven by the needs of our clients. As the world's largest executive search firm with 105 offices in 41 countries, Korn/Ferry has relationships with 68 percent of the Global *Fortune* 1000 companies. And the message from our customers is clear—they want our help to identify, assess and attract superior talent. They want our help to manage their human capital needs to achieve their strategic objectives and to drive shareholder value.

A key element to success in recruiting today is ensuring the “right fit,” and candidate assessment has become more critical in the recruitment process. Initiated by Futurestep, Korn/Ferry has leveraged its unique and proprietary assessment software, which it has under exclusive license, to assist clients across their entire organization. We now have the ability to identify emerging talent; find, assess and recruit middle-level management; seek out and secure senior executives; assess existing management teams; and fill the increasing demand for superior board directorships.

In the past fiscal year, we took several major steps toward executing our broad human capital strategy. In July, 2000, we acquired JobDirect, an emerging college recruitment company that allows clients to instantly sort through an updated database of nearly 1.5 million recent college graduates to fill entry-level positions in a cost-efficient, timely and continuous process. In addition, we made a strategic investment last year in Jungle Interactive Media, a multi-media and career destination company aimed at MBAs, and embarked upon a 10-year exclusive relationship with the Graduate Management Admission Council (GMAC), giving us — and our clients — an opportunity to develop early relationships with graduate-level students who represent tomorrow's leadership.

In the senior executive market, our leadership position was affirmed again last year through our continued growth in revenue and client base, as well as a remarkable level of industry and professional recognition. Despite a latter-half downturn in the North American market, our executive search revenue increased 23 percent last year, and our number of engagements grew 11 percent. At the same time, we were named the largest search firm in the world by *Executive Recruiter News* and *Executive Search Review*, and the leading search firm by Vault.com, and the International Association of Corporate and Professional Recruiters, among others. These accolades reflect our commitment to client satisfaction and our expanding efforts to manage the flow of global talent.

In the middle-management market, fiscal year 2001 saw Futurestep grow its revenues by more than 114 percent. Futurestep is unrivaled in its global presence and unique product offerings, enjoying the distinction of “first mover” advantage and key competitive differentiation. Futurestep's ability to quickly find, assess and place middle-level talent was built by leveraging Korn/Ferry's core competencies in executive search through the technological efficiencies of the Internet. In just three years, Futurestep's annual revenues have grown from zero to more than \$80 million, validating the strong market demand in the \$75,000 to \$150,000 salary range.

Last year also marked the North American launch of our Management Assessment business. We have successfully operated a Management Assessment practice in Europe for the past several years, and we launched the business in North America in October, 2000, based on escalating client demand.

Our dedication to client results has also paid off in our financial performance. We finished fiscal year 2001 with record revenues and earnings, thanks to an exceptionally strong first half. Revenues for the fiscal year ended April 30, 2001 rose 31 percent to \$654 million from \$501 million the previous year. Excluding the JobDirect losses of \$7 million, net income for fiscal 2001 rose 22 percent to \$38 million from \$31 million in fiscal 2000. On this same basis, earnings per share rose 20 percent to \$0.98 for fiscal 2001 from \$0.82 in fiscal 2000.

These results were achieved despite a weakening in the North American economy, which began to effect our business in the second quarter, and which grew more pronounced in the third and fourth quarters.

Revenues in our executive recruitment business grew 23 percent to \$567 million, while operating profit rose 27 percent to \$100 million in fiscal 2001. Revenues for Futurestep exceeded \$82 million in fiscal 2001 compared to \$38 million in fiscal 2000. Futurestep's operating loss, primarily stemming from compensation and benefits expenses, advertising and other start-up costs, was \$26 million in fiscal 2001 compared to \$24 million in the prior year.



PAUL C. REILLY

*Chairman and Chief Executive Officer
Korn/Ferry International*

On June 30, 2001, I assumed my role as Chairman and Chief Executive Officer of Korn/Ferry International. Korn/Ferry represents a hugely exciting personal opportunity because I believe in the company's brand, its core competencies and its long history of commitment to client service. Human capital will be one of the most dynamic and fastest growing segments of the global economy for a long time to come. The ability to identify, attract and retain superior talent will be one of the most formidable challenges for successful companies to manage over the near and long term future. I'm convinced that Korn/Ferry is the best positioned firm to lead the human capital industry and to help clients manage this increasingly difficult market. I look forward to leading the next generation of change in this industry, despite the challenges of the marketplace in the short term. Korn/Ferry has a tradition of leadership in this market, and we will carry that tradition forward as technology and consolidation of human capital enterprises continue to reshape the industry. It is a pleasure to join Korn/Ferry's employees, customers and shareholders as we embark on this journey together in driving innovation and enhancing shareholder value.

PAUL C. REILLY

As a result of deteriorating economic conditions, we revised our earnings outlook for the year in February, 2001, and took strong steps to lower our cost structure in line with softening demand by implementing a 10 percent reduction in our global workforce and a reduction in general overhead. These steps allowed us to eliminate roughly \$16 million from our cost structure and position us for the uncertainty we face for the coming year.

In December of the last fiscal year, we appointed Stephen Semprevivo as Chief Executive Officer of Futurestep. In line with our corporate commitment to profitability and revenue growth, Stephen reorganized Futurestep's operations within North America around the three core tasks of business development, account management and client execution. In addition, Futurestep's search operations were reorganized by business segment to better align with our client sectors, and Futurestep consultants were co-located into Korn/Ferry offices to more fully develop an integrated solutions approach to the market.

As the leading brand in executive search, Korn/Ferry is often called upon to offer guidance and assistance in the process of succession planning. This past fiscal year we put our abilities in succession planning to work within our own firm. In December, 2000, we approached our board of directors with the recommendation that Korn/Ferry launch an orderly search for a new CEO and take the appropriate steps to ensure a smooth management transition.

With the full resources of Korn/Ferry behind the search, we identified and assessed an excellent slate of internal and external candidates for the position. On May 24, 2001, we announced the appointment of Paul C. Reilly as our Chairman and CEO, effective June 30, 2001.

Prior to joining us, Paul was Chief Executive Officer of KPMG International, where he oversaw the audit, tax, consulting and financial advisory services operations in 156 countries. We are very excited about Paul joining our firm and believe he will lead Korn/Ferry to even greater success in the years to come.

As we look toward the coming year with a concern about the economic climate, we continue to keep a close eye on costs, and will take the necessary steps to protect our leadership position, gain market share and resume our strong growth when the economy rebounds.

As companies around the globe grapple with the difficulty of identifying, assessing, securing and retaining talent, we will continue to

respond to their needs with more sophisticated and refined service offerings. Human capital is indeed the currency of the 21st century, and Korn/Ferry is the leading solutions provider in this category.

We'd like to thank the Korn/Ferry management team for the work they've done in bringing this company forward, and our clients, employees and shareholders for making fiscal 2001 a successful year.

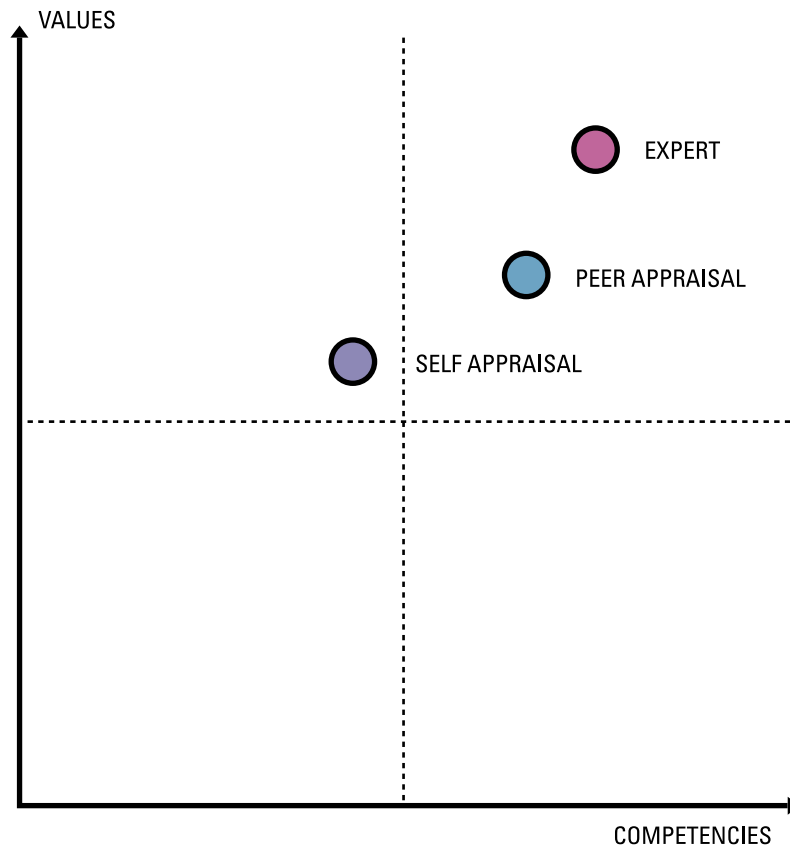


RICHARD M. FERRY
Chair of the Board

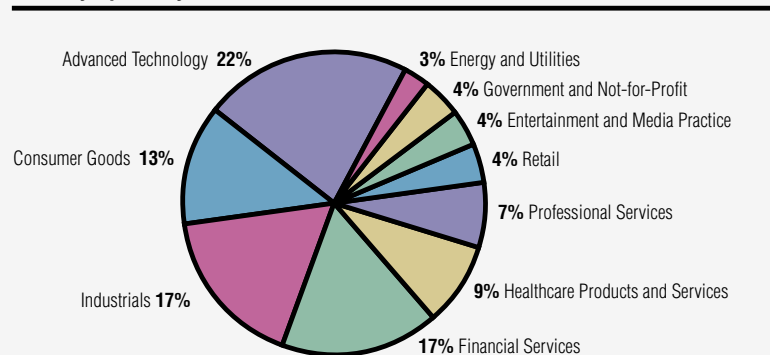


WINDLE B. PRIEM
*Chief Executive Officer,
President and Director*

EVALUATING THE INDIVIDUAL FIT



HUMAN CAPITAL
The Currency of the New Millennium

Industry Specialty Practices Percentages of Fiscal 2001 Assignments

FOR more than 30 years, Korn/Ferry International has been a leader and innovator in executive search and assessment. Since 1969, the company's core focus on senior executive search to secure CEOs, CFOs, board members and other top executives, has resulted in over 80,000 senior-level searches for clients in virtually every industry stretching to all parts of the globe. Each year, nearly 5,000 clients and 1.5 million candidates experience the high-quality service that Korn/Ferry delivers on a regular basis.

As our business has grown and our skills have developed, the marketplace has recognized Korn/Ferry for its leadership. Many companies declare themselves as "leaders." Rarely, however, does one company in any industry receive as many third-party endorsements certifying its leadership position as Korn/Ferry has received in just the final few months of the 2001 fiscal year.

In February, the American Council on Education (ACE) awarded Korn/Ferry the ACE Leadership Award for 2001, based on the company's leading role in advancing women into senior-level positions within higher education.

In March, 2001, three separate noteworthy rankings were announced: Vault.com's inaugural executive search firm ranking, compiled from a survey of human resources professionals around the country, resulted in

Korn/Ferry International being named the "Number One Search Firm in the United States."

Executive Recruiter News conducted its annual survey of firms in our industry, with Korn/Ferry International being named the "World's Largest Executive Search Firm."

And Hunt-Scanlon's annual analysis of the 10 largest executive search firms found Korn/Ferry International to be the "Number One Executive Search Firm in the World."

In April, 2001, the Economist Intelligence Unit (EIU) listed Korn/Ferry International as the "Leading Executive Search Firm in Asia and Australasia," based on annual research conducted by EIU which showed Korn/Ferry achieving the highest revenue in the region in fiscal year 2000.

We have a presence in 41 countries and are strategically positioned to meet the needs of both indigenous and global clients. Our global database of highly qualified candidates allows us to meet client's ever-expanding requirements for diverse and internationally experienced talent.

Our reputation as innovators in executive recruitment started as early as 1970, when we introduced our first global specialty practice, one of the first in the industry and an effort we have continued to expand in the years since.

Through this focus on specialty practices, we provide our clients with cutting-edge

search capabilities in key specialized areas ranging from Advanced Technology, Board Services, Consumer, Energy, Diversity, Financial Services and Education/Not-for-Profit to Healthcare Products and Services, Industrial, Media/Entertainment and Convergence, Private Equity, Professional Services and Retail/Fashion.

In addition, Korn/Ferry has developed functional centers of expertise to focus on such specific areas as Corporate Communications, Finance, Human Resources, Information Technology Services, Legal, Physician Executives, Research, Development and Engineering and Trade Association/Policy Organizations.

The results of this focus on clients can be found in the growth of Korn/Ferry's business. Global executive search revenues for fiscal year 2001 were \$567 million, reflecting an impressive growth of 23 percent over the prior fiscal year, and making Korn/Ferry the largest executive search firm in the world.

The Americas region, under the leadership of James Boone, has 34 offices and accounts for 67 percent of global executive recruitment revenues. Executive recruitment revenue in North America for fiscal year 2001 was \$343 million, an increase of 27 percent over the prior year while Latin America recorded revenues of \$35 million, an annual increase of 14 percent.

Growth was steady throughout all of North America, and Korn/Ferry is now the largest executive search firm in Canada.

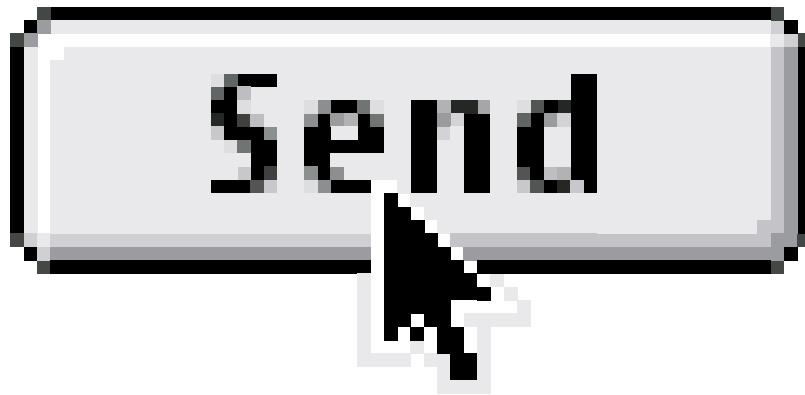
Korn/Ferry Europe, headed by Dick Buschman, has 27 offices in 21 countries, and accounts for 24 percent of global executive recruitment revenue. In fiscal year 2001, Korn/Ferry Europe saw revenues increase 21 percent to \$135 million. The region also instituted a strategic client relationship program in the past year, and this focus on client service has generated larger and deeper client relationships with 83 percent of European clients providing repeat business for the firm. These initiatives, along with key hires and a strategic acquisition focus, helped improve operating margins for the region by 28 percent last year.

The Asia/Pacific region has 14 offices in 11 countries and generates 10 percent of global executive recruitment revenue. The region is headed by Charles Tseng, who joined Korn/Ferry in September, 2000. With revenues last fiscal year of \$54 million, Korn/Ferry is the largest executive search firm in Asia, with dominant market share. Fiscal year revenues increased by 11 percent in the region in fiscal 2001, with strong growth coming from the Australian and ASEAN markets. In addition to being the largest firm in the entire region, Korn/Ferry is also the largest in key growth markets such as Japan, China, Hong Kong and Australia.

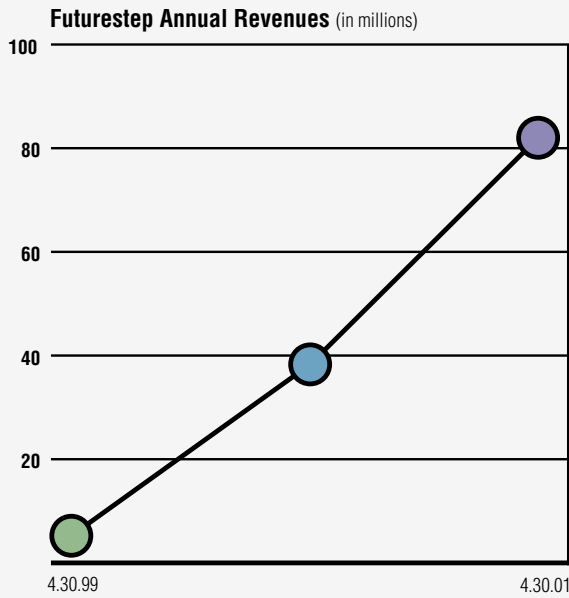
In addition to executive search, Korn/Ferry also has a growing management assessment business. In September, 2000, Korn/Ferry expanded its Management Assessment practice into the North American market, after a successful debut in Europe. This critical service evaluates the alignment of a leadership team with an organization's strategy, required competencies and core values.

The Management Assessment business is a critical tool for evaluating human capital and will grow increasingly important as companies grapple with rapidly changing market dynamics.

DRIVING SOLUTIONS THROUGH TECHNOLOGY



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FUTURESTEP is the world's leading Internet-based middle-management recruitment company and a wholly owned subsidiary of Korn/Ferry International. Created in 1998 through a strategic alliance between Korn/Ferry and *The Wall Street Journal*, Futurestep combines the high-quality service and expertise of retained executive search with the reach and speed of the Internet to fill positions with a base compensation in the range of \$75,000 to \$150,000.

Fiscal year 2001 marked triple-digit growth for Futurestep, as revenues increased 114 percent to \$82 million. This growth was driven by increased customer acceptance of Futurestep products and services, as well as continued expansion in Europe and Asia. Last year also marked the appointment of a new CEO for Futurestep, Stephen Semprevivo, who joined the company in December, 2000.

In addition to strong revenue growth, Futurestep also continued to grow its candidate database. As of June 30, 2001, there were more than 1 million candidate records registered in the Futurestep database, which provides Futurestep's worldwide network of recruiters with instant access to high-quality,

prescreened professional candidates across multiple industries and functional areas.

Prospective candidates register with Futurestep through the Candidate Acquisition Web site, which was selected a "Best of the Web" destination by Forbes.com. In registering, candidates provide detailed information about their professional histories, personal styles and career motivators. Futurestep's proprietary assessment technology applies clients' customized matching criteria to identify candidates for job opportunities based on their personal profiles. Futurestep's confidential candidate database comprises both general and niche populations designed and developed to accelerate the search process. To help build niche populations and close searches faster, Futurestep uses targeted marketing campaigns designed to drive the right candidates into the database to meet specific clients' needs.

Part of Futurestep's success to date has stemmed from its selection of highly prestigious strategic alliance partners. Futurestep's alliance with *The Wall Street Journal*, a relationship that helped Futurestep gain worldwide credibility at its initial launch, has been key to building

the brand. *The Wall Street Journal*, along with its online career destination, CareerJournal.com, have also been tremendous vehicles for candidate acquisition, driving thousands of qualified applicants to the Futurestep Web site and database each year.

In another high-profile alliance, Futurestep and Korn/Ferry recently announced that they have joined forces with Yahoo! to create the Yahoo! Careers Executive Center. The companies' shared strategic goal is to build the dominant online career channel for senior executives, middle managers, IT professionals and others earning \$75,000 or more annually.

Korn/Ferry and Futurestep are the exclusive sponsors of the Yahoo! Careers Executive Center. Visitors to the center can build customized profiles and resumes, complete career assessments, access Korn/Ferry and Futurestep content and respond to exclusive job opportunities.

Yahoo! has 185 million registered users and attracts 1.5 million users to Yahoo! Careers per month. Yahoo! selected Korn/Ferry and Futurestep as partners due to the companies' leadership positions in senior executive and technology-based recruitment. By coupling the leading global recruitment firms with the world's most popular portal, Yahoo!, Futurestep and Korn/Ferry have the potential to deliver the Internet site that professionals go to when looking for career opportunities, advice and information.

In addition to key alliances, Futurestep has continued to build upon its first mover advantage with new internal technologies. As a result, fiscal year 2001 marked the introduction of new products such as Futurestep Recruiter, a software package that allows clients to manage the mechanics of the recruiting process from their desktops.

Futurestep Recruiter is part of Futurestep's Solutions Orientation strategy, which provides clients with a variety of technology-based recruitment tools. It also reflects Futurestep's Tiered Solutions approach, in which clients can contract with Futurestep for select elements

of the recruitment process, such as candidate identification or assessment, to complement their own in-house efforts.

Globally, Futurestep continued its expansion. Futurestep Europe, headed by Ken Brotherston, recorded strong revenue growth of 193 percent to \$45 million. Fiscal year 2001 marked further expansion for Futurestep Europe with the opening of new offices in Paris, Strasbourg, Lyon, Rome, Milan and Birmingham. Futurestep Europe now operates out of 17 offices in 11 countries and is ranked among the largest recruitment companies on the continent.

Futurestep Asia, headed by Tim Nelson, completed its first full year of operations and grew revenues to more than \$10 million. With offices in 7 countries, Futurestep Asia opened almost 600 client engagements in fiscal year 2001. In driving candidate acquisition, Futurestep Asia established innovative strategic alliances such as the creation of the Executive Career Center with the Nikkei Web portal, the leading business news outlet in Japan. In addition, Futurestep linked with numerous organizations, such as the Australian Graduate School of Management, Certified Practicing Accountants and the Institute of Chartered Accountants, to expand its database with strong technical specialists.

Futurestep is squarely positioned to serve the middle-management recruitment sector, a market that is estimated at \$35 billion annually, and which is expected to be the fastest growing market in the overall recruitment industry. Through its proprietary technology, its heritage and association with the Korn/Ferry family and its key global alliances, Futurestep will continue the expansion of its leadership position in the middle-management recruitment market.

Board of Directors

PAUL C. REILLY ⁽¹⁾

*Chairman of the Board and
Chief Executive Officer*

RICHARD M. FERRY ⁽²⁾

Founder Chair and Director

PETER L. DUNN

Vice Chair, General Counsel and Director

JAMES E. BARLETT

*Chairman, Chief Executive Officer
and President of Galileo International*

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*Retired Chairman, Chief Executive Officer
and President of Mellon Financial Corporation*

TIMOTHY K. FRIAR

Managing Director and Director

SAKIE T. FUKUSHIMA

Vice President and Director

PATTI S. HART

*Chairman and Chief Executive Officer
of Excite@Home*

SCOTT E. KINGDOM

Managing Director and Director

CHARLES D. MILLER

*Retired Chairman and Chief Executive Officer
of Avery Dennison Corporation and Chairman of
Nationwide Health Properties, Inc.*

WINDLE B. PRIEM ⁽³⁾

Director

GERHARD SCHULMEYER

*Chief Executive Officer and President
of Siemens Corporation*

MARK THOMPSON

Chairman of Rioport, Inc.

⁽¹⁾ Effective June 30, 2001.

⁽²⁾ Chairman of the Board until June 29, 2001.

⁽³⁾ Chief Executive Officer and President until
June 29, 2001.

Senior Management

MICHAEL D. BEKINS

Chief Operating Officer

JAMES E. BOONE

President of the Americas

DICK BUSCHMAN

President of Europe

PETER L. DUNN

Vice Chair, General Counsel and Director

GARY HOURIHAN

*Executive Vice President, Organizational
Development*

ELIZABETH S.C.S. MURRAY

Executive Vice President and Chief Financial Officer

CHARLES TSENG

President of Asia/Pacific

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